CLECO POWER LLC
Form 10-K
February 22, 2012

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011
Or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

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

Registrant's telephone number, including area code: (318) 484-7400
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1.00 par value, and associated rights to purchase Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Title of each class
4.50% Cumulative Preferred Stock, $100 Par Value

Commission file number 1-05663
CLECO POWER LLC
(Exact name of registrant as specified in its charter)

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

Registrant's telephone number, including area code: (318) 484-7400
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
6.50% Senior Notes due 2035	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Title of each class
Membership Interests

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

Indicate by check mark if Cleco Corporation is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if Cleco Power LLC is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the Registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of each of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

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

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

(Continuation of cover page)

The aggregate market value of the Cleco Corporation voting stock held by non-affiliates was $2,075,188,126 as of the last business day of Cleco Corporation's most recently completed second fiscal quarter, based on a price of $34.85 per common share, the closing price of Cleco Corporation's common stock as reported on the New York Stock Exchange on such date. Cleco Corporation's Cumulative Preferred Stock is not listed on any national securities exchange, nor are prices for the Cumulative Preferred Stock quoted on any national automated quotation system; therefore, its market value is not readily determinable and is not included in the foregoing amount.
As of February 1, 2012, there were 60,825,604 outstanding shares of Cleco Corporation's Common Stock, par value $1.00 per share. As of February 1, 2012, all of Cleco Power's membership interests were owned by Cleco Corporation.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Cleco Corporation's definitive Proxy Statement relating to its Annual Meeting of Shareholders to be held on April 27, 2012, are incorporated by reference into Part III herein.

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

This report should be read in its entirety as it pertains to each respective Registrant. The Notes to the Financial Statements for the Registrants and certain other sections of this report are combined.

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GLOSSARY OF TERMS

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

ABBREVIATION OR ACRONYM	DEFINITION
401(k) Plan	Cleco Power 401(k) Savings and Investment Plan
ABR	Alternate Base Rate
Acadia	Acadia Power Partners, LLC, a wholly owned subsidiary of APH. Acadia no longer owns any materials and supply inventory, property, plant, and equipment, or land as a result of the disposition of Acadia Unit 2 to Entergy Louisiana on April 29, 2011. From February 23, 2010 to April 29, 2011, Acadia was owned 100% by Cajun and consisted of Acadia Unit 2. Prior to February 23, 2010, Acadia was 50% owned by APH and 50% owned by Cajun and consisted of Acadia Unit 1 and Acadia Unit 2.
Acadia Unit 1	Cleco Power's 580-MW unit, combined cycle, natural gas-fired power plant located at the Acadia Power Station near Eunice, Louisiana
Acadia Unit 2	Entergy Louisiana's 580-MW unit, combined cycle, natural gas-fired power plant located at the Acadia Power Station near Eunice, Louisiana. Prior to April 29, 2011, Acadia Unit 2 was owned by Acadia.
Acadiana Load Pocket	An area in south central Louisiana that has experienced transmission constraints caused by local load and lack of generation. Transmission within the Acadiana Load Pocket is owned by several entities, including Cleco Power.
AFUDC	Allowance for Funds Used During Construction
Amended EPC Contract	Amended and Restated EPC Contract between Cleco Power and Shaw, executed on May 12, 2006, for engineering, procurement, and construction of Madison Unit 3, as amended by Amendment No. 1 thereto effective March 9, 2007, Amendment No. 2 thereto dated as of July 2, 2008, Amendment No. 3 thereto dated as of July 22, 2009, and Amendment No. 4 thereto dated October 19, 2009.
Amended Lignite Mining Agreement	Amended and restated lignite mining agreement effective December 29, 2009
AMI	Advanced Metering Infrastructure
APH	Acadia Power Holdings LLC, a wholly owned subsidiary of Midstream
ARO	Asset Retirement Obligation
Attala	Attala Transmission LLC, a wholly owned subsidiary of Cleco Corporation
Brame Energy Center	Facility consisting of Nesbitt Unit 1, Rodemacher Unit 2, and Madison Unit 3. On June 11, 2010, Rodemacher Power Station was renamed Brame Energy Center.
CAA	Clean Air Act
CAH	Calpine Acadia Holdings, LLC
Cajun	Cajun Gas Energy L.L.C., a wholly owned subsidiary of third parties. In conjunction with the disposition of Acadia Unit 2 on April 29, 2011, APH no longer has any ownership interest in Cajun. From February 23, 2010 to April 29, 2011, Cajun was 50% owned by APH and 50% owned by third parties. Prior to February 23, 2010, Cajun was 100% owned by third parties.
CSAPR	The Cross-State Air Pollution Rule
CCN	Certificate of Public Convenience and Necessity

CES	Calpine Energy Services, L.P.
CLE Intrastate	CLE Intrastate Pipeline Company LLC, a wholly owned subsidiary of Evangeline
Cleco Innovations LLC	A wholly owned subsidiary of Cleco Corporation
Cleco Katrina/Rita	Cleco Katrina/Rita Hurricane Recovery Funding LLC, a wholly owned subsidiary of Cleco Power
CO_2	Carbon dioxide
Coughlin	Coughlin Power Station, a combined-cycle, natural gas-fired power plant located in Evangeline Parish, Louisiana. On June 11, 2010, Evangeline Power Station was renamed Coughlin Power Station.
DHLC	Dolet Hills Lignite Company, LLC, a wholly owned subsidiary of SWEPCO
Diversified Lands	Diversified Lands LLC, a wholly owned subsidiary of Cleco Innovations LLC
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010. Section 1503 under Title XV – Miscellaneous Provisions include requirements for reporting mine safety.
DOE	United States Department of Energy
EAC	Environmental Adjustment Clause
Entergy	Entergy Corporation
Entergy Arkansas	Entergy Arkansas, Inc.
Entergy Gulf States	Entergy Gulf States Louisiana, L.L.C., formerly Entergy Gulf States, Inc.
Entergy Louisiana	Entergy Louisiana, LLC
Entergy Mississippi	Entergy Mississippi, Inc.
Entergy Services	Entergy Services, Inc., as agent for Entergy Louisiana and Entergy Gulf States
EPA	United States Environmental Protection Agency
EPC	Engineering, Procurement, and Construction
ERO	Electric Reliability Organization
ESPP	Cleco Corporation Employee Stock Purchase Plan
Evangeline	Cleco Evangeline LLC, a wholly owned subsidiary of Midstream, and its combined cycle, natural gas-fired power plant located in Evangeline Parish, Louisiana. On June 11, 2010, the power plant was renamed Coughlin Power Station.
Evangeline 2010 Tolling Agreement	Capacity Sale and Tolling Agreement between Evangeline and JPMVEC, which was executed in February 2010 and expired on December 31, 2011

ABBREVIATION OR ACRONYM	DEFINITION
Evangeline Restructuring Agreement	Purchase, Sale and Restructuring Agreement entered into on February 22, 2010, by Evangeline and JPMVEC
Evangeline Tolling Agreement	Capacity Sale and Tolling Agreement between Evangeline and BE Louisiana LLC (as successor to Williams Power Company, Inc.) which was set to expire in 2020 and was terminated in February 2010. In September 2008, BE Louisiana LLC was merged into JPMVEC.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FRP	Formula Rate Plan
GAAP	Generally Accepted Accounting Principles in the United States
GDP-IPD	Gross Domestic Product – Implicit Price Deflator
Generation Services	Cleco Generation Services LLC, a wholly owned subsidiary of Midstream
GO Zone	Gulf Opportunity Zone Act of 2005 (Public Law 109-135)
ICT	Independent Coordinator of Transmission
Interconnection Agreement	One of two Interconnection Agreement and Real Estate Agreements, one between Attala and Entergy Mississippi, and the other between Perryville and Entergy Louisiana
IRP	Integrated Resource Planning
IRS	Internal Revenue Service
JPMVEC	J.P. Morgan Ventures Energy Corporation. In September 2008, BE Louisiana LLC was merged into JPMVEC.
kWh	Kilowatt-hour(s) as applicable
LDEQ	Louisiana Department of Environmental Quality
LIBOR	London Inter-Bank Offer Rate
Lignite Mining Agreement	Dolet Hills Mine Lignite Mining Agreement, dated as of May 31, 2001
LPSC	Louisiana Public Service Commission
LTICP	Cleco Corporation Long-Term Incentive Compensation Plan
Madison Unit 3	A 600-MW solid-fuel generating unit at Cleco Power's plant site in Boyce, Louisiana that commenced commercial operation on February 12, 2010. Prior to June 11, 2010, Madison Unit 3 was known as Rodemacher Unit 3.
MATS	Mercury and Air Toxics Standards
Midstream	Cleco Midstream Resources LLC, a wholly owned subsidiary of Cleco Corporation
MMBtu	Million British thermal units
Moody's	Moody's Investors Service
MW	Megawatt(s) as applicable
MWh	Megawatt-hour(s) as applicable
NAC	North American Coal Corporation
NERC	North American Electric Reliability Corporation
Not Meaningful	A percentage comparison of these items is not statistically meaningful because the percentage difference is greater than 1,000%
NO_2	Nitrogen dioxide
NO_x	Nitrogen oxides
OATT	Open Access Transmission Tariff
OCI	Other Comprehensive Income
Oxbow	Oxbow Lignite Company, LLC, 50% owned by Cleco Power and 50% owned by SWEPCO

PCAOB	Public Company Accounting Oversight Board
PCB	Polychlorinated biphenyl
PEH	Perryville Energy Holdings LLC, a wholly owned subsidiary of Midstream
Perryville	Perryville Energy Partners, L.L.C., a wholly owned subsidiary of Cleco Corporation
Perryville and PEH Bankruptcy Court	U.S. Bankruptcy Court for the Western District of Louisiana, Alexandria Division
Power Purchase Agreement	Power Purchase Agreement, dated as of January 28, 2004, between Perryville and Entergy Services
PPACA	Patient Protection and Affordable Care Act (HR 3590)
PRP	Potentially responsible party
Registrant(s)	Cleco Corporation and Cleco Power
RFP	Request for Proposal
RTO	Regional Transmission Organization
Sale Agreement	Purchase and Sale Agreement, dated as of January 28, 2004, between Perryville and Entergy Louisiana
SEC	Securities and Exchange Commission
SERP	Cleco Corporation Supplemental Executive Retirement Plan
Shaw	Shaw Contractors, Inc., a subsidiary of The Shaw Group Inc.
SO_2	Sulfur dioxide
SPP	Southwest Power Pool
SPP RE	Southwest Power Pool Regional Entity
Support Group	Cleco Support Group LLC, a wholly owned subsidiary of Cleco Corporation
SWEPCO	Southwestern Electric Power Company, a wholly owned subsidiary of American Electric Power Company, Inc.
Teche	Teche Electric Cooperative, Inc.
VaR	Value-at-risk
VIE	Variable Interest Entity

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes "forward-looking statements" about future events, circumstances, and results. All statements other than statements of historical fact included in this Annual Report are forward-looking statements, including, without limitation, future capital expenditures; projections, including with respect to base revenue; business strategies; goals, beliefs, plans and objectives; competitive strengths; market developments; development and operation of facilities; growth in sales volume; meeting capacity requirements, including through RFPs; expansion of service to certain customers and service to new customers; future environmental regulations and remediation liabilities; electric customer credits; and the anticipated outcome of various regulatory and legal proceedings. Although the Registrants believe that the expectations reflected in such forward-looking statements are reasonable, such forward-looking statements are based on numerous assumptions (some of which may prove to be incorrect) and are subject to risks and uncertainties that could cause the actual results to differ materially from the Registrants' expectations. In addition to any assumptions and other factors referred to specifically in connection with these forward-looking statements, the following list identifies factors that could cause the Registrants' actual results to differ materially from those contemplated in any of the Registrants' forward-looking statements:

- factors affecting utility operations, such as unusual weather conditions or other natural phenomena, catastrophic weather-related damage (such as hurricanes and other storms or severe drought conditions), unscheduled generation outages, unanticipated maintenance or repairs, unanticipated changes to fuel cost, fuel supply costs or availability constraints due to higher demand, shortages, transportation problems, or other developments, fuel mix of Cleco's generation facilities, decreased customer load, environmental incidents, environmental compliance costs, and power transmission system constraints,
- Cleco Corporation's holding company structure and its dependence on the earnings, dividends, or distributions from its subsidiaries to meet its debt obligations and pay dividends on its common stock,
- Cleco Power's participation in any government grants,
- Cleco Power's ability to maintain its right to sell wholesale generation at market-based rates within its control area,
- dependence of Cleco Power for energy from sources other than its facilities and the uncertainty of future sources of such additional energy,
- nonperformance by and creditworthiness of counterparties under tolling and power purchase agreements, or the restructuring of those agreements, including possible termination,
- nonperformance by and creditworthiness of the guarantor counterparty of the U.S. Bank New Markets Tax Credit Fund 2008-1 LLC,
- regulatory factors such as changes in rate-setting

policies, recovery of investments made under traditional regulation, recovery of storm restoration costs, the frequency and timing of rate increases or decreases, the results of periodic NERC audits and LPSC audits, the formation of ICTs, including possible participation in an RTO and Cleco Power's ability to recover related transmission upgrade costs, and the compliance with the ERO reliability standards for bulk power systems by Cleco Power and Evangeline,

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financial or regulatory accounting principles or policies imposed by FASB, the SEC, the PCAOB, FERC, the LPSC, or similar entities with regulatory or accounting oversight,

- economic conditions, including the ability of customers to continue paying for utility bills, related growth and/or down-sizing of businesses in Cleco’s service area, monetary fluctuations, changes in commodity prices, and inflation rates,
- the current global and U.S. economic environment,
- credit ratings of Cleco Corporation and Cleco Power,
- ability to remain in compliance with debt covenants,
- changing market conditions and a variety of other factors associated with physical energy, financial transactions, and energy service activities, including, but not limited to, price, basis, credit, liquidity, volatility, capacity, transmission, interest rates, and warranty risks,
- the availability and use of alternative sources of energy and technologies,
- the imposition of energy efficiency requirements or of increased conservation efforts of customers,
- reliability of all Cleco Power and Midstream generating facilities, particularly Madison Unit 3,
- acts of terrorism or other man-made disasters,
- availability or cost of capital resulting from changes in Cleco’s business or financial condition, interest rates, or market perceptions of the electric utility industry and energy-related industries,
- changes in tax laws or disallowances of uncertain tax positions that may result in a change to tax benefits or expenses,
- employee work force factors, including work stoppages and changes in key executives,
- legal, environmental, and regulatory delays and other obstacles associated with mergers, acquisitions, reorganizations, investments in joint ventures, or other capital projects, including the joint project to upgrade the Acadiana Load Pocket transmission system and the AMI project,
- costs and other effects of legal and administrative proceedings, settlements, investigations, claims and other matters,
- changes in federal, state, or local laws, and changes

in tax laws or rates, or regulating policies,

- the impact of current or future environmental laws and regulations, including those related to greenhouse gases and energy efficiency, which could limit, or terminate, the operation of certain generating units, increase costs, reduce customer demand for electricity or otherwise materially adversely impact the Registrants' financial condition or results of operations,

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

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

For more discussion of these factors and other factors that could cause actual results to differ materially from those contemplated in the Registrants' forward-looking statements, see Item 1A, "Risk Factors" and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Cleco Power — Significant Factors Affecting Cleco Power" and "— Midstream — Significant Factors Affecting Midstream," in this Annual Report. All subsequent written and oral forward-looking statements attributable to the Registrants or persons acting on their behalf are expressly qualified in their entirety by the factors identified above.
The Registrants undertake no obligation to update any forward-looking statements, whether as a result of changes in actual results, changes in assumptions, or other factors affecting such statements.

PART I

ITEM 1. BUSINESS

GENERAL

Cleco Corporation was incorporated on October 30, 1998, under the laws of the State of Louisiana. Cleco Corporation is a public utility holding company which holds investments in several subsidiaries, including Cleco Power and Midstream, which are its operating business segments. Cleco Corporation, subject to certain limited exceptions, is exempt from regulation as a public utility holding company pursuant to provisions of the Public Utility Holding Company Act of 2005.

Cleco Power's predecessor was incorporated on January 2, 1935, under the laws of the State of Louisiana. Cleco Power was organized on December 12, 2000. Cleco Power is an electric utility engaged principally in the generation, transmission, distribution and sale of electricity within Louisiana. Cleco Power is regulated by the LPSC and FERC, along with other governmental authorities, which determine the rates Cleco Power can charge its customers. Cleco Power serves approximately 281,000 customers in Louisiana through its retail business and 10 communities across Louisiana and Mississippi through wholesale power contracts. Cleco Power's operations are described below in the consolidated description of Cleco's business segments.

Midstream, organized effective September 1, 1998, under the laws of the State of Louisiana, is a merchant energy subsidiary that owns and operates a merchant power plant (Coughlin). Prior to April 29, 2011, Midstream also owned an indirect interest in a merchant power plant (Acadia). During 2009, Cleco Power and Entergy Louisiana executed definitive agreements whereby Cleco Power and Entergy Louisiana would each acquire one 580-MW unit of the Acadia Power Station. The transaction with Cleco Power was completed in February 2010, and the transaction with Entergy Louisiana was completed in April 2011. For more information, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 14 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Other Commitments — Acadia Transactions" and Note 18 — "Acadia Transactions."

At December 31, 2011, Cleco had 1,234 employees.

Cleco's mailing address is P.O. Box 5000, Pineville, Louisiana 71361-5000, and its telephone number is (318) 484-7400.

Cleco's homepage on the Internet is located at http://www.cleco.com. Cleco Corporation's and Cleco Power's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings with the SEC are available, free of charge, through Cleco's website after those reports or filings are filed electronically with or furnished to the SEC. Cleco's filings also can be obtained at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Cleco's electronically filed reports also can be obtained on the SEC's Internet site located at http://www.sec.gov. Cleco's corporate governance guidelines, code of business conduct, ethics and business standards, and the charters of its board of directors' audit, compensation, executive, finance, nominating/governance, and qualified legal compliance committees are available on its website and available in print to any shareholder upon request. Information on Cleco's website or any other website is not incorporated by

reference into this Report and does not constitute a part of this Report.

At December 31, 2011, Cleco Power had 975 employees. Cleco Power's mailing address is P.O. Box 5000, Pineville, Louisiana, 71361-5000, and its telephone number is (318) 484-7400.

Cleco Power meets the conditions specified in General Instructions I(1)(a) and (b) to Form 10-K and therefore is 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 the following Part II items of Form 10-K:

Item 6 (Selected Financial Data) and Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations); and the following Part III items of Form 10-K: Item 10 (Directors, Executive Officers, and Corporate Governance of the Registrants), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters), and Item 13 (Certain Relationships and Related Transactions, and Director Independence).

OPERATIONS

Cleco Power

Segment Financial Information

Summary financial results of the Cleco Power segment for years 2011, 2010, and 2009 are presented in the following table.

(THOUSANDS)	2011	2010	2009
Revenue			
Electric operations	$1,051,956	$1,086,102	$808,646
Other operations	$50,948	42,578	33,558
Electric customer credits	$(6,811)	(9,596)	—
Affiliate revenue	$1,389	1,371	1,395
Operating revenue, net	$1,097,482	$1,120,455	$843,599
Depreciation expense	$112,846	$105,586	$77,064
Interest charges	$97,090	$78,731	$58,562
Interest income	$630	$379	$1,449
Federal and state income taxes	$69,409	$75,107	$15,297
Segment profit	$142,835	$147,405	$111,166
Additions to long-lived assets	$201,980	$449,052	$235,385
Equity investment in investee	$14,532	$13,073	$12,873
Segment assets	$3,726,471	$3,795,205	$3,363,962

For more information on Cleco Power's results of operations, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Cleco Power's Results of Operations."

Certain Factors Affecting Cleco Power

As an electric utility, Cleco Power is affected, to varying degrees, by a number of factors influencing the electric utility industry in general. These factors include, among others, fluctuations in the price of fuel, an increasingly competitive business environment, the cost of compliance with environmental and reliability regulations, conditions in the credit markets and global economy, changes in the federal and state regulation of generation, transmission, and the sale of electricity, and the increasing uncertainty of future federal regulatory and environmental policies. For a discussion of various regulatory changes and competitive forces affecting Cleco Power and other electric utilities, see “Cautionary Note Regarding Forward-Looking Statements” and “— Regulatory Matters, Industry Developments, and Franchises” and Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Market Restructuring.” For a discussion of risk factors affecting Cleco Power’s business, see Item 1A, “Risk Factors — Transmission Constraints,” “— LPSC Audits,” “— Hedging and Risk Management Activities,” “— Commodity Prices,” “— Global Economic Environment and Uncertainty,” “— Future Electricity Sales,” “— Cleco Power Generation Facilities,” “— Reliability and Infrastructure Protection Standards Compliance,” “— Environmental

Compliance,” “— Regulatory Compliance,” “— Weather Sensitivity,” “— Retail Electric Service,” “— Wholesale Electric Se
Cleco Credit Ratings,” “— Cleco Power’s Rates” “— Alternative Generation Technology,” “— Insurance,” “— Litigation,” “
Health Care Reform,” “— Technology and Terrorism Threats,” and “— Cleco Power Unsecured and Unsubordinated Obligations.”

Power Generation

In December 2011, Cleco Power retired Teche Unit 2. As of December 31, 2011, Cleco Power’s aggregate net electric generating capacity was 2,488 MW. This amount reflects the maximum production capacity these units can sustain over a specified period of time. The following table sets forth certain information with respect to Cleco Power’s generating facilities:

GENERATING STATION	YEAR OF INITIAL OPERATION	NAMEPLATE CAPACITY (MW)		NET CAPACITY (MW) [1]	TYPE OF FUEL USED FOR GENERATION [2]	GENERATION TYPE
Brame Energy Center						
Nesbitt Unit 1	1975	440		422	natural gas/oil	steam
Rodemacher Unit 2	1982	157	[3]	148	coal/natural gas	steam
Madison Unit 3	2010	600		628	petroleum coke/coal	steam
Acadia Unit 1	2002	580		583	natural gas	combined cycle
Teche Unit 1	1953	23		18	natural gas	steam
Teche Unit 3	1971	359		328	natural gas/oil	steam
Teche Unit 4	2011	33		34	natural gas	simple cycle
Dolet Hills Power Station	1986	325	[4]	319	lignite/natural gas	steam
Franklin Gas Turbine	1973	7		8	natural gas	gas
Total generating capability		2,524		2,488		

[1] Based on capacity testing of the generating units performed between June and September 2011.
[2] When oil is used on a standby basis, capacity may be reduced.
[3] Represents Cleco Power’s 30% ownership interest in the capacity of Rodemacher Unit 2, a 523-MW generating unit.
[4] Represents Cleco Power’s 50% ownership interest in the capacity of Dolet Hills, a 650-MW generating unit.

The following table sets forth the amounts of power generated by Cleco Power for the years indicated.

PERIOD	THOUSAND	PERCENT OF TOTAL

	MWh	ENERGY REQUIREMENTS
2011	10,025	86.5
2010	8,753	74.7
2009	4,943	46.4
2008	4,747	44.3
2007	4,504	42.0

The primary factor causing the increase in power generated at Cleco Power's own facilities was a result of the acquisition of Acadia Unit 1 and the completion of Madison Unit 3 during 2010.

Fuel and Purchased Power

Changes in fuel and purchased power expenses reflect fluctuations in types and pricing of fuel used for electric generation, fuel transportation and delivery costs, availability of economical power for purchase, and deferral of expenses for recovery from customers through the fuel adjustment clause in subsequent months. For a discussion of certain risks associated with changes in fuel costs and their impact on utility customers, see Item 1A, "Risk Factors — LPSC Audits" and "— Transmission Constraints."

The following table sets forth the percentages of power generated from various fuels at Cleco Power's electric generating plants, the cost of fuel used per MWh attributable to each such fuel, and the weighted average fuel cost per MWh.

		LIGNITE		COAL		NATURAL GAS		BIOMASS		PETROLEUM
YEAR	COST PER MWh	PERCENT OF GENERATION	COST PER MWh	PERCENT OF GENERATION	COST PER MWh	PERCENT OF GENERATION	COST PER MWh	PERCENT OF GENERATION	COST PER MWh	PERC GENE
2011	$30.99	23.6	$29.48	15.6	$46.39	33.8	$65.06	—	$31.70	27.0
2010	$27.56	26.9	$27.35	12.1	$55.61	40.4	$—	—	$23.14	20.6
2009	$26.04	45.1	$27.10	21.5	$105.22	33.1	$—	—	$34.64	0.3
2008	$24.09	51.3	$27.50	18.4	$108.48	30.3	$—	—	$—	—
2007	$19.80	42.2	$26.07	24.8	$129.80	33.0	$—	—	$—	—

Power Purchases
When the market price of power is more economical than self-generation of power or when Cleco Power needs power to supplement its own electric generation, and when transmission capacity is available, Cleco Power purchases power from energy marketing companies or neighboring utilities. These purchases are made from the wholesale power market. During 2011, power purchases were made at prevailing market prices.
The following table sets forth the average cost and amounts of power purchased by Cleco Power on the wholesale market.

PERIOD	COST PER MWh	THOUSAND MWh	PERCENT OF TOTAL ENERGY REQUIREMENTS
2011	$38.94	1,569	13.5
2010	$43.66	2,966	25.3
2009	$34.57	5,712	53.6
2008	$73.72	5,959	55.7
2007	$58.08	6,221	58.0

During 2011, 13.5% of Cleco Power's energy requirements were met with purchased power, down from 25.3% in 2010. The primary factor causing the decrease was the absence of power purchase agreements and increased generation from Cleco Power's own facilities as a result of the acquisition of Acadia Unit 1 and the completion of Madison Unit 3. The lower cost per MWh of purchased power was primarily due to lower natural gas prices. For information on Cleco Power's ability to pass on to its customers substantially all of its fuel and purchased power expenses, see "— Regulatory Matters, Industry Developments, and Franchises — Rates."
During 2011, Cleco Power met its capacity requirements with its owned generation and one long-term power purchase agreement. This long-term contract, which expires in April 2018, is for the purchase of 20 MW of power from the Sabine River Authority, which operates a hydroelectric generating plant. Cleco expects to meet its native load demand in 2012 with Cleco Power's own generation capacity and the contracts with NRG Power Marketing LLC and Evangeline. For more information on these contracts, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Generation RFP."
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. Cleco Power's power contracts, as well as spot market power purchases, may be affected by these transmission constraints. For information on the Acadiana Load Pocket project and how transmission constraints in this area are expected to be reduced, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview — Cleco Power — Acadiana Load Pocket Project."

Coal, Petroleum Coke, and Lignite Supply
Cleco Power uses coal for generation at Rodemacher Unit 2. In 2007, Cleco Power entered into agreements with Rio Tinto Energy America and Peabody Energy to provide the majority of coal needs through 2014. The coal supply agreements are fixed-priced for each year of the contract and together provide for the full requirements to support Cleco Power's minimum planned dispatch of Rodemacher Unit 2 (four million tons total

over the seven-year period). To the extent that the actual dispatch of the unit exceeds the planned dispatch, Cleco Power expects to make additional spot purchases to maintain inventory within targeted levels. The volume commitment was designed to reasonably assure that excess inventory will not accumulate during the term of the agreement. With respect to transportation of coal, Cleco Power has amended and extended an agreement with Union Pacific Railroad Company for transportation of coal from Wyoming's Powder River Basin to Rodemacher Unit 2 through December 31, 2016. Cleco Power leases approximately 241 railcars to transport its coal under two long-term leases. One of the railcar leases expires in March 2017, and the other expires in March 2021.

Cleco Power uses a combination of petroleum coke and Illinois Basin Coal for generation at Madison Unit 3. The blending of this coal with petroleum coke has proven to be a fuel mix that ensures reliable operation of Madison Unit 3. Petroleum coke is a by-product of the oil refinery process and is not considered a fuel specifically produced for a market; however, more than adequate petroleum coke supplies are produced from refineries each year throughout the world particularly in the Gulf Coast region. During 2011, Cleco received the majority of its petroleum coke supply from Valero Energy and Marathon Petroleum, while a small volume was purchased from ConocoPhillips' newly constructed Coking Unit at its Wood River Refinery located near Roxana, Illinois on the Upper Mississippi River. The majority of the petroleum coke purchases were in accordance with existing contracts ranging in terms of three to five years ending December 31, 2014. The ConocoPhillips purchase was a short-term purchase for delivery over a two-month term. Each of the agreements are priced per the Jacobs Consultancy Petroleum Coke Quarterly Monthly Price Index or the "PACE" Monthly Index.

During 2011, Cleco purchased approximately 370,000 tons of Illinois Basin Coal from Peabody Energy and approximately 40,000 tons from Knight Hawk Coal, LLC. Cleco has entered into an agreement with Knight Hawk Coal, LLC for delivery of 400,000 and 200,000 tons in 2012 and 2013, respectively. Cleco continues to use Louisiana waterways such as the Mississippi and the Red Rivers to deliver both petroleum coke and Illinois Basin Coal to the plant site. Savage Services continues to be Cleco's exclusive transportation provider pursuant to an agreement that ends December 31, 2013. Cleco has an option to extend the agreement for an additional five years. Additional equipment was chartered per the existing transportation agreement to deliver fuel during 2011. Product delivery during 2012 is anticipated to require 54 barges and 4 tug boats dedicated to Cleco for service to transport petroleum coke, Illinois Basin Coal, and limestone from each of the suppliers to the plant, as well as provide logistics coordination and terminaling operations at Cleco's unloading dock located near the plant. At December 31, 2011, Cleco Power's petroleum coke inventory at Madison Unit 3 was approximately 143,000 tons (approximately a 44-day supply), and Cleco Power's Illinois Basin Coal inventory at Madison Unit 3 was approximately 198,000 tons (approximately a 113-day supply).

Cleco Power uses lignite for generation at the Dolet Hills Power Station. Cleco Power and SWEPCO each own an undivided 50% interest in the other's leased and owned lignite reserves within the Dolet Hills mine in northwestern Louisiana. Additionally, through Oxbow, which is owned 50% by Cleco Power and 50% by SWEPCO, Cleco Power and SWEPCO control approximately 43 million tons of estimated recoverable lignite reserves in the Red River mine, also located in northwestern Louisiana. Cleco Power and SWEPCO have entered into a long-term agreement with DHLC for the mining and delivery of lignite reserves at both mines, the operations of which are conducted together by SWEPCO. The Amended Lignite Mining Agreement requires Cleco Power and SWEPCO to purchase the lignite mined and delivered by DHLC at cost plus a specified management fee. The term of this contract runs until all economically mineable lignite has been mined. The reserves from these mines are expected to be sufficient to fuel the Dolet Hills Power Station until at least 2026. At December 31, 2011, Cleco Power's investment in Oxbow was $14.5 million. For information regarding deferred mining costs and obligations associated with this mining agreement see, Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 3 — Regulatory Assets and Liabilities — Mining Costs" and Note 14 — "Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Off-Balance Sheet Commitments." For more information on Oxbow, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 12 — Variable Interest Entities — Equity Method VIEs — Oxbow."

The continuous supply of coal and lignite may be subject to interruption due to adverse weather conditions or other factors that may disrupt mining operations or transportation to the plant site. At December 31, 2011, Cleco Power's coal inventory at Rodemacher Unit 2 was approximately 140,000 tons (approximately a 64-day supply), and Cleco Power's lignite inventory at Dolet Hills was approximately 223,000 tons (approximately a 37-day supply).

Natural Gas Supply

During 2011, Cleco Power purchased 32.7 million MMBtus of natural gas for the generation of electricity. The annual and average per-day quantities of gas purchased by Cleco Power from each supplier are shown in the following table.

NATURAL GAS SUPPLIER	2011 PURCHASES (MMBtu)	AVERAGE AMOUNT PURCHASED PER DAY (MMBtu)	PERCENT OF TOTAL NATURAL GAS USED	
Gavilon, LLC	10,034,834	27,500	30.7	%
Shell Energy North America	4,819,522	13,200	14.7	%
Citigroup Energy Inc.	3,324,822	9,100	10.2	%
Southwestern Energy Services Co.	3,145,900	8,600	9.6	%
QEP Energy Company	2,733,414	7,500	8.4	%
Tauber Oil Company	2,201,175	6,000	6.7	%
Total Gas & Power North America	1,622,000	4,400	5.0	%
Others	4,816,750	13,200	14.7	%
Total	32,698,417	89,500	100.0	%

Cleco Power owns natural gas pipelines and interconnections at all of its generating facilities which allow it to access various natural gas supply markets and maintain a more economical fuel supply for Cleco Power's customers. Natural gas was available without interruption throughout 2011. Cleco Power expects to continue to meet its natural gas requirements with purchases on the spot market through daily, monthly, and seasonal contracts with various natural gas suppliers. However, future supplies to Cleco Power remain vulnerable to disruptions due to weather events and transportation delays. Large industrial users of natural gas, including electric utilities, generally have low priority among gas users in the event pipeline suppliers are forced to curtail deliveries due to inadequate supplies. As a result, prices may increase rapidly in response to temporary supply interruptions.

Partially addressing potential natural gas fuel curtailments and interruptions during 2011, Cleco contracted for natural gas storage with Pine Prairie Energy Center in 2010 for a period of five years ending in April 2015. Gas storage will be used to supply gas to Cleco Power's generating facilities in the event of an interruption of supply due to events of force majeure and to operationally balance gas supply to the units. It will also be used to mitigate short-term natural gas price spikes that may occur. The storage volume is contracted by paying a capacity reservation charge at a fixed rate. There are also variable charges incurred to withdraw and inject gas from storage. During 2011, Cleco's Board of Directors approved a capital project to connect Pine Prairie Energy Center to Acadia. This new pipeline is expected to provide added flexibility and reduce the cost of gas transportation to Acadia. The project is expected to be complete by December 31, 2012. Currently, Cleco Power anticipates that its diverse supply options, gas storage, and alternative fuel capability, combined with its solid-fuel generation resources, are adequate to meet its fuel needs during any temporary interruption of natural gas supplies.

Fuel Oil Supply

Cleco Power has in the past stored fuel oil at its Brame Energy Center and its Teche Power Station. The Brame Energy Center has storage capacity for an approximate 95-day supply, and the Teche Power Station has storage capacity for an approximate 28-day supply. During 2011, Cleco Power sold its entire fuel oil supply. Cleco Power does not anticipate a need to use fuel oil as a fuel source going forward.

Sales

Cleco Power's 2011 and 2010 system peak demands, which occurred on August 3, 2011, and August 2, 2010, were 2,355 MW and 2,348 MW, respectively. Sales and system peak demand are affected by weather and are typically highest during the summer air-conditioning season. In 2010, Cleco Power experienced above-normal summer and winter conditions. In 2011, Cleco Power experienced above-normal summer weather conditions and a milder winter. For information on the effects of future energy sales on Cleco Power's financial condition, results of operations, and cash flows, see Item 1A, "Risk Factors — Weather Sensitivity" and "— Future Electricity Sales." For information on the financial effects of seasonal demand on Cleco Power's quarterly operating results, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 20 — Miscellaneous Financial Information (Unaudited)."

Capacity margin is the net capacity resources (either owned or purchased) less native load demand divided by net capacity resources. Each year, members of the SPP submit forecasted native load demand and the forecasted mix of net capacity resources to meet this demand. During 2010, Cleco Power's capacity margin was 13.9%, which is above the SPP's capacity margin benchmark of 12.0%, primarily due to the addition of Acadia Unit 1 and Madison Unit 3 to Cleco Power's capacity resources. During 2011, Cleco Power's capacity margin was 13.0%. Cleco Power expects to meet the SPP's capacity benchmark of 12.0% in 2012.

Capital Investment Projects

For a discussion of Cleco Power's capital investment projects, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview — Cleco Power — Acadiana Load Pocket Project," and "— AMI Project."

Midstream

Summary financial results of the Midstream segment for 2011, 2010, and 2009 are presented in the following table. In accordance with authoritative guidance during 2010, Cleco was required to reconsolidate Evangeline with its consolidated financial statements and discontinue reporting its investment in Evangeline on the equity method of accounting. As a result, effective January 1, 2010, the assets and liabilities of Evangeline are no longer represented by one line item corresponding to Midstream's equity investment in Evangeline but instead are being reported in the corresponding line items in the consolidated financial statements of Midstream. Effective January 1, 2010, Evangeline's revenues and expenses were reported on several line items, as compared to previously being netted and reported on one line item as equity income (loss) from investees on the consolidated financial statements of Midstream.

(THOUSANDS)	2011	2010	2009
Revenue			
Tolling operations	$19,004	$26,067	$—
Other operations	9	3	1
Affiliate revenue	45	960	8,748
Operating revenue, net	$19,058	$27,030	$8,749
Depreciation expense	$5,872	$5,779	$177
Interest charges	$(28,996)	$7,140	$7,408
Equity income (loss) from investees, before tax	$62,053	$38,848	$(19,339)
Gain on toll settlement	$—	$148,402	$—
Federal and state income tax expense (benefit)	$44,637	$71,255	$(11,027)
Segment profit (loss)	$42,792	$114,467	$(17,730)
Additions to long-lived assets	$8,437	$2,113	$55
Equity investment in investees	$—	$73,648	$223,652
Total segment assets	$233,666	$316,165	$270,713

As of December 31, 2011, Midstream wholly and directly owned three active limited liability companies that operated mainly in Louisiana.

- Evangeline, which owns and operates Coughlin, a combined-cycle natural gas-fired power plant and owns a natural gas interconnection that allows for access to the natural gas supply market.
- APH, which prior to April 29, 2011, owned a 50% indirect interest in Acadia, a combined-cycle natural gas-fired power plant.
- Generation Services, which prior to December 24, 2011, offered power station operations and maintenance services. Its customers were Evangeline and Acadia. On December 24, 2011, Generation Services' employees were transferred to Midstream.

The following table sets forth certain information with respect to Midstream's operating generating facilities.

GENERATING STATION	COMMENCEMENT OF COMMERCIAL OPERATION	NAMEPLATE CAPACITY (MW)	NET CAPACITY (MW)	TYPE OF FUEL USED FOR GENERATION
Coughlin Unit 6	2000	264	258 [1]	natural gas
Coughlin Unit 7	2000	511	497 [1]	natural gas
Total capacity		775	755	

[1] Based on capacity testing of generating units performed in June 2009.

Midstream competes against regional and national companies that own and operate merchant power stations.
Prior to December 31, 2011, Evangeline's capacity was dedicated to one customer, JPMVEC. On February 22, 2010, Evangeline and JPMVEC terminated the Evangeline Tolling Agreement which was set to expire in 2020 and entered into the Evangeline 2010 Tolling Agreement, effective March 1, 2010. The new tolling agreement was an exclusive, market-based tolling agreement for Coughlin's generating Units 6 and 7, expiring December 31, 2011, with an option for JPMVEC to extend the term of the agreement through December 31, 2012. The tolling agreement gave the tolling counterparty the right to own, dispatch, and market all of the electric generation capacity of the respective facility. Under the tolling agreement, the tolling counterparty was responsible for providing its own natural gas to the facility and paid a fixed fee and a variable fee for operating and maintaining the respective facility. 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. In January 2012, Evangeline began serving Cleco Power 250 MW of capacity and energy under an agreement through April 30, 2012, with the remaining output at Evangeline being marketed through an energy management services agreement with a third party marketer. In December 2011, Evangeline was 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 May 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 has been submitted to the LPSC and FERC for approval. 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 about CSAPR, see "— Environmental Matters." For information on the RFP, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Generation RFP."
During 2009, Acadia executed definitive agreements with both Cleco Power and Entergy Louisiana whereby Cleco Power and Entergy Louisiana would each acquire one 580-MW unit of the Acadia plant. In February 2010, the transaction with Cleco Power was completed and in April 2011, the transaction with Entergy Louisiana was completed. Cleco Power assumed responsibility for operation of both units and continues to operate both units at the Acadia Power Station. For more information on these related transactions and risks and uncertainties, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Midstream — Significant Factors Affecting Midstream — Earnings are primarily affected by the following factors." For more information on Acadia's transactions with Cleco Power and Entergy Louisiana, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 14 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Other Commitments — Acadia Transactions," and Note 18 — "Acadia Transactions."
In December 2011, Midstream contributed all of its ownership interests in CLE Intrastate to Evangeline. Prior to this transaction, CLE Intrastate's revenue was generated primarily from a monthly reservation fee paid by Evangeline for access to the Columbia Gulf interconnect and from a

transportation fee that varied depending on the amount of gas transported through the interconnect for use by Coughlin.

At December 31, 2011, Midstream had 32 employees.

For more information on Midstream's operations, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Midstream."

Customers

No single customer accounted for 10% or more of Cleco's consolidated revenue or Cleco Power's consolidated revenue in 2011, 2010, or 2009. For more information regarding Cleco's sales and revenue, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations."

Capital Expenditures and Financing

For information on Cleco's capital expenditures, financing and related matters, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Liquidity and Capital Resources — Cash Generation and Cash Requirements."

REGULATORY MATTERS, INDUSTRY DEVELOPMENTS, AND FRANCHISES

Rates

Cleco Power's electric operations are subject to the jurisdiction of the LPSC with respect to retail rates, standards of service, accounting, and other matters. Cleco Power also is subject to the jurisdiction of FERC with respect to rates for wholesale service, accounting, interconnections with other utilities, and the transmission of power and reliability. Periodically, Cleco Power has sought and received from both the LPSC and FERC increases in base rates to cover increases in operating costs and costs associated with additions to generation, transmission, and distribution facilities. 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 new rates and the FRP became effective upon commencement of commercial operations at Madison Unit 3 on February 12, 2010. The 2010 FRP establishes a target return on equity and requires all or a portion of regulated earnings for each yearly review period above the targeted regulatory rate of return on equity to be credited to Cleco Power's retail customers. The 2010 FRP allows Cleco Power the opportunity to earn a target return on equity of 10.7%, including returning to retail customers 60.0% 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 capital structure assumes an equity ratio of 51.0%. The 2010 FRP included a mechanism that allowed for the recovery of revenue requirements related to Cleco Power's acquisition of Acadia Unit 1, which was completed in February 2010 and the Acadiana Load Pocket transmission project, which is expected to be completed by December 2012. The 2010 FRP allows Cleco Power to propose additional capital projects to the LPSC during its initial four-year term. For more information on Cleco Power's acquisition of Acadia Unit 1 and the Acadiana Load Pocket project, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 18 — Acadia Transactions — Acadia Unit 1" and Part II, Item 7, "Managements Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition —

Regulatory and Other Matters — Acadiana Load Pocket Project."

Cleco Power's electric rates include a fuel and purchased power cost adjustment clause that enables it to adjust rates for monthly fluctuations in the cost of fuel and purchased power. Revenue from certain off-system sales to other utilities and energy marketing companies is passed on to customers through a reduction in fuel cost adjustment billing factors. Fuel adjustment clause costs are subject to monthly approval from the LPSC and recovery is subject to refund pending the completion of a periodic fuel audit by the LPSC. 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. Cleco Power's last fuel audit was for the years 2001 and 2002. Cleco Power currently has fuel adjustment clause filings for 2003 through 2011 subject to audit. In March 2009, the LPSC proceeded with the 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. Cleco Power has responded to several sets of data requests from the LPSC and the responses are currently under review. The LPSC has not stated an amount of the fuel costs, if any, that would be disallowed and result in a refund to the customers. Management is not able to predict or give a reasonable estimate of the possible range of the disallowance, if any, related to this audit. However, if a disallowance of fuel costs is ordered resulting in a refund, any such refund could have a material adverse effect on the Registrants' results of operations, financial condition, and cash flows.

In July 2009, the LPSC issued Docket No. U-29380 Subdocket A, which provides for an EAC 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. These variable emission mitigation costs were historically recovered through the Fuel Adjustment Clause. On November 11, 2011, the LPSC opened Docket No. X-32150 to audit the costs for the periods October 2009 through October 2010. The total amount of environmental expenses included in the audit is approximately $2.4 million. Cleco Power has responded to data requests from the LPSC. These responses are currently under review by the LPSC. The LPSC has not stated an amount of the environmental costs, if any, that would be disallowed and result in a refund to customers. However, if a disallowance of environmental costs is ordered resulting in a refund, any such refund is not expected to have a material effect on the Registrants' results of operations, financial condition, and cash flows.

For more information on Cleco Power's retail and wholesale rates, including Cleco Power's FRP, see Item 1A, "Risk Factors — LPSC Audits," "— Retail Electric Service," "— Wholesale Electric Service," and "— Cleco Power's Rates" and Pa 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Retail Rates of Cleco Power," and — "Wholesale Rates of Cleco."

Franchises

Cleco Power operates under nonexclusive franchise rights granted by governmental units, such as municipalities and parishes (counties), and enforced by state regulation. These franchises are for fixed terms, which may vary from 10 years to 50 years or more. Historically, Cleco Power has been substantially successful in the timely renewal of franchises as each neared the end of its term. Cleco Power's next municipal franchise expires in July 2014.

Franchise Renewals

Cleco Power renewed the following franchise agreements during 2010 and 2011.

DATE	CITY	TERM	NUMBER OF CUSTOMERS
July 2010	Pearl River	35 years	1,250
September 2010	Lecompte	30 years	711
October 2010	Crowley	20 years	6,195
November 2010	Grand Cane	30 years	160
December 2010	South Mansfield	30 years	180
July 2011	Opelousas	10 years	10,000
July 2011	Colfax	30 years	800
November 2011	Keachi	30 years	60
November 2011	Patterson	22 years	2,760
December 2011	Baldwin	22 years	945

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. 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 Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 14 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation — City of Opelousas."

Industry Developments

For information on industry developments, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Market Restructuring."

Wholesale Electric Competition

For a discussion of wholesale electric competition, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Market Restructuring — Wholesale Electric Markets."

Retail Electric Competition

For a discussion of retail electric competition, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Market Restructuring — Reta
Electric Markets."

Legislative and Regulatory Changes and Matters

Various federal and state legislative and regulatory bodies are considering a number of issues that could shape the future of the electric utility industry. Such issues include, among others:

- the ability of electric utilities to recover stranded costs,
- the role of electric utilities, independent power producers and competitive bidding in the purchase, construction and operation of new generating capacity,
- the pricing of transmission service on an electric utility's transmission system,
- FERC's assessment of market power and utilities' ability to buy generation assets,
- mandatory transmission reliability standards,
- the authority of FERC to grant utilities the power of eminent domain,
- increasing requirements for renewable energy sources,
- demand response and energy efficiency standards,
- comprehensive multi-emissions environmental regulation in the areas of air, water, and waste,
- regulation of greenhouse gas emissions,
- FERC's increased ability to impose financial penalties,
- the American Recovery and Reinvestment Act of 2009,
- the Dodd-Frank Act, and
- the SEC's requirement of financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board by U.S. issuers for purposes of their filings with the SEC.

The Registrants are unable, at this time, to predict the outcome of such issues or effects on their financial position, results of operations, or cash flows.
For information on certain regulatory matters and regulatory accounting affecting Cleco, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters."

ENVIRONMENTAL MATTERS

Environmental Quality

Cleco is subject to federal, state, and local laws and regulations governing the protection of the environment. Violations of these laws and regulations may result in substantial fines and penalties. Cleco has obtained the environmental permits necessary for its operations, and management believes Cleco is in compliance in all material respects with these permits, as well as all applicable environmental laws and regulations. Environmental requirements affecting electric power generation facilities are complex, change frequently, and have become more stringent over time as a result of new legislation, administrative actions, and judicial interpretations. Therefore, the capital costs and other expenditures necessary to comply with existing and new environmental requirements are difficult to determine. Cleco Power may request recovery, from its retail customers, of the costs to comply with environmental laws and regulations. If revenue relief were to be approved by the LPSC, then Cleco Power's retail rates could increase. If the LPSC were to deny Cleco Power's request to recover all or part of its environmental compliance costs, then Cleco Power would bear those costs directly. Such a decision could negatively impact, perhaps significantly, the Registrants' results of operations, financial condition, and cash flows. Cleco's capital expenditures related to environmental compliance were $8.1 million during

2011 and are estimated to be $41.0 million in 2012. The following table lists capital expenditures for environmental matters by subsidiary. All amounts include AFUDC.

SUBSIDIARY (THOUSANDS)	ENVIRONMENTAL CAPITAL EXPENDITURES FOR 2011	PROJECTED ENVIRONMENTAL CAPITAL EXPENDITURES FOR 2012
Cleco Power	$6,980	$41,000
Evangeline	1,103	—
Total	$8,083	$41,000

Projected environmental capital expenditures for 2012 include $22.0 million related to compliance with MATS, $11.0 million related to compliance with CSAPR, and $6.0 million related to the expansion of the ash disposal landfill for Madison Unit 3.

Air Quality

Air emissions from each of Cleco's generating units are strictly regulated by the EPA and the LDEQ. The LDEQ has authority over and implements certain air quality programs established by the EPA under the federal CAA, as well as its own air quality regulations. The LDEQ establishes standards of performance and requires permits for electric generating units in Louisiana. All of Cleco's generating units are subject to these requirements.

The EPA has proposed and adopted rules under the authority of the CAA relevant to the emissions of SO_2 and NO_x from Cleco's generating units. The CAA established the Acid Rain Program to address the effects of acid rain and imposed restrictions on SO_2 emissions from certain generating units. The CAA requires these generating units to possess a regulatory "allowance" for each ton of SO_2 emitted beginning in the year 2000. The EPA allocates a set number of allowances to each affected unit based on its historic emissions. As of December 31, 2011, Cleco Power and Midstream had sufficient allowances for 2011 operations and expect to have sufficient allowances for 2012 operations under the Acid Rain Program.

The Acid Rain Program also established emission rate limits on NO_x emissions for certain generating units. Cleco Power is able to achieve compliance with the acid rain permit limits for NO_x at all of its affected facilities.

On July 6, 2011, the EPA finalized a rule titled "Federal Implementation Plans to Reduce Interstate Transport of Fine Particulate Matter and Ozone" known as CSAPR that would require significant reductions in SO_2 and NO_x emissions from electric generating units (EGUs) in 28 states, including Louisiana. Under CSAPR, the EPA would set total emissions limits for each state allowing limited interstate trading (and unlimited intrastate trading) of emission allowances among power plants to comply with these limits beginning May 1, 2012. Specifically for Louisiana, CSAPR would limit NO_x emissions for the ozone season, consisting of the months of May through September.

On December 30, 2011, in response to numerous petitions by both state and industry participants, the D.C. Circuit Court of Appeals issued an order staying implementation of CSAPR pending resolution of legal challenges to the rule. The Court further ordered that the Clean Air Interstate Rule, a predecessor rule to CSAPR, remain in place while CSAPR is stayed. Oral arguments are scheduled to be heard in April 2012 and the Court could decide the case as early as the summer of 2012. Cleco is considering various options for meeting the NO_x allocation established by CSAPR for Cleco's

generating units, in the event the stay is eventually lifted. These options include the installation of additional emission controls, the purchase of allowances, the implementation of alternate dispatch schedules for generation units, and the acquisition of alternate generation resources. For more information, see the chart above detailing Cleco Power's anticipated capital expenditures and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Generation RFP" for a discussion of Cleco

Power's RFP for contractual resources to meet CSAPR requirements. If the stay is lifted and Cleco cannot obtain sufficient ozone season allowances to cover its ozone season emissions then despite the implementation of one or more of the above options, Cleco may not be able to meet its customers' demand without incurring significant fines and penalties.

The EPA also has adopted rules under Section 112 of the CAA governing the emissions of mercury and other hazardous air pollutants from certain EGUs. The EPA established maximum achievable control technology (MACT) standards for coal-fired EGUs in late 2011, and signed a final rule setting forth national emissions standards for hazardous air pollutants (NESHAP) from coal- and oil-fired electric utility steam generating units on December 16, 2011. The final rule is now known as MATS. MATS requires affected EGUs to meet specific numeric emission standards and work practice standards to address hazardous air pollutants.

MATS imposes strict emission limits on new and existing coal- and liquid oil-fired EGUs for mercury, acid gases (hydrochloric acid, or HCI, as a surrogate), and non-mercury metallic pollutants (filterable particulate matter (filterable PM) as a surrogate). Affected EGUs also have to comply with certain work practice standards to control the emission of organic air toxins.

MATS allows existing sources approximately three years to comply with the rule. The actual compliance deadline is April 16, 2015. A one-year compliance extension is available with approval from the relevant permitting authority, which in Cleco's case is the LDEQ, if that facility is actively installing control equipment to comply with the rule. Cleco continues its evaluation of control technology options for Dolet Hills, Madison Unit 3, and Rodemacher Unit 2. Significant capital expenditures could be required beginning in 2012 to engineer, procure, and install pollution controls and emissions monitoring equipment to ensure Cleco will be in a position to comply with MATS in a timely manner. Cleco's liquid oil-fired units should not be affected by the rule. For more information, see the chart above and the language that follows for a discussion of Cleco Power's anticipated control installations and associated capital expenditures required to comply with MATS.

Greenhouse gases (GHG) and their role in climate change have been the focus of recent study and legal action, including proposed federal legislation, final and proposed federal rulemakings, and civil actions. Fossil fuel-fired EGUs emit a significant amount of GHG in the combustion process. Congress has attempted to craft specific legislation that would reduce emissions of GHG by utilities, industrial facilities, and other manufacturing sectors of the economy. While Congressional attempts have not been successful, the possibility exists that federal GHG legislation may be enacted within the next several years.

In the absence of federal legislation, the EPA has recently adopted a series of rules under the CAA that, taken together, regulate GHG emissions from both mobile and stationary sources. As a result, beginning July 1, 2011, new major stationary sources of GHG emissions and major modifications of existing stationary sources are required to obtain a permit for their GHG emissions. In its May 13, 2010, Prevention of Significant Deterioration (PSD) and Title V GHG "Tailoring Rule," the EPA set the threshold for new major sources and major modifications of existing sources of GHG emissions at 100,000 tons per year and 75,000 tons per year of CO_2 equivalents, respectively.

At this time, Cleco does not anticipate a modification at any of its existing sources that would trigger PSD and an associated Best Available Control Technology (BACT) demonstration for GHG.

In addition to its program for applying PSD and Title V permitting requirements to the largest stationary sources of GHG, the EPA has also committed to establish New Source Performance Standards (NSPS) for GHG emissions from fossil fuel power plants and refineries. On December 23, 2010, the EPA announced that it had settled litigation with states and environmental groups that sought to compel the EPA to establish NSPS. The EPA and the petitioners in the case are in the process of negotiating a revised schedule for the NSPS rulemaking. Under the settlement, the EPA committed to issue standards for new and modified facilities, and the power plant settlement also commits the EPA to issue standards for existing facilities. Cleco expects that the EPA will issue guidelines to the states requiring them to adopt and submit to the EPA for approval standards for existing, unmodified facilities that conform to those guidelines. Once the state standards are approved by the EPA and become effective, existing unmodified facilities must be given a reasonable amount of time to comply with the standards. At this time, Cleco cannot predict what these standards will entail or what level of GHG controls the EPA and the state of Louisiana will require. However, any new rules that require significant reductions of GHG emissions from EGUs could require potentially significant expenditures by Cleco, or modification or curtailment of operations, to maintain or achieve compliance.

The enactment of federal or state renewable portfolio standards (RPS) mandating the use of renewable and alternative fuel sources, such as wind, solar, biomass, and geothermal, could result in certain changes in Cleco's business or its competitive position. These changes could include additional costs for renewable energy credits, alternate compliance payments, or capital expenditures for renewable generation resources. RPS legislation has been enacted in many states and Congress is considering various bills that would create a national RPS. Cleco continues to evaluate the impacts of potential RPS legislation on its businesses based on the RPS programs in other states. Cleco will continue to monitor developments related to RPS at the federal and state levels. For information on Cleco's actions resulting from the LPSC's recently passed Renewable Energy Order, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Generation RFP — Renewable Energy Pilot Program."

As part of its periodic re-evaluation of the protectiveness of the National Ambient Air Quality Standards (NAAQS), the EPA has adopted rules that strengthen the NAAQS for specific criteria pollutants including ozone, NO_2, and SO_2. In 2008, the EPA issued a NAAQS for ozone of 75 parts per billion (ppb). The EPA subsequently proposed to lower that standard, but dropped its proposed reconsideration and is currently moving

ahead with states, including Louisiana, to implement the 75 ppb ozone under the 2008 NAAQS. The EPA has recommended the five parish area around Baton Rouge as a non-attainment area for ozone under the 2008 NAAQS, which will require Louisiana to establish a state implementation plan to bring those areas back into attainment by 2015. Since NO_x emissions are a precursor to ozone formation, existing fossil fuel-fired EGUs located in or near ozone non-attainment areas could be targeted for installation of additional NO_x emission controls. Cleco cannot determine the potential impact of this rule on its generating units until Louisiana finalizes its state implementation plan for this rule.

A revised primary NAAQS for NO_2 promulgated by the EPA took effect on April 12, 2010. The EPA established a new one-hour standard at a level of 100 ppb to supplement the existing annual standard. The LDEQ has recommended designating two portions of highway in the Baton Rouge and New Orleans areas as non-attainment for NO_2; however, the EPA may redesignate areas based on new data it receives from states. Due to the fact that fossil fuel-fired EGUs are a significant source of NO_2 emissions in the country, a non-attainment designation could result in utilities such as

Cleco being required to substantially reduce their NO_2 emissions. However, because no state implementation plan has been proposed, Cleco cannot predict the potential impacts of such a rule on its generating units at this time.

The EPA revised the NAAQS for SO_2 on June 22, 2010. The new standard is now a one-hour health standard of 75 ppb, designed to reduce short-term exposures to SO_2 ranging from five minutes to 24 hours. An important aspect of the new SO_2 standard is a revised emission monitoring network combined with a new ambient air modeling approach to determine compliance with the new standard. The LDEQ has recommended St. Bernard and East Baton Rouge as non-attainment areas. The EPA expects to identify or designate areas not meeting the new standard by July 2012. Utilities could be required to substantially reduce their SO_2 emissions to comply with this NAAQS. However, because no state implementation plan has been proposed, Cleco is unable to determine the potential impacts of this rule on its generating units at this time.

In February 2005, Cleco Power received notices from the EPA requesting information relating to the Brame Energy Center and the Dolet Hills Power Station. The apparent purpose of the data request is to determine whether Cleco Power has complied with New Source Review and NSPS requirements under the CAA in connection with capital expenditures, modifications, or operational changes made at these facilities. Cleco Power has completed its response to the initial data request. It is unknown at this time whether the EPA will take further action as a result of the information provided by Cleco Power.

Water Quality

Cleco's facilities are also subject to federal and state laws and regulations regarding wastewater discharges. Cleco has received from the EPA and the LDEQ permits required under the federal Clean Water Act (CWA) for wastewater discharges from its generating stations. Wastewater discharge permits have fixed dates of expiration, and Cleco applies for renewal of these permits within the applicable time periods.

On March 28, 2011, the EPA proposed regulations which would establish standards for cooling water intake structures at existing power plants and other facilities pursuant to Section 316(b) of the CWA. The standards are intended to protect fish and other aquatic wildlife by minimizing capture both in screens attached to intake structures (impingement mortality), and in the actual intake structures themselves (entrainment mortality). For existing facilities that are designed to draw at least two million gallons per day of water from waters of the United States and use at least 25% of the water they withdraw exclusively for cooling, the proposed standards would (1) set a performance standard, measured as a fish mortality rate due to impingement, or reduce the flow velocity at cooling water intakes to less than 0.5 feet per second, and (2) require entrainment standards to be determined on a case-by-case basis by state delegated permitting authorities. Facilities subject to the proposed standards would have a maximum of eight years to comply with the impingement requirements, although state permitting authorities would have discretion to set a shorter deadline. Compliance with entrainment standards would be required "as soon as possible," by a date to be determined by the same permitting authorities. As presently drafted, portions of the proposed rule could apply to all of Cleco's fossil fuel steam electric generating stations. Until more thorough studies are conducted, including technical and economic evaluations of the control options available and a final rule is issued, Cleco remains uncertain which technology options or retrofits would be required to be installed on its affected facilities. However, the costs of required technology options and retrofits could be significant, especially if closed cycle cooling is required.

The CWA requires the EPA to periodically review and, if appropriate, revise technology based effluent limitations guidelines for categories of industrial facilities, including power generating facilities. The EPA is currently expected to issue proposed revised steam electric effluent limitations guidelines by July 2012, and final revised steam electric effluent limitations guidelines by January 2014. The revised effluent limitations guidelines could require costly technological upgrades at Cleco's existing facilities, in particular if additional wastewater treatment systems are required to be installed. Since the revised regulations are yet to be proposed, Cleco is unable to predict what the new effluent limitations guidelines will be or how significant the costs may be for Cleco to comply.

Solid Waste Disposal

In the course of operations, Cleco's facilities generate solid and hazardous waste materials requiring management or eventual disposal. With the exception of coal combustion by-products or residuals (CCRs), Cleco does not dispose of wastes generated by its facilities on-site. The Solid Waste Division of the LDEQ has adopted a permitting system for the management and disposal of solid waste generated by power stations. Cleco has received all required permits from the LDEQ for the on-site disposal of solid waste from its generating stations. Cleco has renewed the solid waste permits for the existing Brame Energy Center and Dolet Hills solid waste units and has upgraded them according to the current Solid Waste Regulations and permit requirements.

On May 18, 2010, the EPA released a proposed rule for regulating the disposal and management of CCRs from coal-fired power plants. Rather than offering a single approach, the EPA requested comments on two options for regulating CCRs. The first, known as the "Subtitle C" option, would regulate CCRs as a new special waste subject to many of the requirements for hazardous waste, while the second, known as the "Subtitle D" option, would regulate CCRs in a manner similar to industrial solid waste. Either of the EPA proposed options represents a shift toward more comprehensive and costly requirements for CCR disposal and management, but the Subtitle C option contains significantly more stringent requirements and will require greater capital and operating costs to comply with that rule, if finalized. Both options seem to allow the continued use of ash for certain beneficial reuses. Depending upon the outcome of the final rule, this regulatory proposal could significantly impact the manner and cost in which Cleco Power manages its CCRs. The final CCR rule is now expected to be issued by the EPA in late 2012 or early 2013. Any stricter requirements imposed on coal ash and associated ash management units by the EPA as a result of this new rule could significantly increase the cost of operating existing units or require them to be significantly upgraded. Until a final rule is promulgated, Cleco is unable to determine how significant the costs associated with potentially stricter requirements is likely to be.

Cleco produces certain wastes that are classified as hazardous at its electric generating stations and at other locations. Cleco does not treat, store long-term, or dispose of these wastes on-site; therefore, no permits are required. All hazardous wastes produced by Cleco are properly disposed of at permitted hazardous waste disposal sites.

Toxic Substances Control Act (TSCA)
The TSCA directs the EPA to regulate the marketing, disposal, manufacturing, processing, distribution in commerce, and use of PCBs. Cleco may continue to operate equipment containing PCBs under the TSCA. Once the equipment reaches the end of its usefulness, the EPA regulates handling and disposal of the equipment and fluids containing PCBs. Within these regulations, the handling and disposal is allowed only through the EPA approved and permitted facilities. Cleco properly disposes its PCB waste material at TSCA permitted disposal facilities.

Toxics Release Inventory (TRI)
The TRI requires an annual report from industrial facilities on about 650 substances that the facilities release into air, water, and land. The TRI ranks companies based on how much of a particular substance they release on a state and parish (county) level. Annual reports are due to the EPA on July 1 following the reporting year-end. Cleco has submitted required TRI reports on its activities, and the TRI rankings are available to the public. The rankings do not result in any federal or state penalties.

Electric and Magnetic Fields (EMFs)
The possibility that exposure to EMFs emanating from electric power lines, household appliances, and other electric devices may result in adverse health effects or damage to the environment has been a subject of some public attention. Cleco Power funds scientific research on EMFs through various organizations. To date, there are no definitive results, but research is continuing. Lawsuits alleging that the presence of electric power transmission and distribution lines has an adverse effect on health and/or property values have arisen in several states. Cleco Power is not a party in any lawsuits related to EMFs.

Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)
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 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 at the Devil's Swamp Lake site, with little progress having been made since February 2008. The PRPs alleged to have disposed PCBs at the site have proposed a tentative cost-sharing formula with the facility owner to fund the RI/FS. The response to the proposal has been pending for months. 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 may be.

ITEM 1A. RISK FACTORS

The following risk factors could have a material adverse effect on results and cause results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Registrants.

Transmission Constraints

Transmission constraints could have a material adverse effect on the Registrants' results of operations, financial condition, and cash flows.
Cleco Power relies on two main suppliers of electric transmission when accessing external power markets. At times, even after completion of the Acadiana Load Pocket project, physical constraints limit the amount of purchased power these transmission providers can deliver into Cleco Power's service territory, which in turn can affect capacity or power purchases under long-term contracts, as well as spot market power purchases. If the amount of purchased power actually delivered into Cleco's transmission system were to be less than the amount of power contracted for delivery, Cleco Power may rely on its own generation facilities to meet customer demand. Cleco Power's incremental generation cost at that time could be higher than the cost to purchase power from the wholesale power market, thereby increasing its customers' ultimate cost. In addition, the LPSC may not allow Cleco Power to recover part or all of its incremental generation cost, which could be substantial.

LPSC Audits

The LPSC conducts fuel audits that could result in Cleco Power making substantial refunds of previously recorded revenue.
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 expenses. Recovery of fuel adjustment clause costs is subject to a periodic fuel audit by the LPSC. The LPSC Fuel Adjustment Clause General Order issued November 6, 1997, in Docket No. U-21497 provides that an audit will be performed not less than every other year. Cleco Power currently has fuel adjustment clause filings for 2003 through 2011 subject to audit. In March 2009, the LPSC proceeded with the 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. Cleco Power has responded to several data requests from the LPSC. These responses are currently under review by the LPSC. The LPSC has not stated an amount of the fuel costs, if any, that would be disallowed and result in a refund to the customers. Management is not able to predict or give a reasonable estimate of the possible range of the disallowance, if any, related to this audit. However, if a disallowance of fuel costs is ordered resulting in a refund, any such refund could have a material adverse effect on the Registrants' results of operations, financial condition, and cash flows. The most recent fuel audit completed by the LPSC covered 2001 and 2002 and resulted in a refund of $16.0 million to Cleco Power's retail customers in the first quarter of 2005.

The LPSC conducts environmental audits that could result in Cleco Power making substantial refunds of previously recorded revenue.
In July 2009, the LPSC issued Docket No. U-29380 Subdocket A, which provides for an EAC 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.

These variable emission mitigation costs were historically recovered through the Fuel Adjustment Clause. On November 11, 2011, the LPSC opened Docket No. X-32150 to audit the costs for the periods October 2009 through October 2010. The total amount of environmental expenses included in the audit is approximately $2.4 million. Cleco Power has responded to data requests from the LPSC. These responses are currently under review by the LPSC. The LPSC has not stated an amount of the environmental costs, if any, that would be disallowed and result in a refund to customers. However, if a disallowance of environmental costs is ordered resulting in a refund, any such refund could affect the Registrants' results of operations, financial condition, and cash flows.

Hedging and Risk Management Activities

Cleco Power is subject to market risk associated with fuel cost hedges relating to open natural gas contracts. Cleco has risk management policies which cannot eliminate all risk involved in its energy commodity activities.

Cleco Power enters into fuel cost hedge positions to mitigate the volatility in fuel costs passed through to its retail customers. When these positions close, actual gains or losses are deferred and included in the fuel adjustment clause in the month the physical contract settles. However, recovery of any of these fuel adjustment clause costs is subject to, and may be disallowed as part of, a prudency review or a periodic fuel audit conducted by the LPSC.

Cleco Power manages its exposure to energy commodity activities by maintaining risk management policies and establishing and enforcing risk limits and risk management procedures. These risk limits and risk management procedures cannot eliminate all risk associated with these activities, particularly if intentional misconduct is involved.

Financial derivatives reforms could increase the liquidity needs and costs of Cleco Power's commercial trading operations.

In July 2010, Congress enacted federal legislation to reform financial markets that significantly altered how over-the-counter (OTC) derivatives are regulated. The law increased regulatory oversight of OTC energy derivatives, including (1) requiring standardized OTC derivatives to be traded on registered exchanges regulated by the Commodity Futures Trading Commission (CFTC), (2) imposing new and potentially higher capital and margin requirements and (3) authorizing the establishment of overall volume and position limits. The law gave the CFTC authority to exempt end users of energy commodities which could reduce, but not eliminate, the applicability of these measures to Cleco Power and other end users. These requirements could cause Cleco Power's future OTC transactions to be more costly and have an adverse effect on its liquidity due to additional capital requirements. In addition, by standardizing OTC products, these reforms could limit the effectiveness of Cleco Power's hedging programs because Cleco Power would have less ability to tailor OTC derivatives to match the precise risk it is seeking to protect.

Commodity Prices

Cleco Power is subject to the fluctuation in the market prices of various commodities which may increase the cost of producing power.
Cleco Power purchases natural gas, petroleum coke, lignite, and coal under long-term contracts and on the spot market. Historically, the markets for natural gas, petroleum coke, and coal have been volatile and are likely to remain volatile in the future. Cleco Power's retail and wholesale rates include a fuel adjustment clause that enables it to adjust rates for monthly fluctuations in the cost of fuel and purchased power. However, recovery of any of these fuel adjustment clause costs is subject to, and may be disallowed as part of, a prudency review or a periodic fuel audit conducted by the LPSC or FERC.

Global Economic Environment and Uncertainty

The global economic environment and uncertainty may negatively impact Cleco's business and financial condition, pension plan, lenders, and customers.
The global economic environment and uncertainty may have an impact on Cleco's business and financial condition. Cleco's ability to access capital markets could be severely restricted. This could have a material adverse impact on Cleco's ability to fund capital expenditures or debt service, or on Cleco's flexibility to react to changing economic and business conditions. Cleco's pension plan portfolio has experienced significant volatility due to market conditions and may experience material losses in the future. The losses, in conjunction with plan funding requirements, could result in required pension plan contributions significantly higher and earlier than previously anticipated, which could have a material adverse impact on Cleco's results of operations, financial condition, and cash flows. Further, the current economic environment and uncertainty could have a material adverse impact on Cleco's lenders or its customers, causing them to fail to meet their obligations to Cleco or to delay payment of such obligations. Additionally, the current economic environment and uncertainty could lead to reduced electricity usage, which could have a material adverse impact on the Registrants' results of operations, financial condition, and cash flows.

Future Electricity Sales

Cleco Power's future electricity sales and corresponding base revenue and cash flows could be adversely affected by general economic conditions.
General economic conditions can negatively impact the businesses of Cleco Power's industrial and commercial customers, resulting in decreased power purchases and lower base revenue. The recent recession adversely affected MWh sales due to closures and a reduction in load requirements across Cleco Power's industrial customer base, particularly among manufacturers of wood and paper products. The paper industry remains vulnerable to decreasing demand for its products, and the downturn in residential home construction has also caused a significant reduction in the demand and prices for lumber and other wood products. Reduced production or the shut down of any of these customers' facilities could substantially reduce Cleco Power's base

revenue.
Future electricity sales could be impacted by industrial customers switching to alternative sources of energy, including on-site power generation, and retail customers consuming less electricity due to increased conservation efforts or increased electric usage efficiency.

Cleco Power Generation Facilities

Cleco Power's generation facilities are susceptible to unplanned outages, significant maintenance requirements, and interruption of fuel deliveries.

The operation of power generation facilities involves many risks, including breakdown or failure of equipment, fuel supply interruption, and performance below expected levels of output or efficiency. Almost one-third of Cleco Power's net capacity is at facilities that were originally constructed before 1980. Older equipment, even if maintained in accordance with good engineering practices, may require significant expenditures to operate at peak efficiency or availability, or in compliance with environmental permits. If Cleco Power fails to make adequate expenditures for equipment maintenance, Cleco Power risks incurring more frequent unplanned outages, higher than anticipated operating and maintenance expenditures, increased fuel or power purchase costs, and potentially the loss of revenue related to competitive opportunities. Newer equipment, such as that installed at Madison Unit 3, can be subject to startup issues, such as failures due to immaturity of control equipment safeguards and experience with operating under forced outage conditions.

Cleco Power's generating facilities are fueled primarily by coal, natural gas, petroleum coke, and lignite. The deliverability of these fuel sources may be constrained due to such factors as higher demand, production shortages, weather-related disturbances or lack of transportation capacity. If the suppliers are unable to deliver the contracted volume of fuel, Cleco Power would have to replace any deficiency with alternative sources, which may not be as favorable and could increase the ultimate cost of fuel to customers. Fuel and purchased power expenses are recovered from customers through the fuel adjustment clause, which is subject to refund until either a prudency review or a periodic fuel audit is conducted by the LPSC.

Competition for access to other natural resources, particularly oil and natural gas, could negatively impact Cleco Power's ability to access its lignite reserves. Land owners may grant other parties access for oil and natural gas drilling in the same area to which Cleco has been granted access for lignite reserves. Placement of drilling rigs and pipelines for developing oil and gas reserves can preclude access to lignite in the same areas, making right of first access critical with respect to extracting lignite. Competition for the right of first access may need to be determined through legal processes. Additionally, Cleco Power could be liable for the impacts of other companies' activities on lands that have been mined and reclaimed by Cleco Power. Loss of access to lignite reserves or the liability for impacts on reclaimed lands could have material adverse effects to the Registrants' results of operations, financial condition, and cash flows.

Reliability and Infrastructure Protection Standards Compliance

Cleco is subject to mandatory reliability and critical infrastructure protection standards. Fines and civil penalties are imposed on those who fail to comply with these standards.
NERC serves as the ERO with authority to establish and enforce mandatory reliability and infrastructure protection standards, subject to FERC approval, for users of the nation's transmission system. FERC enforces compliance with these standards. New standards are being developed and existing standards are continuously being modified.
As these standards continue to be adopted and modified, they may impose additional compliance requirements on Cleco Power and Midstream operations, which may result in an increase in capital expenditures and operating expenses. Failure to comply with these standards can result in the imposition of material fines and civil penalties.
In February 2010, the SPP RE notified Cleco that an audit would be conducted to determine Cleco's compliance with the NERC Reliability Standard and Critical Infrastructure Protection cybersecurity standard requirements. The audit was conducted in April 2010. Cleco submitted mitigation plans and evidence of remedial efforts in connection with the SPP's initial findings from the audit. Cleco and the SPP agreed to a financial settlement totaling less than $0.1 million, which has been approved by NERC. Cleco's next scheduled audit will begin in 2013. Management is unable to predict the outcome of the future audit or whether it will have a material adverse effect on the Registrants' results of operations, financial condition, and cash flows.

Environmental Compliance

Cleco's costs of compliance with environmental laws and regulations are significant. The costs of compliance with new environmental laws and regulations, as well as the incurrence of incremental environmental liabilities, could be significant to the Registrants.
Cleco is subject to extensive environmental oversight by federal, state, and local authorities and is required to comply with numerous environmental laws and regulations related to air quality, water quality, waste management, natural resources, and health and safety. Cleco also is required to obtain and comply with numerous governmental permits in operating its facilities. Existing environmental laws, regulations, and permits could be revised or reinterpreted, and new laws and regulations could be adopted or become applicable to Cleco. For example, the EPA has announced rules that regulate CO_2 and hazardous air pollutants from electric generating units. Cleco may incur significant capital expenditures or additional operating costs to comply with these revisions, reinterpretations, and new requirements. If Cleco fails to comply, it could be subject to civil or criminal liabilities and fines or may be forced to shut down or reduce production from its facilities. Cleco cannot predict the outcome of pending or future legislative and rulemaking proposals.
Environmental advocacy groups, states, other organizations, some government agencies, and the presidential administration are focusing considerable attention on the potential role in climate change from power generation facilities emissions, including CO_2 emissions. Future changes in environmental regulations governing power plant emissions could make some of Cleco's electric generating units uneconomical to maintain or operate. In addition, any legal

obligation that would require Cleco to substantially reduce its emissions beyond present levels could require extensive mitigation efforts and could raise uncertainty about the future viability of some fossil fuels as an energy source for new and existing electric generation facilities. Cleco cannot predict the outcome of pending or future legislative and rulemaking proposals.
Cleco Power may request recovery from its customers of its costs to comply with new environmental laws and regulations. If the LPSC were to deny Cleco Power's request to recover all or part of its environmental compliance costs, there could be a material adverse effect on the Registrants' results of operations, financial condition, and cash flows.

Regulatory Compliance

Cleco operates in a highly regulated environment, and adverse regulatory decisions or changes in applicable regulations could have a material adverse effect on the Registrants' businesses or result in significant additional costs.
Cleco's business is subject to extensive federal, state, and local energy, environmental and other laws and regulations. The LPSC regulates Cleco's retail operations, and FERC regulates Cleco's wholesale operations. The construction, planning, and siting of Cleco's power plants and transmission lines also are subject to the jurisdiction of the LPSC and FERC. Additional regulatory authorities have jurisdiction over some of Cleco's operations and construction projects including the EPA, the U.S. Bureau of Land Management, the U.S. Fish and Wildlife Services, the U.S. Department of Energy, the U.S. Army Corps of Engineers, the U.S. Department of Homeland Security, the Occupational Safety and Health Administration, the U.S. Department of Transportation, the LDEQ, the Louisiana Department of Health and Hospitals, the Louisiana Department of Natural Resources, the Louisiana Department of Public Safety, regional water quality boards, and various local regulatory districts.
Cleco must periodically apply for licenses and permits from these various regulatory authorities and abide by their respective orders. Should Cleco be unsuccessful in obtaining necessary licenses or permits or should these regulatory authorities initiate any investigations or enforcement actions or impose penalties or disallowances on Cleco, Cleco's business could be adversely affected. Existing regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to Cleco or Cleco's facilities in a manner that may have a detrimental effect on the Registrants' business or result in significant additional costs because of Cleco's need to comply with those requirements.

Weather Sensitivity

The operating results of Cleco Power are affected by weather conditions and may fluctuate on a seasonal and quarterly basis.
Weather conditions directly influence the demand for electricity, particularly kWh sales to residential customers. In Cleco Power's service territory, demand for power typically peaks during the hot summer months. As a result, Cleco Power's financial results may fluctuate on a seasonal basis. In addition, Cleco Power has sold less power, and consequently earned less income, when weather conditions were milder. Unusually mild weather in the future could have a material adverse impact on the Registrants' results of operations, financial condition, and cash flows.
Severe weather, including hurricanes and winter storms,

can be destructive, causing outages and property damage that can potentially result in additional expenses and lower revenue. Extreme drought conditions can impact the availability of cooling water to support the operations of generating plants, which can also result in additional expenses and lower revenue.

Retail Electric Service

Cleco Power's retail electric rates and business practices are regulated by the LPSC, and reviews may result in refunds to customers.
Cleco Power's retail rates for residential, commercial, and industrial customers and other retail sales are regulated by the LPSC, which conducts an annual review of Cleco Power's earnings and regulatory return on equity. Through 2009, Cleco Power filed annual monitoring reports with the LPSC for 12-month periods ended September 30. In 2010, the reports were filed for 12-month periods ended June 30 and September 30. Beginning in 2011, Cleco Power filed the annual monitoring report for the 12-month period ended June 30. Cleco Power could be required to make a substantial refund of previously recorded revenue as a result of the LPSC review, and such refund could result in a material adverse effect on the Registrants' results of operations, financial condition, and cash flows.

Wholesale Electric Service

Cleco Power's wholesale electric rates and business practices are regulated by FERC, and Cleco could lose the right to sell at market-based rates.
Cleco Power's wholesale rates are regulated by FERC, which conducts a review of Cleco Power's generation market power every three years in addition to each time generation capacity changes. If FERC determines Cleco Power possesses generation market power in excess of certain thresholds, Cleco Power could lose the right to sell wholesale generation at market-based rates within its control area, which could result in a material adverse effect on the Registrants' results of operations, financial condition, and cash flows.

Cleco Credit Ratings

A downgrade in Cleco Corporation's or Cleco Power's credit rating could result in an increase in their respective borrowing costs and a reduced pool of potential investors and funding sources.
While the senior unsecured debt ratings of Cleco Corporation and Cleco Power are currently investment grade, in recent years such ratings have been downgraded or put on negative watch by Moody's and Standard & Poor's. Neither Cleco Corporation nor Cleco Power can assure that its current debt ratings will remain in effect for any given period of time or that one or more of its debt ratings will not be lowered or withdrawn entirely by a rating agency. Credit ratings are not recommendations to buy, sell, or hold securities and each rating should be evaluated independently of any other rating. If Moody's and Standard & Poor's were to downgrade Cleco Corporation's or Cleco Power's long-term ratings, particularly below investment grade, the value of their debt securities would likely be adversely affected, and the borrowing cost of Cleco Corporation or Cleco Power, as the case may be, would likely increase. In addition, Cleco Corporation or Cleco Power, as the case may be, would likely be required to pay higher interest rates in future debt financings and be subject to more

onerous debt covenants, and its pool of potential investors and funding sources could decrease.

Holding Company

Cleco Corporation is a holding company, and its ability to meet its debt obligations and pay dividends on its common stock is dependent on the cash generated by its subsidiaries.

Cleco Corporation is a holding company and conducts its operations primarily through its subsidiaries. Substantially all of Cleco's consolidated assets are held by its subsidiaries. Accordingly, Cleco Corporation's ability to meet its debt obligations and to pay dividends on its common stock is largely dependent upon the cash generated by these subsidiaries. Cleco Corporation's subsidiaries are separate and distinct entities and have no obligation to pay any amounts due on Cleco Corporation's debt or to make any funds available for such payment. In addition, Cleco Corporation's subsidiaries' ability to make dividend payments or other distributions to Cleco Corporation may be restricted by their obligations to holders of their outstanding securities and to other general business creditors. Cleco Corporation's right to receive any assets of any subsidiary, and therefore the right of its creditors to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if Cleco Corporation were a creditor of any subsidiary, its rights as a creditor would be subordinated to any security interest in the assets of that subsidiary and any indebtedness of the subsidiary senior to that held by Cleco Corporation. Moreover, Cleco Power, Cleco Corporation's principal subsidiary, is subject to regulation by the LPSC, which may impose limits on the amount of dividends that Cleco Power may pay Cleco Corporation.

Midstream Generation Facility

Midstream's generation facility is susceptible to unplanned outages, significant maintenance requirements, interruption of fuel deliveries, and transmission constraints.
The operation of power generation facilities involves many risks, including breakdown or failure of equipment, fuel interruption, and performance below expected levels of output or efficiency. If adequate expenditures for equipment maintenance are not made, a facility may incur more frequent unplanned outages, higher than anticipated operating and maintenance expenditures, increased fuel costs, and potentially the loss of revenue related to competitive opportunities.
Midstream's generation facility is fueled by natural gas. The deliverability of this fuel source may be constrained due to such factors as higher demand, production shortages, weather-related disturbances, or lack of transportation capacity.
Due to Midstream's generation facility's location on the transmission grid, Midstream relies on one main supplier of electric transmission when accessing external power markets. However, at times, physical constraints limit the amount of power this transmission provider can deliver.

Cleco Power's Rates

The LPSC and FERC regulate the rates that Cleco Power can charge its customers.
Cleco Power's ongoing financial viability depends on its ability

to recover its costs from its LPSC-jurisdictional customers in a timely manner through its LPSC-approved rates and its ability to pass through to its FERC customers in rates its FERC-authorized revenue requirements. Cleco Power's financial viability also depends on its ability to recover in rates an adequate return on capital, including long-term debt and equity. If Cleco Power is unable to recover any material amount of its costs in rates in a timely manner or recover an adequate return on capital, the Registrants' results of operations, financial condition, and cash flows could be materially adversely affected.
Cleco Power's revenues and earnings are substantially affected by regulatory proceedings known as rate cases. During those cases, the LPSC or FERC determines Cleco Power's rate base, depreciation rates, operation and maintenance costs, and administrative and general costs that Cleco Power may recover from its retail or wholesale customers through its rates. These proceedings may examine, among other things, the prudence of Cleco Power's operation and maintenance practices, level of subject expenditures, allowed rates of return, and previously incurred capital expenditures. The LPSC and FERC have the authority to disallow costs found not to have been prudently incurred. These regulatory proceedings typically involve multiple parties, including governmental bodies and officials, consumer advocacy groups, and various consumers of energy, who have differing concerns but who have the common objective of limiting rate increases or reducing rates. Rate cases generally have long timelines, which may be limited by statute. Decisions are typically subject to appeal, potentially leading to additional uncertainty.

Alternative Generation Technology

Changes in technology may negatively impact the value of the Cleco Power and Midstream generation facilities.
A basic premise of Cleco's business is that generating electricity at central power plants achieves economies of scale and produces electricity at a relatively low price. There are alternative technologies to produce electricity, most notably fuel cells, microturbines, wind turbines, and photovoltaic (solar) cells. Many companies and organizations conduct research and development activities to seek improvements in alternative technologies. It is possible that advances will reduce the cost of alternative methods of electricity production to a level that is equal to or below that of most central station production. Also, as new technologies are developed and become available, the quantity and pattern of electricity usage by customers could decline, with a corresponding decline in revenues derived by generators. In addition, the current presidential administration and certain members of the U.S. Congress have voiced support for such alternative energy sources. As a result, the value of the Cleco Power and Midstream generation facilities could be significantly reduced.

Insurance

Cleco's insurance coverage may not be sufficient.
Cleco currently has general liability and property insurance in place to cover certain of its facilities in amounts that it considers appropriate. Such policies are subject to certain limits and deductibles and do not include business interruption coverage. Insurance coverage may not be available in the future at current costs or on commercially reasonable terms, and the insurance proceeds received for any loss of, or any

damage to, any of Cleco's facilities may not be sufficient to restore the loss or damage without negative impact on Cleco's results of operations, financial condition, and cash flows.
Like other utilities that serve coastal regions, Cleco does not have insurance covering its transmission and distribution system, other than substations, because it believes such insurance to be cost prohibitive. In the future, Cleco may not be able to recover the costs incurred in restoring transmission and distribution properties following hurricanes or other natural disasters through issuance of storm recovery bonds or a change in Cleco Power's regulated rates or otherwise, or any such recovery may not be timely granted. Therefore, Cleco may not be able to restore any loss of, or damage to, any of its transmission and distribution properties without negative impact on its results of operations, financial

condition, and cash flows.

Litigation

The outcome of legal proceedings cannot be predicted. An adverse finding could have a material adverse effect on the Registrants' financial condition.
The Registrants are party to various litigation matters arising out of their business operations. The ultimate outcome of these matters cannot presently be determined, nor, in many cases, can the liability that could potentially result from a negative outcome in each case presently be reasonably estimated. The liability that the Registrants may ultimately incur with respect to any of these cases in the event of a negative outcome may be in excess of amounts currently reserved and insured against with respect to such matters and, as a result, these matters may have a material adverse effect on the Registrants' results of operations, financial condition, and cash flows.

Taxes

Changes in taxation as well as the inherent difficulty in quantifying potential tax effects of business decisions could negatively impact the Registrants' financial condition.
The Registrants make judgments regarding the potential tax effects of various financial transactions and results of operations to estimate their obligations to taxing authorities. These tax obligations include income, franchise, real estate, sales and use, and employment-related taxes. These judgments include reserves for potential adverse outcomes regarding tax positions that have been taken. Changes in federal, state, or local tax laws, adverse tax audit results, or adverse tax rulings on positions taken by the Registrants could negatively affect their results of operations, financial condition, and cash flows.

Health Care Reform

Cleco may experience increased costs arising from health care reform.
In March 2010, Congress passed, and the President signed, the PPACA. This law may have a significant impact on health care providers, insurers, and others associated with the health care industry. Cleco is continuing to evaluate the impact of this comprehensive law on its business and has made the required changes to its health plan for 2012. Federal and state governments may propose other health care initiatives and revisions to the health care and health insurance systems. It is uncertain what legislative programs, if any, will be adopted in

the future, or what action Congress or state legislatures may take regarding other health care reform proposals or legislation. Although the law has passed, many regulations have yet to be written; therefore, management cannot quantify the impact of these regulations, including those relating to the establishment of exchanges and the applicability of excise taxes on excess health benefits. The new regulations may have a material adverse effect on the Registrants' results of operations, financial condition, and cash flows.

Technology and Terrorism Threats

Man-made problems such as computer viruses or terrorism may negatively impact the Registrants' operating results.
Man-made problems such as computer viruses or terrorism may disrupt the Registrants' operations and harm the Registrants' operating results. The Registrants operate in a highly regulated industry that requires the continued operation of sophisticated information technology systems and network infrastructure. Despite the implementation of security measures, all of the Registrants' technology systems are vulnerable to disability or failures due to hacking, viruses, acts of war or terrorism, and other causes. If the Registrants' technology systems were to fail and the Registrants were unable to recover in a timely way, the Registrants would be unable to fulfill critical business functions, which could have a material adverse effect on the Registrants' business, operating results, financial condition, and cash flows. In addition, the Cleco Power and Midstream generation plants, fuel storage facilities, transmission, and distribution facilities may be targets of terrorist activities that could disrupt the Registrants' ability to produce or distribute some portion of their energy products. Any such disruption could result in a material decrease in revenues and significant additional costs to repair and insure the Registrants' assets, which could have a material adverse effect on the Registrants' business, operating results, financial condition, and cash flows. The continued threat of terrorism and heightened security and military action in response to this

threat, or any future acts of terrorism, may cause further disruptions to the economies of the U.S. and other countries and create further uncertainties or otherwise materially harm the Registrants' business, operating results, financial condition, and cash flows.

Cleco Power Unsecured and Unsubordinated Obligations

Cleco Power's unsecured and unsubordinated obligations, including, without limitation, its senior notes, will be effectively subordinated to any secured debt of Cleco Power and the debt and any preferred equity of any of Cleco Power's subsidiaries.
Cleco Power's senior notes and its obligations under various loan agreements and refunding agreements with the Rapides Finance Authority, the Louisiana Public Facilities Authority and other issuers of tax-exempt bonds for the benefit of Cleco Power are unsecured and rank equally with all of Cleco Power's existing and future unsecured and unsubordinated indebtedness. As of December 31, 2011, Cleco Power had an aggregate of $1.21 billion of unsecured and unsubordinated indebtedness. The unsecured and unsubordinated indebtedness of Cleco Power will be effectively subordinated to, and thus have a junior position to, any secured debt that Cleco Power may have outstanding from time to time (including any mortgage bonds) with respect to the assets securing such debt. As of December 31, 2011, Cleco Power had no secured indebtedness outstanding. Cleco Power may issue mortgage bonds in the future under its Indenture of Mortgage, and holders of mortgage bonds would have a prior claim on certain Cleco Power material assets upon dissolution, winding up, liquidation or reorganization. Additionally, Cleco Power's ability (and the ability of Cleco Power's creditors, including holders of its senior notes) to participate in the assets of Cleco Power's subsidiary, Cleco Katrina/Rita, is subject to the prior claims of the subsidiary's creditors. As of December 31, 2011, Cleco Katrina/Rita had $143.2 million of indebtedness outstanding.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

CLECO CORPORATION

Electric Transmission Substations
As of December 31, 2011, Cleco Corporation, through two wholly owned subsidiaries, owned one transmission substation in Louisiana and one transmission substation in Mississippi.

CLECO POWER

All of Cleco Power's electric generating stations and all other electric operating properties are located in the state of Louisiana. Cleco Power considers all of its properties to be well maintained, in good operating condition, and suitable for their intended purposes. For information on Cleco Power's generating facilities, see Item 1, "Business — Operations — Cleco Power — Power Generation."

Electric Generating Stations
As of December 31, 2011, Cleco Power either owned or had an ownership interest in three steam electric generating

stations, one gas turbine, one combined cycle unit, and one simple cycle unit with a combined nameplate capacity of 2,524 MW, and a combined electric net generating capacity of 2,488 MW. The net generating capacity is the result of capacity tests performed between June and September 2011, as required by NERC. This amount reflects the maximum production capacity these units can sustain over a specified period of time. For more information on Cleco Power's generating facilities, see Item 1, "Business — Operations — Cleco Power — Power Generation."

Electric Substations
As of December 31, 2011, Cleco Power owned 72 active transmission substations and 223 active distribution substations.

Electric Lines
As of December 31, 2011, Cleco Power's transmission system consisted of approximately 67 circuit miles of 500-kiloVolt (kV) lines; 510 circuit miles of 230-kV lines; 685 circuit miles of 138

kV lines; and 21 circuit miles of 69-kV lines. Cleco Power's distribution system consisted of approximately 3,521 circuit miles of 34.5-kV lines and 8,199 circuit miles of other lines.

General Properties

Cleco Power owns various properties throughout Louisiana, which include a headquarters office building, regional offices, service centers, telecommunications equipment, and other general-purpose facilities.

Title

Cleco Power's electric generating plants and certain other principal properties are owned in fee. Electric transmission and distribution lines are located either on private rights-of-way or along streets or highways by public consent. Substantially all of Cleco Power's property, plant, and equipment are subject to a lien of Cleco Power's Indenture of Mortgage, which does not impair the use of such properties in the operation of its business. As of December 31, 2011, no mortgage bonds were outstanding under the Indenture of Mortgage. The unsecured and unsubordinated indebtedness of Cleco Power will be effectively subordinated to, and thus have a junior position to, any mortgage bonds that Cleco Power may have outstanding from time to time with respect to the assets subject to the lien of the Indenture of Mortgage. Cleco Power may issue mortgage bonds in the future under its Indenture of Mortgage, and holders of mortgage bonds would have a prior claim on certain Cleco Power material assets upon dissolution, winding up, liquidation, or reorganization.

MIDSTREAM

Midstream considers all of its properties to be well maintained, in good operating condition, and suitable for their intended purposes. For information on Midstream's generating facilities, see Item 1, "Business — Operations — Midstream."

Electric Generation

As of December 31, 2011, Midstream, through one wholly owned subsidiary, owned one electric generating station, with a nameplate capacity of 775 MW and an electric net generating capacity of 755 MW. For information on Midstream's generating facilities, see Item 1, "Business — Operations — Midstream."

Title

Midstream's assets are owned in fee. Prior to the Evangeline Restructuring Agreement and the associated extinguishment of debt, Evangeline was subject to a lien securing obligations under an Indenture of Mortgage, which did not impair the use of such properties in the operation of its business. On February 22, 2010, Evangeline and JPMVEC terminated the Evangeline Tolling Agreement and executed the Evangeline 2010 Tolling Agreement. The Evangeline 2010 Tolling Agreement expired on 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 was available to Midstream beginning January 1, 2012. For more information, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 17 — Evangeline Transactions."

ITEM 3. LEGAL PROCEEDINGS

CLECO

For information on legal proceedings affecting Cleco, see Part I, Item I, "Business — Environmental Matters — Environmental Quality — Air Quality" and "— Water Quality" and Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 14 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation."

CLECO POWER

For information on legal proceedings affecting Cleco Power, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 14 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation."

ITEM 4. MINE SAFETY DISCLOSURES

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

Board of Directors of Cleco

The names of the members of the Board of Directors of Cleco, their ages, dates of election, employment history and committee assignments as of December 31, 2011, are as follows. The term of each directorship is three years, and directors are divided among three classes. The terms of the three classes are staggered in a manner so that only one class is elected by the shareholders annually.

NAME OF DIRECTOR	AGES AS OF DECEMBER 31, 2011
Sherian G. Cadoria	Age 71; Elected 1993 Brigadier General, U.S. Army (retired) Retired President, Cadoria Speaker and Consultancy Service, Mansura, LA Member of the Audit, Nominating/Governance and Qualified Legal Compliance Committees
J. Patrick Garrett	Age 68; Elected 1981 Retired President and Chief Executive Officer, Windsor Food Company, Ltd., Houston, TX Chairman of the Board and chairman of the Executive, Nominating/Governance and Qualified Legal Compliance Committees
Elton R. King	Age 65; Elected 1999 Retired President of Network and Carrier Services Group, BellSouth Telecommunications, Inc., Atlanta, GA. Also retired President and Chief Executive Officer of Visual Networks, Inc. Member of the Finance, Nominating/Governance and Qualified Legal Compliance Committees
Logan W. Kruger	Age 61; Elected 2008 Former President, Chief Executive Officer and Director of Century Aluminum Company, Monterey, CA Member of the Audit and Compensation Committees
William L. Marks	Age 68; Elected 2001 Retired Chairman and Chief Executive Officer, Whitney Holding Corporation and Whitney National Bank, New Orleans, LA Chairman of the Finance Committee and member of the Compensation and Executive Committees
Robert T. Ratcliff Sr.	Age 69; Elected 1993 Chairman and Chief Executive Officer, The Ratcliff Companies, Alexandria, LA Member of the Audit and Finance Committees
Peter M. Scott III	Age 62; Elected 2009 Retired Executive Vice President and Chief Financial Officer, Progress Energy, Inc., Raleigh, NC. Also retired President and Chief Executive Officer of Progress Energy Service Company,

	LLC Chairman of the Audit Committee and member of the Compensation and Executive Committees
Shelley Stewart Jr.	Age 58; Elected 2010 Senior Vice President, Operational Excellence & Chief Procurement Officer, Tyco International Limited, Princeton, NJ Member of the Audit, Nominating/Governance and Qualified Legal Compliance Committees
William H. Walker Jr.	Age 66; Elected 1996 Retired Chairman, Howard Weil, Inc., New Orleans, LA Chairman of the Compensation Committee and member of the Executive, Finance, Nominating/Governance and Qualified Legal Compliance Committees
Bruce A. Williamson	Age 52; Elected 2011 President and Chief Executive Officer, Cleco Corporation, Pineville, LA since July 2011; Chairman, President and Chief Executive Officer, Dynegy, Inc. from 2004 to 2011 Member of the Executive Committee

Executive Officers of Cleco

The names of the executive officers of Cleco and certain subsidiaries, their positions held, five-year employment history, ages, and years of service as of December 31, 2011, are as follows. Executive officers are appointed annually to serve for the ensuing year or until their successors have been appointed.

NAME OF EXECUTIVE	POSITION AND FIVE-YEAR EMPLOYMENT HISTORY
Bruce A. Williamson Cleco Corporation	President and Chief Executive Officer since July 2011; Chairman, President and Chief Executive Officer, Dynegy, Inc. from 2004 to 2011.
Cleco Power	Chief Executive Officer since July 2011. (Age 52; less than one year of service)
George W. Bausewine Cleco Corporation	Senior Vice President - Corporate Services from May 2005 to August 2010.
Cleco Power	President and Chief Operating Officer since August 2010; Senior Vice President - Corporate Services from May 2005 to August 2010. (Age 56; 26 years of service)
Darren J. Olagues Cleco Corporation Cleco Power	Senior Vice President, Chief Financial Officer and Treasurer since November 2011; Senior Vice President and Chief Financial Officer from May 2009 to November 2011.
Midstream	Senior Vice President from July 2007 to May 2009; Vice President, Power - Asset Management and Development, Exelon Corporation from November 2006 to July 2007; Director - Corporate Development, Exelon Corporation from March 2005 to November 2006. (Age 41; 4 years of service)
R. Russell Davis Cleco Corporation Cleco Power	Senior Vice President - External Relations and Information Technology since November 2011; Vice President - Investor Relations and Chief Accounting Officer from May 2009 to November 2011; Vice President, Chief Accounting Officer & Interim CFO from June 2008 to May 2009; Vice President and Chief Accounting Officer from May 2005 to June 2008. (Age 55; 12 years of service)
Jeffrey W. Hall Cleco Corporation	Senior Vice President - Governmental Affairs and Chief Diversity Officer since July 2006; Vice President - Governmental and Community Affairs from July 2005 to July 2006.
Cleco Power	Senior Vice President - Governmental Affairs and Chief Diversity Officer since July 2006; Vice President - Governmental and Community Affairs from October 2004 to July 2006. (Age 60; 30 years of service)
Wade A. Hoefling Cleco Corporation	

Cleco Power	Senior Vice President, General Counsel & Director - Regulatory Compliance since April 2008; Senior Vice President, General Counsel, Director - Regulatory Compliance and Assistant Corporate Secretary from January 2007 to April 2008; General Counsel, Northeast Utilities Enterprises, Inc. from July 2004 to January 2007. (Age 56; 5 years of service)
Judy P. Miller Cleco Corporation Cleco Power	Senior Vice President - Corporate Services and Internal Audit since November 2011; Corporate Secretary from January 2004 to November 2011. (Age 54; 27 years of service)
Keith D. Crump Cleco Corporation	Treasurer from May 2005 to March 2007.
Cleco Power	Group Vice President since March 2010; Vice President - Regulatory, Retail Operations and Resource Planning from March 2007 to March 2010. (Age 50; 22 years of service)
William G. Fontenot Cleco Power	Group Vice President since March 2010; Vice President - Regulated Generation Development from July 2005 to March 2010. (Age 48; 26 years of service)

NAME OF EXECUTIVE	POSITION AND FIVE-YEAR EMPLOYMENT HISTORY
Anthony L. Bunting Cleco Power	Vice President - Customer Services and Energy Delivery since October 2004. (Age 52; 20 years of service)
Stephen M. Carter Cleco Power	Vice President - Regulated Generation since April 2003. (Age 52; 23 years of service)
Robert R. LaBorde, Jr. Cleco Corporation Cleco Power	Vice President - Strategic Planning, Development and Environmental Policy since November 2011; General Manager - Environmental Services from August 2006 to November 2011; General Manager - Project Development from May 2004 to August 2006. (Age 44; 20 years of service)
Terry L. Taylor Cleco Corporation Cleco Power	Controller and Chief Accounting Officer since November 2011; Assistant Controller from August 2006 to November 2011; Director of Accounting Services and Affiliate Compliance from January 2004 to August 2006. (Age 56; 11 years of service)
Julia E. Callis Cleco Corporation Cleco Power	Associate General Counsel and Corporate Secretary since November 2011; Senior Attorney from August 2007 to November 2011; Partner, Thompson & Knight LLP from 2004 to 2007. (Age 43; 4 years of service)
W. Keith Johnson Jr. Midstream	Acting Vice President since May 2009; General Manager - Midstream Commercial Operations from October 2007 to May 2009; Director - Business Development from October 2002 to October 2007. (Age 50; 17 years of service)

In January 2004, Perryville entered into an agreement to sell its 718-MW power plant to Entergy Louisiana. As part of the sales process, Perryville and PEH filed voluntary petitions in the Perryville and PEH Bankruptcy Court for protection under Chapter 11 of the U.S. Bankruptcy Code. Mr. Fontenot was a manager of Perryville and/or PEH within the two years preceding the voluntary bankruptcy filing.

PART II

ITEM 5. MARKET FOR REGISTRANTS' COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND CLECO CORPORATION'S PURCHASES OF EQUITY SECURITIES

CLECO CORPORATION

Cleco Corporation's common stock is listed for trading on the New York Stock Exchange (NYSE). For information on the high and low sales prices for Cleco Corporation's common stock as reported on the NYSE Composite Tape and dividends paid per share during each calendar quarter of 2011 and 2010, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 20 — Miscellaneous Financial Information (Unaudited)."

During the year ended December 31, 2011, Cleco Corporation repurchased 400,000 shares of common stock. For information on Cleco Corporation's common stock repurchase program, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 7 — Common and Preferred Stock — Common Stock Repurchase Program."

Dividends, as determined by the Board of Directors of Cleco Corporation, may be declared and paid on the common stock from time to time out of funds legally available, subject to prior rights to dividends on any outstanding series of preferred stock. The provisions of Cleco Corporation's amended and restated articles of incorporation applicable to preferred stock and certain provisions contained in the debt instruments of Cleco under certain circumstances restrict the amount of retained earnings available for the payment of dividends by Cleco Corporation. The most restrictive covenant, which is in Cleco Corporation's credit facility, requires Cleco Corporation's total indebtedness to be less than or equal to 65% of total capitalization. At December 31, 2011, approximately $661.5 million of retained earnings were unrestricted.

On January 27, 2012, Cleco Corporation's Board of Directors declared a quarterly dividend of $0.3125 per share payable on February 15, 2012, to common shareholders of record at the close of business on February 6, 2012.

As of January 31, 2012, there were 6,120 holders of record of Cleco Corporation's common stock, and the closing price of Cleco Corporation's common stock as reported on the NYSE Composite Tape was $39.76 per share.

In April 2011, the Board of Directors of Cleco Corporation declared a dividend of $0.28 per share of common stock payable on May 16, 2011. In October 2011, the Board of Directors raised the quarterly dividend from $0.28 per share of common stock to $0.3125 per share of common stock, payable on November 15, 2011. The declaration of dividend payments is at the Board of Directors' sole discretion and future dividends are subject to numerous factors that ordinarily affect the dividend policy, including the result of Cleco's operations and its financial position, as well as general economic and business conditions.

In January 2011, Cleco Corporation's Board of Directors authorized and approved the redemption of all outstanding shares of the 4.5% cumulative preferred stock not subject to mandatory redemption, provided that no shares of such preferred stock were redeemed prior to the repayment in full and termination of the $150.0 million bank term loan that matured on August 19, 2011. During 2011, the $150.0 million bank term loan was repaid and on June 24, 2011, Cleco Corporation redeemed all 10,288 outstanding shares of its 4.5% preferred stock. The redemption price was $101 per share, plus accrued and unpaid dividends to the redemption date, or $101.296 per share.

CLECO POWER

There is no market for Cleco Power's membership interests. All of Cleco Power's outstanding membership interests are owned by Cleco Corporation. Distributions on Cleco Power's membership interests are paid when and if declared by Cleco Power's Board of Managers. Any future distributions also may be restricted by any credit or loan agreements that Cleco Power may enter into from time to time.

Some provisions in Cleco Power's debt instruments restrict the amount of equity available for distribution to Cleco Corporation by Cleco Power under specified circumstances. The most restrictive covenant requires Cleco Power's total indebtedness to be less than or equal to 65% of total capitalization. At December 31, 2011, approximately $519.7 million of member's equity was unrestricted.

During 2011, 2010, and 2009, Cleco Power made $130.0 million, $150.0 million, and $30.0 million of distribution payments to Cleco Corporation, respectively.

During 2010, Cleco Power received $225.7 million in non-cash equity contributions from Cleco Corporation relating to Acadia Unit 1. For more information regarding this transaction, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 18 — Acadia Transactions — Acadia Unit 1." Cleco Power received no equity contributions from Cleco Corporation in 2011 or 2009.

ITEM 6.SELECTED FINANCIAL DATA

CLECO

The information set forth in the following table should be read in conjunction with the Consolidated Financial Statements and the related Notes in Item 8, "Financial Statements and Supplementary Data."
Cleco's consolidated financial results for 2007 include the settlement of Acadia's pre-petition unsecured claims against CES and Calpine Corporation and amounts received by APH relating to Cajun's purchase of CAH's 50% equity ownership interest in Acadia, offset by a pre-tax impairment loss.

Cleco's consolidated financial results for 2010 include the gain on toll settlement due to transactions related to the termination of the Evangeline Tolling Agreement and the execution of the Evangeline 2010 Tolling Agreement and also include the gain related to the acquisition of Acadia Unit 1 and half of Acadia Power Station's related common facilities.
Cleco's consolidated financial results for 2011 include the gain related to the disposition of Acadia Unit 2 and the remaining half of Acadia Power Station's related common facilities.

Five-Year Selected Financial Data (THOUSANDS, EXCEPT PER SHARE AND PERCENTAGES)	2011		2010		2009		2008		2007	
Operating revenue, net (excluding intercompany revenue)										
Cleco Power	$1,096,093		$1,119,084		$842,227		$1,069,674		$1,023,411	
Midstream	19,013		27,030		8,749		7,921		5,066	
Other	2,207		2,552		2,782		2,603		2,139	
Total	$1,117,313		$1,148,666		$853,758		$1,080,198		$1,030,616	
Income from continuing operations before income taxes	$298,745		$397,889		$115,886		$120,598		$222,561	
Net income applicable to common stock	$195,710		$255,345		$106,261		$102,095		$151,331	
Basic earnings per share applicable to common stock	$3.24		$4.23		$1.77		$1.70		$2.55	
Diluted earnings per share applicable to common stock	$3.22		$4.20		$1.76		$1.70		$2.54	
Capitalization										
Common shareholders' equity	51.50	%	48.46	%	45.77	%	48.89	%	56.74	%
Preferred stock	—		0.04	%	0.04	%	0.05	%	0.06	%
Long-term debt	48.50	%	51.50	%	54.19	%	51.06	%	43.20	%
Common shareholders' equity	$1,419,857		$1,317,178		$1,115,043		$1,059,836		$1,010,340	
Preferred stock	$—		$1,029		$1,029		$1,029		$1,029	
Long-term debt, net	$1,337,056		$1,399,709		$1,320,299		$1,106,819		$769,103	
Total assets	$4,050,202		$4,161,410		$3,694,847		$3,341,204		$2,706,623	
Cash dividends declared per common share	$1.1225		$0.975		$0.900		$0.900		$0.900	

CLECO POWER

The information called for by Item 6 with respect to Cleco Power is omitted pursuant to General Instruction I(2)(a) to Form 10-K (Omission of Information by Certain Wholly Owned Subsidiaries).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND 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 power supply options for 2012 and beyond. 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 initial portion of the estimated cost was approximately $150.0 million, including AFUDC. Due to lower material and labor costs than initially expected, Cleco Power's estimated costs for its portion of the project were reduced to $125.0 million, including AFUDC. At December 31, 2011, Cleco Power had spent $96.2 million on the project. 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 is estimated to be 87% complete with the completion expected by December 2012. For information on the impact the Acadiana Load Pocket project is expected to have on base revenue, see "— Cleco Power's Results of Operations — Year Ended December 31, 2011 Compared to Year Ended December 31, 2010 — Base." For more information, see "— Financial Condition — Regulatory and Other Matters — Acadiana Load Pocket Project."

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 December 31, 2011, Cleco Power had incurred $9.8 million in project costs, of which $4.4 million has been submitted to the DOE for reimbursement. As of December 31, 2011, Cleco Power had received $3.5 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.”

The risks associated with cybersecurity issues increase as Cleco moves toward more dependence on digital technology to conduct its daily operations, such as, but not limited to, AMI. Cleco has security measures in place to protect its technology systems from hacking, viruses, and other causes. In addition, Cleco is under the jurisdiction of the NERC Critical Infrastructure Protection cybersecurity standards and has implemented mechanisms, policies, and procedures to meet those standards. If Cleco’s security measures were to fail, revenues could decrease and costs to repair the assets could have a material adverse effect on the Registrants’ business, operating results, financial condition, and cash flows. For more information on cybersecurity, see Part 1, Item 1A, “Risk Factors — Technology and Terrorism Threats.”

Power Supply Options

Cleco Power is evaluating a range of capacity and energy supply options for 2012 and beyond. 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 one RFP for resources to enhance reliability for January through April 2012 and has since 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 has been submitted to the LPSC and FERC for approval. Cleco Power also expects to issue an additional RFP in 2012 seeking long-term access to resources beyond April 2015. For more information on CSAPR, see Part 1, Item 1, “Business — Environmental Matters” and for information on the RFP, 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 currently is 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 has been submitted to the LPSC and FERC for approval. 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."

Acadia

In October 2009, Acadia and Entergy Louisiana executed definitive agreements whereby Entergy Louisiana would purchase Acadia Unit 2. On April 29, 2011, Acadia completed its disposition of Acadia Unit 2 to Entergy Louisiana for $298.8 million. APH's portion of the proceeds from the sale were used to repay Cleco Corporation's $150.0 million bank term loan. For more information on the Acadia Unit 2 transaction, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 18 — Acadia Transactions — Acadia Unit 2."

RESULTS OF OPERATIONS

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

Cleco Consolidated Results of Operations —
Year ended December 31, 2011,
Compared to Year ended December 31, 2010

	FOR THE YEAR ENDED DECEMBER 31,			
			FAVORABLE/(UNFAVORABLE)	
(THOUSANDS)	2011	2010	VARIANCE	CHANGE
Operating revenue, net	$1,117,313	$1,148,666	$(31,353)	(2.7)%
Operating expenses	816,278	853,325	37,047	4.3%
Operating income	$301,035	$295,341	$5,694	1.9%
Allowance for other funds used during construction	$4,947	$12,413	$(7,466)	(60.1)%
Equity income from investees, before tax	$62,050	$38,849	$23,201	59.7%
Gain on toll settlement	$—	$148,402	$(148,402)	(100.0)%
Other income	$8,914	$5,242	$3,672	70.0%
Other expense	$(8,434)	$(6,991)	$(1,443)	(20.6)%
Interest charges	$70,658	$95,776	$25,118	26.2%
Federal and state income taxes	$102,897	$142,498	$39,601	27.8%
Net income applicable to common stock	$195,710	$255,345	$(59,635)	(23.4)%

Consolidated net income applicable to common stock decreased $59.6 million, or 23.4%, in 2011 compared to 2010 primarily due to the absence of 2010 gains at Midstream related to the termination of the Evangeline Tolling Agreement and Acadia Unit 1 transaction, partially offset by the 2011 gain from the Acadia Unit 2 transaction. Also contributing to the decrease were lower Cleco Power earnings. Partially offsetting these decreases were higher corporate earnings.

Operating revenue, net decreased $31.4 million, or 2.7%, in 2011 compared to 2010 largely as a result of lower fuel cost recovery revenue at Cleco Power due to lower per unit costs of fuel used for electric generation and lower per unit costs and volumes of power purchased for utility customers.

Operating expenses decreased $37.0 million, or 4.3%, in 2011 compared to 2010 primarily due to lower per unit costs and volumes of power purchased for utility customers.

Allowance for other funds used during construction decreased $7.5 million, or 60.1%, in 2011 compared to 2010, primarily due to the cessation of AFUDC accruals related to the completion of construction activity at Madison Unit 3.

Equity income from investees increased $23.2 million, or 59.7%, in 2011 compared to 2010 primarily due to increased equity earnings at APH primarily from the recognition of a $62.0 million gain from the disposition of Acadia Unit 2 and Acadia Power Station's remaining common facilities to Entergy Louisiana. Partially offsetting this increase was the absence of the $41.0 million gain from Cleco Power's acquisition of Acadia Unit 1 and half of Acadia Power Station's related common facilities during 2010. For more information on the Acadia Unit 1 and 2 transactions, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 18 — Acadia Transactions."

Gain on toll settlement was $148.4 million in 2010 due to transactions related to the termination of the existing Evangeline Tolling Agreement and the execution of the Evangeline 2010 Tolling Agreement. For more information, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 17 — Evangeline Transactions."

Other income increased $3.7 million, or 70.0%, in 2011 compared to 2010 primarily due to death benefits paid on life insurance policies at Cleco Corporation and higher royalty payments and higher revenue from mutual assistance to other utilities for restoration efforts at Cleco Power.

Other expense increased $1.4 million, or 20.6%, in 2011 compared to 2010 primarily due to a decrease in the cash surrender value of life insurance policies at Cleco Corporation.

Interest charges decreased $25.1 million, or 26.2%, in 2011 compared to 2010 largely due to an IRS settlement at Evangeline and the retirement of Evangeline's debt in 2010. Also contributing to the decrease were lower corporate interest charges related to uncertain tax positions and the repayment of a bank term loan in April 2011. Partially offsetting these decreases was higher interest charges at Cleco Power.

Federal and state income taxes decreased $39.6 million, or 27.8%, in 2011 compared to 2010 primarily due to a decrease in pre-tax income excluding AFUDC equity, partially offset by adjustments related to the settlement of the 2001 through 2003 IRS audit. The effective income tax rate is different than the federal statutory rate primarily due to prior year adjustments related to the settlement of the 2001 through 2003 IRS audit and state tax expense.

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

CLECO POWER

Significant Factors Affecting Cleco Power

Revenue is primarily affected by the following factors:
As an electric utility, Cleco Power is affected, to varying degrees, by a number of factors influencing the electric utility industry in general. These factors include, among others, an increasingly competitive business environment, the cost of compliance with environmental and reliability regulations, conditions in the credit markets and global economy, and changes in the federal and state regulation of generation, transmission, and the sale of electricity. For a discussion of various regulatory changes and competitive forces affecting Cleco Power and other electric utilities, see Part I, Item 1 "Business — Regulatory Matters, Industry Developments, and Franchises — Franchises" and "— Financial Condition — Regulatory and Other Matters — Market Restructuring." For a discussion of risk factors affecting Cleco Power's business, see Item 1A, "Risk Factors — Transmission Constraints," "— LPSC Audits," "— Hedging and Risk Management Activities," "— Commodity Prices," "— Global Economic Environment and Uncertainty," "— Future Electricity Sales," "— Cleco Power Generation Facilities," "— Reliability and Infrastructure Protection Standards Compliance," "— Environmental Compliance," "— Regulatory Compliance," "— Weather Sensitivity," "— Retail Electric Service," "— Wholes Electric Service," "— Cleco Credit Ratings," "— Cleco Power's Rates" "— Alternative Generation Technology," "— Insuranc Litigation," "— Taxes," "— Health Care Reform," and "— Technology and Terrorism Threats."
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.
Cleco Power has experienced over the last five years, and anticipates over the next five years, moderate growth in retail non-industrial sales volume. For the retail industrial class, Cleco Power expects new industrial load to be added during 2012 and 2013 principally driven by expected development in northwestern Louisiana associated with the development of Haynesville shale gas recently discovered in that area. In addition, Cleco Power also expects to begin providing service to expansions of current customers' operations, as well as service to a new customer. These expansions of service to current customers and service to a new customer are expected to contribute base revenue of $1.8 million in 2012 and an additional $0.4 million in 2013. Cleco Power's expectations and projections regarding retail sales are dependent upon factors such as weather conditions, natural gas prices, customer conservation efforts, retail marketing and business development programs, and the economy of Cleco Power's service area. For more information, see "Cautionary Note Regarding Forward-Looking Statements."

Other issues facing the electric utility industry that could affect sales include:

- imposition of federal and/or state renewable portfolio standards,
- imposition of energy efficiency mandates,
- legislative and regulatory changes,
- increases in environmental regulations and compliance costs,
- cost of power impacted by the price movement of natural gas, the addition of solid-fuel plants which could increase or decrease costs depending on environmental regulations and commodity costs, and the addition of new generation capacity,

- increase in capital and operations and maintenance costs due to higher construction and labor costs,
- changes in electric rates compared to customers' ability to pay,
- access to transmission systems,
- need for additional transmission capacity for reliability purposes,
- changes in the credit markets and global economy, and
- implementation of automated metering initiatives or advanced metering technologies.

For more information on energy legislation in regulatory matters that could affect Cleco, see "— Financial Condition — Regulatory and Other Matters — Market Restructuring — Wholesale Electric Markets."
Cleco Power's revenues and earnings also are substantially affected by regulatory proceedings known as rate cases. During those cases, the LPSC and FERC determine Cleco Power's rate base, depreciation rates, operation and maintenance costs, and administrative and general costs that Cleco Power may recover from its customers through the rates charged for electric service. These proceedings may examine, among other things, the prudence of Cleco Power's operation and maintenance practices, level of subject expenditures, allowed rates of return, and previously incurred capital expenditures. The LPSC has the authority to disallow costs found not to have been prudently incurred. These regulatory proceedings typically involve multiple parties, including governmental bodies and officials, consumer advocacy groups, and various consumers of energy, who have differing concerns but who have the common objective of limiting rate increases or reducing rates. Rate cases generally have long timelines, which may be limited by statute. Decisions are typically subject to appeal, leading to additional uncertainty.

Other expenses are primarily affected by the following factors:
The majority of Cleco Power's non-fuel cost recovery expenses consist of other operations, maintenance, depreciation, and taxes other than income taxes. Other operations expenses are affected by, among other things, the cost of employee benefits, insurance expenses, and the costs associated with energy delivery and customer service. Maintenance expenses associated with Cleco Power's plants generally depend upon their physical characteristics, as well as the effectiveness of their preventive maintenance programs. Transmission and distribution maintenance expenses are generally affected by the level of repair and rehabilitation of lines to maintain reliability. Depreciation expense primarily is affected by the

cost of the facilities in service, the time the facilities were placed in service, and the estimated useful life of the facilities. Taxes other than income taxes generally include payroll taxes and ad valorem taxes. Cleco Power anticipates certain non-fuel cost recovery expenses to be higher in 2012 compared to 2011. These expenses include higher depreciation expense, higher generation expenses, and higher taxes other than income taxes. In addition, Cleco Power expects its postretirement benefit expenses to be affected by changes in discount rates, actual returns on plan assets, level of benefits provided and actuarial assumptions used in the calculations.

Cleco Power's Results of Operations —
Year ended December 31, 2011,
Compared to Year ended December 31, 2010

	FOR THE YEAR ENDED DECEMBER 31,		FAVORABLE/(UNFAVORABLE)	
(THOUSANDS)	2011	2010	VARIANCE	CHANGE
Operating revenue				
Base	$605,024	$592,676	$ 12,348	2.1 %
Fuel cost recovery	446,932	493,426	(46,494)	(9.4)%
Electric customer credits	(6,811)	(9,596)	2,785	29.0 %
Other operations	50,948	42,578	8,370	19.7 %
Affiliate revenue	1,389	1,371	18	1.3 %
Total operating revenue	1,097,482	1,120,455	(22,973)	(2.1)%
Operating expenses				
Fuel used for electric generation – recoverable	379,771	355,425	(24,346)	(6.8)%
Power purchased for utility customers – recoverable	67,167	138,051	70,884	51.3 %
Non-recoverable fuel and power purchased	4,214	11,938	7,724	64.7 %
Other operations	119,553	111,966	(7,587)	(6.8)%
Maintenance	74,603	72,048	(2,555)	(3.5)%
Depreciation	112,846	105,586	(7,260)	(6.9)%
Taxes other than income taxes	32,157	32,744	587	1.8 %
(Gain) loss on sales of assets	(9)	47	56	119.1 %
Total operating expenses	790,302	827,805	37,503	4.5 %
Operating income	$307,180	$292,650	$ 14,530	5.0 %
Allowance for other funds used during construction	$4,947	$12,413	$ (7,466)	(60.1)%
Other income	$3,163	$2,007	$ 1,156	57.6 %
Interest charges	$97,090	$78,731	$ (18,359)	(23.3)%
Federal and state income taxes	$69,409	$75,107	$ 5,698	7.6 %
Net income	$142,835	$147,405	$ (4,570)	(3.1)%

Cleco Power's net income for 2011 decreased $4.6 million, or 3.1%, compared to 2010. Contributing factors include:

- higher interest charges,
- higher other operations and maintenance expenses,
- lower allowance for other funds used during construction, and
- higher depreciation expense.

These were partially offset by:

- higher base revenue,
- higher other operations revenue,
- lower non-recoverable fuel and power purchased,
- lower electric customer credits, and
- lower effective income tax rate.

	FOR THE YEAR ENDED DECEMBER 31,		
(MILLION kWh)	2011	2010	FAVORABLE/ (UNFAVORABLE)
Electric sales			
Residential	3,877	3,978	(2.5)%
Commercial	2,650	2,605	1.7%
Industrial	2,366	2,271	4.2%
Other retail	134	138	(2.9)%
Total retail	9,027	8,992	0.4%
Sales for resale	1,888	1,983	(4.8)%
Unbilled	(139)	46	(402.2)%
Total retail and wholesale customer sales	10,776	11,021	(2.2)%

	FOR THE YEAR ENDED DECEMBER 31,		
(THOUSANDS)	2011	2010	FAVORABLE/ (UNFAVORABLE)
Electric sales			
Residential	$294,076	$271,781	8.2%
Commercial	179,786	160,039	12.3%
Industrial	85,965	78,158	10.0%
Other retail	9,815	9,186	6.8%
Surcharge	10,695	8,888	20.3%
Other	(6,426)	(6,005)	(7.0)%
Total retail	573,911	522,047	9.9%
Sales for resale	45,633	47,954	(4.8)%
Unbilled	(14,520)	22,675	(164.0)%
Total retail and wholesale customer sales	$605,024	$592,676	2.1%

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

	FOR THE YEAR ENDED DECEMBER 31,				
				2011 CHANGE	
	2011	2010	NORMAL	PRIOR YEAR	NORMAL
Cooling degree-days	3,255	3,150	2,689	3.3%	21.0%
Heating degree-days	1,510	1,967	1,620	(23.2)%	(6.8)%

Base

Base revenue increased $12.3 million, or 2.1%, during 2011 compared to 2010 primarily due to the base rate increase that became effective in February 2010, which included Madison Unit 3 and the investment in Acadia Unit 1. Also included in base revenue were amounts related to the completed portions of the Acadiana Load Pocket transmission project. Partially offsetting these increases were lower kWh electric sales, primarily related to milder winter weather in 2011.

Cleco Power expects new industrial load to be added during 2012 and 2013, principally driven by expected development of Haynesville shale recently discovered in Northwestern Louisiana. In addition, Cleco Power also expects to begin providing service to expansions of current customers' operations, as well as service to a new customer. These expansions of service to current customers and service to a new customer are expected to contribute base revenue of $1.8 million in 2012 and an additional $0.4 million in 2013. Cleco Power also anticipates an additional $3.9 million of base revenue in 2012 associated with the completed portions of the Acadiana Load Pocket transmission project. In January 2012, Cleco Power signed a new 10-year wholesale power contract with service to begin in April 2014 pending LPSC approval. The contract is expected to grow Cleco Power's load by more than 20%. For information on other effects of future energy sales on Cleco Power's financial condition, results of operations, and cash flows, see "— Significant Factors Affecting Cleco Power" and Part I, Item 1A, "Risk Factors — Future Electricity Sales."

Fuel Cost Recovery

Fuel cost recovery revenue billed to customers during 2011 compared to 2010 decreased $46.5 million, or 9.4%, primarily due to decreases in the per-unit costs of fuel used for electric generation and power purchased for utility customers, and lower volumes of power purchased for utility customers. Partially offsetting the decrease were higher volumes of fuel used for electric generation and lower volumes of power purchased, primarily due to Madison Unit 3 being placed in service and the acquisition of Acadia Unit 1 during 2010.

Electric Customer Credits

Electric customer credits decreased $2.8 million, or 29.0%, in 2011 compared to 2010 as a result of a lower estimated accrual for a rate refund. For more information on the accrual of electric customer credits, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 11 — Electric Customer Credits."

Other Operations

Other operations revenue increased $8.4 million, or 19.7%, in 2011 compared to 2010, primarily due to a $4.1 million gain on the sale of Cleco Power's fuel oil supply, $2.5 million of higher mineral lease payments, $0.7 million of higher transmission revenue, $0.7 million related to the absence of net unfavorable results relating to economic hedge transactions associated with fixed-price power that was provided to a wholesale customer, and $0.4 million of higher customer fees.

Operating Expenses

Operating expenses decreased $37.5 million, or 4.5%, in 2011 compared to 2010. Fuel used for electric generation (recoverable) increased $24.3 million, or 6.8%, primarily due to higher volumes of fuel used as compared to 2010. Partially offsetting this increase were lower per unit costs of fuel used for electric generation. Power purchased for utility customers (recoverable) decreased $70.9 million, or 51.3%, largely due to lower volumes and lower per-unit costs of purchased power. Lower volumes of power purchased were primarily due to Madison Unit 3 being placed in service and the acquisition of Acadia Unit 1. 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 decreased $7.7 million, or 64.7%,

primarily due to the absence of non-recoverable expenses related to fixed-price power that was provided to a wholesale customer during 2010 and lower capacity payments made during 2011. Other operations expense increased $7.6 million, or 6.8%, primarily due to higher generating station, transmission, and distribution expenses and higher employee benefit costs and administrative expenses. Partially offsetting these increases were lower professional fees. Maintenance expenses increased $2.6 million, or 3.5%, during 2011 compared to 2010 primarily due to higher generating station and distribution maintenance work performed during 2011. Other operations and maintenance expenses were impacted during 2011 as a result of Madison Unit 3 being placed in service and the acquisition of

Acadia Unit 1. Depreciation expense increased $7.3 million, or 6.9%, largely due to Madison Unit 3 being placed in service and the acquisition of Acadia Unit 1.

Allowance for Other Funds Used During Construction

Allowance for other funds used during construction decreased $7.5 million, or 60.1%, during 2011 compared to 2010 primarily due to the cessation of AFUDC accruals related to the completion of construction activity at Madison Unit 3.

Other Income

Other income increased $1.2 million, or 57.6%, during 2011 compared to 2010 primarily due to higher royalty payments and higher revenue from mutual assistance to other utilities for restoration efforts.

Interest Charges

Interest charges increased $18.4 million, or 23.3%, during 2011 compared to 2010 primarily due to $13.3 million related to the November 2010 issuance of $250.0 million of senior notes, $8.9 million related to uncertain tax positions, and $2.8 million of lower interest charges capitalized in 2011 compared to 2010 associated with Madison Unit 3. Partially offsetting this increase was $3.3 million from the repayment of insured quarterly notes and a bank term loan in October 2010 and November 2010, respectively, and $3.3 million of other miscellaneous interest charges.

Income Taxes

Federal and state income taxes decreased $5.7 million, or 7.6%, during 2011 compared to 2010, primarily due to a decrease in pre-tax income excluding AFUDC equity. The effective income tax rate is different than the federal statutory rate due to state tax expense.

MIDSTREAM

Significant Factors Affecting Midstream

Earnings are primarily affected by the following factors:

Midstream’s earnings were derived in 2011 primarily from the Evangeline 2010 Tolling Agreement and, prior to April 29, 2011, from its 50% indirect interest in Acadia, which derived its revenue from energy sales. On April 29, 2011, Acadia completed its disposition of Acadia Unit 2 to Entergy Louisiana. In 2011, Acadia’s revenues were primarily derived from a short-term capacity agreement with Entergy Louisiana. The expiration of the Evangeline 2010 Tolling Agreement was 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 currently is providing 250 MW of capacity and energy to Cleco Power 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 has been submitted to the LPSC and FERC for approval. 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."
The Evangeline 2010 Tolling Agreement was accounted for as an executory contract and revenue under this agreement was reflected in operating revenue. Evangeline's 2011 revenue was recognized in the following manner:

- 15% in the first quarter,
- 22% in the second quarter,
- 48% in the third quarter, and
- 15% in the fourth quarter.

Evangeline's 2012 revenue is expected to be recognized in the following manner:

- 5% in the first quarter,
- 32% in the second quarter,
- 49% in the third quarter, and
- 14% in the fourth quarter.

For more information on recognition of revenue from the Evangeline 2010 Tolling Agreement, see "— Critical Accounting Policies — Midstream" and Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 2 — Summary of Significant Accounting Policies — Revenue and Fuel Costs — Evangeline" and "— Not Evangeline Transactions."
For more information on the factors affecting Midstream, see Part I, Item 1A, "Risk Factors — Midstream Generation Facility."

Expenses are primarily affected by the following factors:
Midstream's expenses include depreciation, maintenance, and other operations expenses. Depreciation expense is affected by the cost of the facility in service, the time the facility was placed in service, and the estimated useful life of the facility. Maintenance expenses generally depend on the physical characteristics of the facility, the frequency and duration of the facility's operations, and the effectiveness of preventive maintenance. Other operating expenses mainly relate to administrative expenses, employee benefits, and generation operating expenses.

Other Factors Affecting Midstream

Evangeline
In accordance with the authoritative guidance on consolidations, Cleco reported its investment in Evangeline on

the equity method of accounting and reflected Evangeline's net operating results in the equity income (loss) from investees' line during 2009. Effective January 1, 2010, the requirements for consolidation changed. On and after January 1, 2010, Evangeline's assets, liabilities, revenues, expenses, and cash flows were presented in the corresponding line items of the consolidated financial statements. For more information, see "— Critical Accounting Policies." For more information on the consolidation guidelines, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 12 — Variable Interest Entities." On February 22, 2010, Evangeline and JPMVEC terminated the Evangeline Tolling Agreement and executed the Evangeline 2010 Tolling Agreement. For more information, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 17 — Evangeline Transactions."

Midstream's Results of Operations —
Year ended December 31, 2011,
Compared to Year ended December 31, 2010

	FOR THE YEAR ENDED DECEMBER 31,							
				FAVORABLE/(UNFAVORABLE)				
(THOUSANDS)	2011		2010	VARIANCE		CHANGE		
Operating revenue								
Tolling operations	$19,004		$26,067	$(7,063	)	(27.1	)%
Other operations	9		3	6		200.0	%
Affiliate revenue	45		960	(915	)	(95.3	)%
Total operating revenue	19,058		27,030	(7,972	)	(29.5	)%
Operating expenses							
Other operations	8,408		8,082	(326	)	(4.0	)%
Maintenance	7,204		8,868	1,664		18.8	%
Depreciation	5,872		5,779	(93	)	(1.6	)%
Taxes other than income taxes	2,399		342	(2,057	)	(601.5	)%
Loss on sales of assets	404		387	(17	)	(4.4	)%
Total operating expenses	24,287		23,458	(829	)	(3.5	)%
Operating (loss) income	$(5,229	)	$3,572	$(8,801	)	(246.4	)%
Equity income from investees, before tax	$62,053		$38,848	$23,205		59.7	%
Gain on toll settlement	$—		$148,402	$(148,402	)	(100.0	)%
Interest charges	$(28,996	)	$7,140	$36,136		506.1	%
Federal and state income tax expense	$44,637		$71,255	$26,618		37.4	%
Net income	$42,792		$114,467	$(71,675	)	(62.6	)%

Factors affecting Midstream during 2011 are described below.

Operating Revenue

Operating revenue decreased $8.0 million, or 29.5%, in 2011 compared to 2010, largely as a result of lower tolling revenue resulting from the Evangeline restructuring and pricing of the Evangeline 2010 Tolling Agreement. Affiliate revenue decreased $0.9 million, or 95.3%, in 2011 compared to 2010 primarily due to a decrease in services provided by Generation Services employees who were transferred to Cleco Power during 2010 as a result of Cleco Power's acquisition of Acadia Unit 1.

Operating Expenses

Maintenance expenses decreased $1.7 million, or 18.8%, in 2011 compared to 2010, largely as a result of lower turbine maintenance expenses at Evangeline. Taxes other than income taxes increased $2.1 million, or 601.5%, primarily due to higher property taxes at Evangeline as a result of the expiration of a 10-year property tax exemption. For more information on Evangeline, see Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 12 — Variable Interest Entities — Consolidated VIEs – Evangeline.”

Equity Income from Investees
Equity income from investees increased $23.2 million, or 59.7%, in 2011 compared to 2010 primarily due to increased equity earnings at APH primarily from the recognition of a $62.0 million gain from the disposition of Acadia Unit 2 and Acadia Power Station’s remaining common facilities to Entergy Louisiana. Partially offsetting this increase was the absence of the gain from Cleco Power’s acquisition of Acadia Unit 1 and half of Acadia Power Station’s related common facilities during 2010. For more information on the Acadia Unit 1 and 2 transactions, see Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 18 — Acadia Transactions.”

Gain on Toll Settlement
Gain on toll settlement was $148.4 million in 2010 due to transactions related to the termination of the Evangeline Tolling Agreement and the execution of the Evangeline 2010 Tolling Agreement. For more information, see Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 17 — Evangeline Transactions.”

Interest Charges
Interest charges decreased $36.1 million, or 506.1%, during 2011 compared to 2010 largely as a result of an IRS settlement at Evangeline and the retirement of Evangeline’s debt in 2010. For more information on the IRS settlement, see Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 9 — Income Taxes.”

Income Taxes
Federal and state income taxes decreased $26.6 million, or 37.4%, during 2011 compared to 2010, primarily due to a decrease in pre-tax income, partially offset by adjustments related to the settlement of the 2001 through 2003 IRS audit. The effective income tax rate is different than the federal statutory rate primarily due to prior year adjustments related to the settlement of the 2001 through 2003 IRS audit and state tax expense.

Cleco Consolidated Results of Operations —
Year ended December 31, 2010,
Compared to Year ended December 31, 2009

	FOR THE YEAR ENDED DECEMBER 31,			
			FAVORABLE/(UNFAVORABLE)	
(THOUSANDS)	2010	2009	VARIANCE	CHANGE
Operating revenue, net	$1,148,666	$853,758	$294,908	34.5 %
Operating expenses	853,325	746,949	(106,376)	(14.2)%
Operating income	$295,341	$106,809	$188,532	176.5 %
Interest income	$409	$1,512	$(1,103)	(72.9)%
Allowance for other funds used during construction	$12,413	$73,269	$(60,856)	(83.1)%
Equity income (loss) from investees, before tax	$38,849	$(17,423)	$56,272	323.0 %
Gain on toll settlement	$148,402	$—	$148,402	—
Other expense	$(6,991)	$(2,807)	$(4,184)	(149.1)%
Interest charges	$95,776	$51,055	$(44,721)	(87.6)%
Federal and state income taxes	$142,498	$9,579	$(132,919)	*

Net income applicable to common stock	$255,345	$106,261	$149,084	140.3	%

* Not meaningful

Consolidated net income applicable to common stock increased $149.1 million, or 140.3%, in 2010 compared to 2009 primarily due to increased Midstream and Cleco Power earnings. Midstream's earnings were significantly impacted due to transactions related to the termination of the Evangeline Tolling Agreement and the execution of the Evangeline 2010 Tolling Agreement. Cleco Power's earnings were significantly impacted by the new retail base rate increase that became effective in February 2010. Partially offsetting this increase were lower corporate earnings.
Operating revenue, net increased $294.9 million, or 34.5%, in 2010 compared to 2009 largely as a result of higher base revenue at Cleco Power.
Operating expenses increased $106.4 million, or 14.2%, in 2010 compared to 2009 primarily due to higher volumes of fuel used for electric generation, higher depreciation expense, and higher other operations and maintenance expenses at Cleco Power.
Interest income decreased $1.1 million, or 72.9%, in 2010 compared to 2009 primarily due to lower interest income at Cleco Power.
Allowance for other funds used during construction decreased $60.9 million, or 83.1%, in 2010 compared to 2009, primarily due to the cessation of AFUDC accruals related to the completion of construction activity at Madison Unit 3.
Equity income from investees increased $56.3 million, or 323.0%, in 2010 compared to 2009 largely due to increased equity earnings at APH primarily from the recognition of a $41.0 million gain from Cleco Power's acquisition of Acadia Unit 1 and half of Acadia Power Station's related common facilities. Also contributing to the increased equity earnings at APH were lower net operating expenses.
Gain on toll settlement was $148.4 million in 2010 due to transactions related to the termination of the existing Evangeline Tolling Agreement and the execution of the Evangeline 2010 Tolling Agreement. For more information, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 17 — Evangeline Transactions."
Other expense increased $4.2 million, or 149.1%, in 2010 compared to 2009 primarily due to the amortization of a plant

acquisition adjustment related to Cleco Power's acquisition of Acadia Unit 1 and half of Acadia Power Station's related common facilities, and amounts related to the November 2010 termination of an interest rate swap at Cleco Power.

Interest charges increased $44.7 million, or 87.6%, in 2010 compared to 2009 primarily due to higher interest charges at Cleco Power and higher corporate interest charges primarily related to a bank term loan executed in February 2010, the absence of a 2009 favorable settlement of a franchise tax lawsuit, and net interest charges related to uncertain tax positions.

Federal and state income taxes increased $132.9 million in 2010 compared to 2009 primarily due to an increase in pre-tax income excluding equity AFUDC. The effective income tax rate is different than the federal statutory rate due to state tax expense.

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

Cleco Power's Results of Operations —
Year ended December 31, 2010,
Compared to Year ended December 31, 2009

	FOR THE YEAR ENDED DECEMBER 31,			
			FAVORABLE/(UNFAVORABLE)	
(THOUSANDS)	2010	2009	VARIANCE	CHANGE
Operating revenue				
Base	$592,676	$355,091	$237,585	66.9 %
Fuel cost recovery	493,426	453,555	39,871	8.8 %
Electric customer credits	(9,596)	—	(9,596)	—
Other operations	42,578	33,558	9,020	26.9 %
Affiliate revenue	1,371	1,395	(24)	(1.7)%
Total operating revenue	1,120,455	843,599	276,856	32.8 %
Operating expenses				
Fuel used for electric generation – recoverable	355,425	253,911	(101,514)	(40.0)%
Power purchased for utility customers – recoverable	138,051	199,619	61,568	30.8 %
Non-recoverable fuel and power purchased	11,938	24,832	12,894	51.9 %
Other operations	111,966	99,704	(12,262)	(12.3)%
Maintenance	72,048	47,179	(24,869)	(52.7)%
Depreciation	105,586	77,064	(28,522)	(37.0)%
Taxes other than income taxes	32,744	29,758	(2,986)	(10.0)%
Loss on sales of assets	47	70	23	32.9 %
Total operating expenses	827,805	732,137	(95,668)	(13.1)%
Operating income	$292,650	$111,462	$181,188	162.6 %
Interest income	$379	$1,449	$(1,070)	(73.8)%
Allowance for other funds used during construction	$12,413	$73,269	$(60,856)	(83.1)%
Other expense	$(6,206)	$(3,525)	$(2,681)	(76.1)%
Interest charges	$78,731	$58,562	$(20,169)	(34.4)%
Federal and state income taxes	$75,107	$15,297	$(59,810)	(391.0)%
Net income	$147,405	$111,166	$36,239	32.6 %

Cleco Power's net income for 2010 increased $36.2 million, or 32.6%, compared to 2009. Contributing factors include:

- higher base revenue,
- lower non-recoverable fuel and power purchased, and
- higher other operations revenue.

These were partially offset by:

- lower allowance for other funds used during construction,
- higher other operations and maintenance expenses,
- higher interest charges,
- higher electric customer credits,
- higher taxes other than income taxes,
- higher other expense,
- lower interest income, and
- higher effective income tax rate.

	FOR THE YEAR ENDED DECEMBER 31,		
(MILLION kWh)	2010	2009	FAVORABLE/ (UNFAVORABLE)
Electric sales			
Residential	3,978	3,637	9.4 %
Commercial	2,605	2,484	4.9 %
Industrial	2,271	2,232	1.7 %
Other retail	138	136	1.5 %
Total retail	8,992	8,489	5.9 %
Sales for resale	1,983	1,390	42.7 %
Unbilled	46	60	(23.3)%
Total retail and wholesale customer sales	11,021	9,939	10.9 %

	FOR THE YEAR ENDED DECEMBER 31,		
(THOUSANDS)	2010	2009	FAVORABLE/ (UNFAVORABLE)
Electric sales			
Residential	$271,781	$157,672	72.4 %
Commercial	160,039	95,453	67.7 %
Industrial	78,158	50,957	53.4 %
Other retail	9,186	5,715	60.7 %
Storm surcharge	8,888	19,661	(54.8)%
Other	(6,005)	—	—
Total retail	522,047	329,458	58.5 %
Sales for resale	47,954	23,371	105.2 %
Unbilled	22,675	2,262	902.4 %
Total retail and wholesale customer sales	$592,676	$355,091	66.9 %

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

	FOR THE YEAR ENDED DECEMBER 31,			2010 CHANGE	
	2010	2009	NORMAL	PRIOR YEAR	NORMAL
Cooling degree-days	3,150	2,977	2,662	5.8 %	18.3 %

Heating degree-days	1,967	1,447	1,645	35.9 %	19.6 %

Base

Base revenue increased $237.6 million, or 66.9%, during 2010 compared to 2009. The base rate increases that became effective in February 2010, which included Madison Unit 3 and Acadia Unit 1, accounted for approximately $208.9 million of

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the increase, while the impact from favorable weather and new service to a wholesale customer accounted for approximately $28.7 million of the increase. For information on other effects of future energy sales on Cleco Power's financial condition, results of operations, and cash flows, see "— Significant Factors Affecting Cleco Power" and Part I, Item 1A, "Risk Factors — Future Electricity Sales."

Fuel Cost Recovery

Fuel cost recovery revenue billed to customers during 2010 compared to 2009 increased $39.9 million, or 8.8%, primarily due to higher volumes of fuel used for electric generation and increases in the per-unit cost of power purchased for utility customers. Partially offsetting the increase were decreases in the per-unit cost of fuel used for electric generation and lower volumes of power purchased for utility customers. Higher volumes of fuel used for electric generation and lower volumes of power purchased were primarily due to Madison Unit 3 being placed in service and the acquisition of Acadia Unit 1 during 2010.

Electric Customer Credits

Electric customer credits increased $9.6 million in 2010 compared to 2009 as a result of recording an estimated accrual for a rate refund based on actual results for the 12 months ended September 30, 2010. Beginning in 2011, potential refunds are based on results for the 12-month period ended June 30. For more information on the accrual for electric customer credits, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 11 — Electric Customer Credits."

Other Operations

Other operations revenue increased $9.0 million, or 26.9%, in 2010 compared to 2009, primarily due to $4.3 million related to mineral lease payments, $2.2 million of higher transmission revenue, $1.1 million of favorable results relating to economic hedge transactions associated with fixed-price power being provided to a wholesale customer, $0.8 million of higher customer forfeited discounts, and $0.6 million of higher other miscellaneous revenue. For information on Cleco's energy commodity activities, see Item 7A, "Quantitative and Qualitative Disclosures about Market Risk — Risk Overview — Commodity Price Risks."

Operating Expenses

Operating expenses increased $95.7 million, or 13.1%, in 2010 compared to 2009. Fuel used for electric generation (recoverable) increased $101.5 million, or 40.0%, primarily due to higher volumes of fuel used as compared to 2009. Partially offsetting this increase were lower per-unit costs of fuel used for electric generation. Power purchased for utility customers (recoverable) decreased $61.6 million, or 30.8%, largely due to lower volumes of purchased power. Partially offsetting this decrease were higher per-unit costs of purchased power. Lower volumes of power purchased were the result of the commencement of commercial operations of Madison Unit 3 and the acquisition of Acadia Unit 1. 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 decreased $12.9 million, or 51.9%, primarily due to the commencement of commercial operations of Madison Unit 3 and the acquisition of Acadia Unit 1, which resulted in less capacity purchased from third parties. Other operations expense increased $12.3 million, or 12.3%, primarily due to higher transmission and generating station expenses, higher customer service expenses, and higher professional fees. Partially offsetting these increases was lower general liability expense. Maintenance expenses increased $24.9 million, or 52.7%, during 2010 compared to 2009 primarily due to higher generating station maintenance work performed during 2010. Other operations and maintenance expenses include the impact of Madison Unit 3 being placed in service and the acquisition of Acadia Unit 1. Depreciation expense increased $28.5 million, or 37.0%, largely due to Madison Unit 3 being placed in service and the acquisition of Acadia Unit 1. Taxes other than income taxes increased $3.0 million, or 10.0%, primarily due to higher payroll taxes and state franchise taxes.

Interest Income

Interest income decreased $1.1 million, or 73.8%, during 2010 compared to 2009 primarily due to the absence of interest income related to deferred tree trimming costs. For more information, see Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 3 — Regulatory Assets and Liabilities — Tree Trimming Costs.”

Allowance for Other Funds Used During Construction

Allowance for other funds used during construction decreased $60.9 million, or 83.1%, during 2010 compared to 2009 primarily due to the cessation of AFUDC accruals related to the completion of construction activity at Madison Unit 3.

Other Expense

Other expense increased $2.7 million, or 76.1%, during 2010 compared to 2009 primarily due to the amortization of a plant acquisition adjustment related to Cleco Power’s acquisition of Acadia Unit 1 and amounts related to the November 2010 termination of an interest rate swap.

Interest Charges

Interest charges increased $20.2 million, or 34.4%, during 2010 compared to 2009 primarily due to a $21.6 million decrease in interest charges capitalized (allowance for borrowed funds used during construction) associated with Madison Unit 3, $10.1 million related to the November 2009 and 2010 issuances of senior notes, and $1.2 million related to a variable-rate bank loan executed in August 2009. Partially offsetting this increase was $8.8 million of lower interest charges primarily related to uncertain tax positions, $3.4 million related to the repayment of medium-term notes and insured quarterly notes in May 2009 and August 2009, respectively, and $0.5 related to other miscellaneous interest charges.

Income Taxes

Federal and state income taxes increased $59.8 million, or 391.0%, during 2010 compared to 2009, primarily due to an increase in pre-tax income excluding equity AFUDC. The effective income tax rate is different than the federal statutory rate due to state tax expense.

Midstream's Results of Operations —
Year ended December 31, 2010,
Compared to Year ended December 31, 2009

	FOR THE YEAR ENDED DECEMBER 31,			
			FAVORABLE/(UNFAVORABLE)	
(THOUSANDS)	2010	2009	VARIANCE	CHANGE
Operating revenue				
Tolling operations	$26,067	$—	$26,067	—
Other operations	3	1	2	200.0 %
Affiliate revenue	960	8,748	(7,788)	(89.0)%
Total operating revenue	27,030	8,749	18,281	208.9 %
Operating expenses				
Other operations	8,082	6,292	(1,790)	(28.4)%
Maintenance	8,868	3,887	(4,981)	(128.1)%
Depreciation	5,779	177	(5,602)	*
Taxes other than income taxes	342	403	61	15.1 %
Loss on sales of assets	387	5	(382)	*
Total operating expenses	23,458	10,764	(12,694)	(117.9)%
Operating income (loss)	3,572	(2,015)	5,587	277.3 %
Equity income (loss) from investees, before tax	$38,848	$(19,339)	$58,187	300.9 %
Gain on toll settlement	$148,402	$—	$148,402	—
Other income	$2,071	$37	$2,034	*
Federal and state income tax expense (benefit)	$71,255	$(11,027)	$(82,282)	(746.2)%
Net income (loss)	$114,467	$(17,730)	$132,197	745.6 %

* Not meaningful

Factors affecting Midstream during 2010 are described below.

Operating Revenue

Operating revenue increased $18.3 million, or 208.9%, in 2010 compared to 2009 largely as a result of the accounting treatment of tolling operations revenue at Evangeline. As a result of Evangeline's reconsolidation with Cleco, Evangeline's $26.1 million of revenue for 2010 is reflected in tolling operations revenue. Evangeline's revenue of $59.9 million for 2009 was reported in equity income from investees. This $33.8 million decrease in Evangeline's revenue was primarily due to lower tolling revenue resulting from the Evangeline restructuring and the pricing of the Evangeline 2010 Tolling Agreement. Affiliate revenue decreased $7.8 million, or 89.0%, in 2010 compared to 2009 primarily due to affiliate transactions with Evangeline now being eliminated as a result of Evangeline's reconsolidation with Cleco and Generation Services' employees who were transferred to Cleco Power as a result of the acquisition of Acadia Unit 1. For more information on Evangeline, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 12 — Variable Interest Entities — Consolidated VIEs — Evangeline."

Operating Expenses

Operating expenses increased $12.7 million, or 117.9%, in 2010 compared to 2009 primarily as a result of the reconsolidation of Evangeline with Cleco. Evangeline's operating expenses of $20.9 million for 2010 are included in the table above in total operating expenses. Evangeline's operating expenses of $33.3 million for 2009 were reported in equity income from investees. The $12.4 million decrease in Evangeline's operating expenses was primarily due to lower maintenance expenses resulting from the absence of a 2009

outage. For more information on Evangeline, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 12 — Variable Interest Entities — Consolidated VIEs — Evangeline."

Equity Income from Investees

Equity income from investees increased $58.2 million, or 300.9%, in 2010 compared to 2009 primarily due to increased equity earnings at APH primarily from the recognition of a $41.0 million gain from Cleco Power's acquisition of Acadia Unit 1 and half of Acadia Power Station's related common facilities. Also contributing to the increase was the absence of 2009 equity losses from Evangeline and the subsequent change in method of accounting for Evangeline effective January 1, 2010. For more information on Cleco Power's acquisition of Acadia Unit 1, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 18 — Acadia Transactions — Acadia Unit 1."

Gain on Toll Settlement

Gain on toll settlement was $148.4 million in 2010 due to transactions related to the termination of the Evangeline Tolling Agreement and the execution of the Evangeline 2010 Tolling Agreement. For more information, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 17 — Evangeline Transactions."

Other Income

Other income increased $2.0 million during 2010 compared to 2009 largely as a result of the contractual expiration of an underlying indemnification resulting from the acquisition of Acadia Unit 1 by Cleco Power. For more information, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 14 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Disclosures about Guarantees."

Income Taxes

Federal and state income taxes increased $82.3 million, or 746.2%, during 2010 compared to 2009, primarily due to an increase in pre-tax income. The effective income tax rate is different than the federal statutory rate due to state tax expense.

CLECO POWER LLC — NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS

For a narrative analysis of the results of operations explaining the reasons for material changes in the amount of revenue and expense items of Cleco Power between the year ended December 31, 2011, and the year ended December 31, 2010, see "Results of Operations — Cleco Power's Results of Operations — Year ended December 31, 2011, Compared to Year ended December 31, 2010."

For a narrative analysis of the results of operations explaining the reasons for material changes in the amount of revenue and expense items of Cleco Power between the year ended December 31, 2010, and the year ended December 31, 2009, see "Results of Operations — Cleco Power's Results of Operations — Year ended December 31, 2010, Compared to Year ended December 31, 2009."

The narrative analyses referenced above should be read in combination with Cleco Power's Financial Statements and the Notes contained in this Form 10-K.

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 GAAP, 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. For more information on Cleco's accounting policies, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 2 — Summary of Significant Accounting Policies."
Cleco believes that the following are the most significant critical accounting policies:

- Cleco accounts for pension and other postretirement benefits under applicable GAAP. To determine assets, liabilities, income, and expense relating to pension and other postretirement benefits, management must make assumptions about future trends. Assumptions and estimates include, but are not limited to, discount rate, expected return on plan assets, future rate of compensation increases, and medical inflation trend rates. These assumptions are reviewed and updated on an annual basis. Changes in the rates from year to year and newly enacted laws could have a material effect on Cleco's financial condition and results of operations by changing the recorded assets, liabilities, income, expense, or required funding of the pension plan obligation. One component of pension expense is the expected return on plan assets. It is an assumed percentage return on the market-related value of plan assets. The market-related value of plan assets differs from the fair value of plan assets by the amount of deferred asset gains or losses. Actual asset returns that differ from the expected return on plan assets are deferred and recognized in the market-related value of assets on a straight-line basis over a five-year period. The 2011 return on plan assets was 8.7% compared to an expected long-term return of 7.8%. For 2010, the return on plan assets was 13.6% compared to an expected long-term return of 7.8%. For the calculation of the 2012 periodic expense, Cleco is lowering the expected long-term return on plan assets to 6.61%. This decrease was caused by a shift in investment policies from equity investments to fixed income investments. The decrease is expected to increase expense by $3.7 million.

Historically, Cleco used the Citigroup Pension Liability Index, adjusted for differences in cash flows, in determining the discount rate applied to its pension

plans. For the December 31, 2011 measurement of liabilities, management ceased using the Citigroup Pension Liability Index because the index's cash flows were not similar to those of Cleco's pension plans. Instead, Cleco began using a theoretical bond portfolio in order to calculate the discount rate as it is more representative of Cleco's expected cash outflows. As a result of the annual review of assumptions, the discount rate decreased from 5.43% to 5.08%.
A change in the assumed discount rate creates a deferred actuarial gain or loss. Generally, when the assumed discount rate decreases compared to the prior measurement date, a deferred actuarial loss is created. When the assumed discount rate increases compared to the prior measurement date, a deferred actuarial gain is created. Actuarial gains and losses also are created when actual results, such as compensation increases, differ from assumptions. Deferred actuarial gains and losses are recorded as a regulatory asset or liability. The net of the deferred gains and losses is amortized to pension expense over the average service life of the remaining plan participants, 11.3 years for Cleco's plan, when it exceeds certain thresholds. This approach to amortization of gains and losses has the effect of reducing the volatility of pension expense attributable to investment returns. Over time, it is not expected to reduce or increase the pension expense relative to an approach that immediately recognizes losses and gains.

The decrease in the discount rate is expected to increase pension expense by $1.7 million in 2012 compared to 2011. Since the assumption is evaluated yearly, the increase may not extend past 2012.

Cleco Power made a $60.0 million contribution to the pension plan during 2011 as compared to a $5.0 million required contribution to the pension plan in 2010. During 2009, Cleco Power made a discretionary contribution of $18.8 million to the pension plan. The $60.0 million contribution in 2011 was primarily a pre-funding of expected minimum contributions through 2014. Based on current funding assumptions, management estimates future pension contributions of $33.7 million through 2016, none of which is required in 2012. Future discretionary contributions may be made depending on changes in assumptions, the ability to utilize the contribution as a tax deduction, and requirements concerning recognizing a minimum pension liability. Future required contributions are driven by liability funding target percentages set by law which could cause the required contributions to change from year to year. The ultimate amount and timing of the contributions will be affected by changes in the discount rate, changes in the funding regulations, and actual returns on fund assets. Adverse changes in assumptions, or adverse actual events could cause additional minimum contributions.

In March 2010, the President signed the PPACA, a comprehensive health care law. The PPACA contained an excise tax beginning in 2018 on health care benefits that exceeded certain dollar limits. If a company sponsors a postretirement medical plan and

it expects to be required to pay the excise tax starting in 2018, it must reflect the effects of the tax liability and expense currently as a part of its normal accounting for postretirement benefits. Cleco's assumption, based upon the ability to blend post-65 and pre-65 retiree benefits is that it will not be required to pay the tax starting in 2018. If the assumption is incorrect, Cleco expects an increase in the post-retiree medical liability of approximately $3.3 million and the related increase in expense of $1.0 million.
For more information on pension and other postretirement benefits, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 8 — Pension Plan and Employee Benefits."

- Income tax expense and related balance sheet amounts are comprised of a "current" portion and a "deferred" portion. The current portion represents Cleco's estimate of the income taxes payable or receivable for the current year. The deferred portion represents Cleco's estimate of the future income tax effects of events that have been recognized in the financial statements or income tax returns in the current or prior years. Cleco makes assumptions and estimates when it records income taxes, such as its ability to deduct items on its tax returns, the timing of the deduction, and the effect of regulation by the LPSC on income taxes. Cleco's income tax expense and related assets and liabilities could be affected by changes in its assumptions and estimates and by ultimate resolution of assumptions and estimates with taxing authorities. The actual results may differ from the estimated results based on these assumptions and may have a material effect on Cleco's results of operations. For more information about Cleco Corporation's income taxes, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 9 — Income Taxes."

The provisions of the authoritative guidance relating to uncertain tax positions require management to estimate the reliability of positions taken on tax returns. These estimates could differ significantly from the ultimate outcome. For more information on income taxes, see Item 8, "Financial Statements and Supplemental Data — Notes to the Financial Statements — Note 9 — Income Taxes."

- Cleco Corporation consolidates entities as required by GAAP. Generally, a parent consolidates entities in which it controls, either directly or indirectly, the majority of the voting interest. Additionally, a parent could be required to consolidate an entity in which it does not control a majority voting interest if the subsidiary is a variable interest entity and meets certain criteria making the parent the primary beneficiary of an entity. An entity is a variable interest entity if it lacks the ability to finance its activities without support from other parties; if its owners lack controlling financial interest in the entity; or if the entity either conducts substantially all of its activities with or on behalf of an investor or if voting rights are disproportional to risks and rewards. While consolidation or the equity method of accounting will not affect net income applicable to common shareholders, it may affect specific line items within

the income statement, such as revenue, specific expense line items, and income from equity investees. Consolidation or the equity method of accounting of an entity will affect specific balance sheet items such as property, plant, and equipment, and long-term debt, which will cause changes in total assets and total liabilities. Shareholders' equity should not be affected by consolidation or the equity method of accounting of entities. Effective January 1, 2010, the requirements for consolidation changed, requiring Cleco Corporation to consolidate three wholly owned subsidiaries that had been accounted for using the equity method. Prior to January 1, 2010, Perryville, Attala, and Evangeline were presented in the consolidated financial statements as follows;

all entities' results of operations before taxes as one line item on the consolidated statements of income entitled equity income (loss) from investees,
all entities' assets and liabilities on the consolidated balance sheets as one line item entitled equity investment in investees, and
all entities' cash flows in the consolidated statement of cash flows as return on equity investment in investee, return of equity investment in investee and equity investment in investee.

On and after January 1, 2010, all entities' assets, liabilities, revenues, expenses and cash flows are presented on the corresponding line items of the consolidated financial statements. Cleco has chosen to implement the consolidation prospectively and not retrospectively, therefore the consolidation was not carried back to comparative prior periods in financial statements issued after implementation. For more information on Perryville, Attala and Evangeline, see Item 8, “Financial Statements and Supplementary Data — Note 2 — Summary of Significant Accounting Policies — Recent Authoritative Guidance” and Note 12 — “Variable Interest Entities.”

Part of the compensation employees and directors receive is in the form of equity instruments. The instruments may take the form of restricted stock, stock options, stock equivalent units, or other types of equity instruments as described in the compensatory plans. Cleco recognizes equity compensation at the grant date fair value for instruments settled in equity and reporting date fair value for equity compensation settled in cash. Estimates used in the calculation require management judgments and could cause volatility in earnings. For more information on stock-based compensation, see Item 8, “Financial Statements and Supplemental Data — Notes to the Financial Statements — Note 7 — Common and Preferred Stock — Common Stock — Stock-Based Compensation.”

Cleco Power

Cleco Power’s prices are regulated by the LPSC and FERC. By determining what costs can be recovered by Cleco Power through the price it charges its customers, regulatory assets and liabilities are recognized. Future changes made by the regulatory bodies could have a material impact on the operations and financial condition of Cleco Power. Three areas that could be materially impacted by future actions of regulators are:

- The LPSC determines the ability of Cleco Power to recover prudent costs incurred in developing long-lived assets. If the LPSC were to rule that the cost of current or future long-lived assets was imprudent and not recoverable, Cleco Power could be required to write down the imprudent cost and incur a corresponding impairment loss. At December 31, 2011, the carrying value of Cleco Power's long-lived assets was $2.56 billion. Currently, Cleco Power has concluded that none of its long-lived assets are impaired.
- Cleco Power has concluded it is probable that regulatory assets can be recovered from ratepayers in future rates. At December 31, 2011, Cleco Power had $458.7 million in regulatory assets, net of regulatory liabilities. Actions by the LPSC could limit the recovery of these regulatory assets, causing Cleco Power to record a loss on some or all of the regulatory assets. For more information on the LPSC and regulatory assets, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 2 — Summary of Significant Accounting Policies — Regulation," Note 3 — "Regulatory Assets and Liabilities," and "— Financial Condition — Regulatory and Other Matters — Lignite Deferral."
- The LPSC determines the amount and type of fuel and purchased power costs that Cleco Power can charge customers through the fuel adjustment clause. Changes in the determination of allowable costs already incurred by Cleco Power could cause material changes in fuel revenue. For the years ended December 31, 2011, 2010, and 2009, Cleco Power reported fuel revenue of $446.9 million, $493.4 million, and $453.6 million, respectively.

During 2011, Cleco Power entered into two derivative instruments designated as cash flow hedges, one treasury rate lock and one forward starting interest rate swap. Also, during 2011, Cleco Power entered into a treasury rate lock extension which did not qualify for hedge accounting. The treasury rate locks were settled during the fourth quarter of 2011 for a combined loss of $26.7 million. At December 31, 2011, Cleco Power recorded $22.3 million in other comprehensive income and deferred $4.4 million of losses and ineffectiveness as a regulatory asset related to the settlement of the two treasury rate locks. As a result of management's assessment that it is probable that the losses and ineffectiveness will be recovered through the rate-making process, Cleco Power will amortize the regulatory asset over the 30-year term of the related debt. The amount recorded in other comprehensive income will also be amortized as interest expense over the 30-year term of the related debt issuance. Of the $26.7 million loss, $8.1 million is related to interest payments on a forecasted $50.0 million debt issuance that will be issued on or before May 2013. If management determines that the forecasted future interest payments will not occur and the LPSC determines the costs were imprudent, then the $8.1 million settled loss and any gain or loss on the forward starting swap will be required to be recognized in income immediately. For more information on these interest rate derivatives, see Item 8, "Financial

Statements and Supplementary Data — Notes to the Financial Statements — Note 5 — "Fair Value Accounting — Interest Rat Derivatives — Treasury Rate Locks" and "— Forward Starting Interest Rate Swap."

Midstream

Generally, Midstream is most affected by market conditions and changes in contract counterparty credit ratings and financial condition. The most important are:

- Certain triggering events could cause Midstream to determine that its long-lived assets may be impaired according to applicable accounting guidance. Triggering events which apply to long-lived assets include, but are not limited to, a significant decrease in the market value of long-lived assets, a significant change in legal factors, such as adverse changes in environmental laws, or a current operating or cash flow loss combined with a projection of continued losses in the future. Any impairment calculated is subject to many assumptions and estimations. Management must make assumptions about expected future cash flows, long-term interest rates, estimates about the probability of the occurrence of future events, and estimates of market value of assets without a readily observable market price. Differences between the estimate made at a particular balance sheet date and actual events could cause material adjustments to an impairment charge. In February 2010, a triggering event occurred at Evangeline when the long-term Evangeline Tolling Agreement was terminated. An impairment charge was not recorded since the undiscounted expected future net cash flows exceeded the carrying value of Evangeline’s property, plant, and equipment. Due to the lack of a long-term agreement, the expected future net cash flows of Evangeline are subject to an increased potential for variability as compared to prior years. Consequently, future impairment tests could occur more frequently and might result in an impairment charge. At December 31, 2011, Midstream had $183.1 million in long-lived assets. For more information on the Evangeline transactions, see Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 17 — Evangeline Transactions.”

- At December 31, 2011, Midstream had $29.4 million in indemnification liabilities related to the Acadia Unit 1 and Acadia Unit 2 transactions. The indemnification liabilities contain management’s assumptions and estimates concerning the amount, timing, and probability of potential payments. If those assumptions and estimates do not reflect actual results, then certain triggering events could cause Midstream to make payments in excess of the liability, which could result in additional expenses. For more information regarding these transactions, see Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 14 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Disclosures about Guarantees."

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 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 December 31, 2011:

	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.

At December 31, 2011, 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 Standard & Poor's or Moody'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 disclosed without regard to the three levels. For more information about fair value levels, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 5 — 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:

	AT DECEMBER 31,	
(THOUSANDS)	2011	2010
Diversified Lands' mitigation escrow	$97	$97
Cleco Katrina/Rita's storm recovery bonds	8,761	8,822
Cleco Power's future storm restoration costs	24,876	25,992
Cleco Power's renewable energy grant	381	—
Cleco Power's GO Zone bonds	—	6,137
Cleco Power's NO_x allowance escrow	1,713	—
Total restricted cash	$35,828	$41,048

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 2011, Cleco Katrina/Rita collected $19.7 million net of operating expenses. In March and September 2011, Cleco Katrina/Rita used $6.3 million and $6.0 million, respectively for scheduled storm recovery bond principal payments and $3.8 million and $3.7 million, respectively for related interest. In 2011, Cleco Power received a $0.6 million renewable energy grant from the Louisiana Department of Natural Resources.

At December 31, 2011, and 2010, Midstream had no restricted cash.

Debt

Cleco Consolidated

Cleco had no short-term debt outstanding at December 31, 2011, compared to $150.0 million outstanding at December 31, 2010. Cleco's short-term debt outstanding at December 31, 2010, was a bank term loan entered into in February 2010. The bank term loan had an interest rate of LIBOR plus 2.75% and was set to mature in February 2011. In January 2011, Cleco extended the bank term loan to mature August 19, 2011, and lowered the interest rate to LIBOR plus 2.50% or ABR plus 1.50%. In April 2011, Cleco repaid the $150.0 million bank term loan. As part of the repayment, Cleco paid $0.6 million for accrued interest on the term loan.

At December 31, 2011, Cleco's long-term debt outstanding was $1.36 billion, of which $24.3 million was due within one year, compared to $1.41 billion outstanding at December 31, 2010, which included $12.3 million due within one year. The long-term debt due within one year at December 31, 2011, represents $13.1 million of principal payments for the Cleco Katrina/Rita storm recovery bonds and $11.2 million of 5.875% Rapides pollution control revenue bonds that Cleco Power redeemed at par on January 25, 2012, prior to maturity. In December 2011, Cleco Power issued the notice of redemption and as part of the redemption, paid $0.3 million of accrued interest on the redeemed notes.

For Cleco, long-term debt decreased $50.7 million primarily due to $132.0 million of debt reacquired in October and December 2011, consisting of $32.0 million of solid waste disposal bonds and $100.0 million of GO Zone bonds. Also contributing to the decrease was $12.3 million of scheduled Cleco Katrina/Rita storm recovery bond principal payments made in March and September 2011, a $5.0 million decrease in credit facility draws outstanding, and $1.8 million of capital lease payments. These decreases were partially offset by $100.0 million of senior notes issued in December 2011 and debt premium amortizations of $0.4 million.

Cash and cash equivalents available at December 31, 2011, were $93.6 million combined with $540.0 million credit facility capacity ($240.0 million from Cleco Corporation and $300.0 million from Cleco Power) for total liquidity of $633.6 million. Cash and cash equivalents available at December 31, 2011, decreased $97.6 million when compared to cash and cash equivalents available at December 31, 2010. This decrease is primarily due to a contribution to the pension plan, additions to property, plant, and equipment, the net repayment of debt, the repurchase of common and preferred stock, and the payment of common dividends.

At December 31, 2011, 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 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 5 — Fair Value Accounting."

At December 31, 2011, and 2010, Cleco had a working capital surplus of $135.8 million and $131.2 million, respectively. The $4.6 million increase in working capital is primarily due to:

- $150.0 million repayment of a bank term loan in April 2011,
- $34.2 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, and
- $10.5 million reduction in the deferred construction carrying costs owed to customers in the next 12 months.

These increases in working capital were partially offset by:

- $97.6 million decrease in cash and cash equivalents as discussed above,

- $40.9 million reduction of fuel inventories,
- $22.7 million decrease in accumulated deferred fuel and unbilled revenue,
- $12.0 million increase in long-term debt due within one year,
- $10.5 million decrease in other accounts receivable, primarily due to the return of the amounts drawn on Shaw's letter of credit as a result of the arbitration settlement, and
- $6.2 million net reduction of current restricted cash used for GO Zone projects and Cleco Katrina/Rita debt service payments.

At December 31, 2011, Cleco's Consolidated Balance Sheet reflected $2.63 billion of total liabilities compared to $2.84 billion at December 31, 2010. The $212.9 million decrease in total liabilities was primarily due to the decrease in short- and long-term debt, and the decrease in postretirement benefit obligations. As discussed above, short-term debt decreased $150.0 million from the repayment of a bank term loan in April 2011. Long-term debt decreased $50.7 million during 2011, as discussed above. Postretirement benefit obligations decreased $33.1 million primarily due to a $60.0 million contribution made to the pension plan in January 2011.

Cleco Corporation (Holding Company Level)

Cleco Corporation had no short-term debt outstanding at December 31, 2011, compared to $150.0 million outstanding at December 31, 2010. Cleco Corporation's short-term debt outstanding at December 31, 2010, was a bank term loan entered into in February 2010. The bank term loan had an interest rate of LIBOR plus 2.75% and was set to mature in February 2011. In January 2011, Cleco extended the bank term loan to mature August 19, 2011, and lowered the interest rate to LIBOR plus 2.50% or ABR plus 1.50%. In April 2011, Cleco repaid the $150.0 million bank term loan. As part of the repayment, Cleco paid $0.6 million for accrued interest on the term loan.

At December 31, 2011, Cleco Corporation had $10.0 million outstanding under its $250.0 million credit facility compared to $15.0 million outstanding on its $200.0 million credit facility at December 31, 2010. The interest rate of outstanding borrowings under the credit facility at December 31, 2011 was 1.78%. The borrowings had a 30-day term and matured on January 16, 2012. The borrowings were repaid at maturity. 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 December 31, 2011, were $22.6 million. Cash and cash equivalents available at December 31, 2011, increased $17.3 million when compared to cash and cash equivalents available at December 31, 2010, primarily due to routine working capital fluctuations. At December 31, 2011, outstanding credit facility borrowings reduced available borrowings by $10.0 million, leaving an available capacity of $240.0 million.

Cleco Power

There was no short-term debt outstanding at Cleco Power at December 31, 2011, or 2010. At December 31, 2011, Cleco Power's long-term debt outstanding was $1.35 billion, of which $24.3 million was due within one year, compared to $1.40 billion at December 31, 2010, of which $12.3 million was due within one year. The $24.3 million of long-term debt due within one year at December 31, 2011, represents $13.1 million principal payments for the Cleco Katrina/Rita storm recovery bonds and $11.2 million of 5.875% Rapides pollution control revenue bonds that Cleco Power redeemed at par on January 25, 2012, prior to maturity. In December 2011, Cleco Power issued the notice of redemption and as part of the redemption, Cleco Power paid $0.3 million of accrued interest on the redeemed notes.

For Cleco Power, long-term debt decreased $45.7 million primarily due to $132.0 million of debt reacquired in October and December 2011, consisting of $32.0 million of solid waste disposal bonds and $100.0 million of GO Zone bonds. Also contributing to the decrease was $12.3 million of scheduled Cleco Katrina/Rita storm recovery bond principal payments made in March and September 2011, and $1.8 million of capital lease payments. These decreases were partially offset by $100.0 million of senior notes issued in December 2011 and debt premium amortizations of $0.4 million.

At December 31, 2011, no borrowings were 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 December 31, 2011, were $67.5 million combined with $300.0 million credit facility capacity for total liquidity of $367.5 million. Cash and cash equivalents decreased $117.5 million, when compared to cash and cash equivalents at December 31, 2010, primarily due to a contribution to the pension plan, additions to property, plant, and equipment, the payment of intercompany dividends, and the net repayment of debt.

At December 31, 2011, and 2010, Cleco Power had a working capital surplus of $36.4 million and $259.1 million, respectively. The $222.7 million decrease in working capital is primarily due to:

- $117.5 million decrease in cash and cash equivalents as discussed above,
- $40.9 million reduction of fuel inventories,
- $22.7 million decrease in accumulated deferred fuel and unbilled revenue,
- $22.4 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,
- $12.4 million decrease in other accounts receivable, primarily due to the return of the amounts drawn on Shaw's letter of credit as a result of the arbitration settlement,
- $12.0 million increase in long-term debt due within one year, and
- $6.2 million net reduction of current restricted cash used for GO Zone projects and Cleco Katrina/Rita debt service payments.

These decreases in working capital were partially offset by:

- $10.5 million reduction in the deferred construction carrying costs owed to customers in the next 12 months.

The $32.0 million solid waste disposal facility bonds due in 2038, which were issued by the Rapides Finance Authority for the benefit of Cleco Power in October 2008, were required to be mandatorily tendered by the bondholders for purchase on October 1, 2011, pursuant to the terms of the indenture. The bonds were issued by the Rapides Finance Authority in connection with a loan agreement between the Rapides Finance Authority and Cleco Power. On October 3, 2011, Cleco Power purchased all $32.0 million outstanding bonds at face value plus $1.0 million of accrued interest. In connection with the purchase, the interest rate of the bonds was converted to a weekly mode and resets each week based on the SIFMA (Securities Industry and Financial Markets Association) index. Interest expense is recorded with a corresponding amount recorded as interest income, excluding amortization of debt issuance costs. Although the bonds remain outstanding, Cleco Power has the right to redeem and cancel the debt at any time without approval of the issuer. In accordance with the authoritative guidance, the bonds are considered extinguished and Cleco Power is holding the debt as treasury bonds, resulting in a net presentation on Cleco and Cleco Power’s Consolidated Balance Sheets. Cleco Power has the option to remarket the bonds for new terms and new interest rates, both to be determined by market conditions.

The $100.0 million GO Zone bonds due in 2038, which were issued by the Louisiana Public Facilities Authority for the benefit of Cleco Power, were required to be mandatorily tendered by the holders for purchase on December 1, 2011, pursuant to the terms of the indenture. The bonds were issued by the Louisiana Public Facilities Authority in connection with a loan agreement between the Louisiana Public Facilities Authority and Cleco Power. On December 1, 2011, Cleco Power purchased all $100.0 million outstanding bonds at face value plus $3.5 million of accrued interest. In connection with the purchase, the interest rate of the bonds was converted to a weekly mode and resets each week based on the SIFMA index. Interest expense is recorded with a corresponding amount recorded as interest income, excluding amortization of debt issuance costs. Although the bonds remain outstanding, Cleco Power has the right to redeem and cancel the debt at any time without approval of the issuer. In accordance with the authoritative guidance, the bonds are considered extinguished and Cleco Power is holding the debt as treasury bonds, resulting in a net presentation on Cleco and Cleco Power’s Consolidated Balance Sheets. Cleco Power has the option to remarket the bonds for new terms and new interest rates, both to be determined by market conditions.

In December 2011, Cleco Power issued $100.0 million aggregate principal amount of 5.12% senior unsecured notes in a private placement. The notes will mature on December 16, 2041. The net proceeds from the issuance, along with short-term liquidity, were used to finance the mandatory tender of $32.0 million and $100.0 million tax exempt bonds in October 2011 and December 2011, respectively. The private placement bonds have a covenant requiring Cleco Power to maintain total indebtedness equal to or less than 65% of total capitalization. At December 31, 2011, approximately $519.7 million of Cleco Power's retained earnings was unrestricted.

At December 31, 2011, Cleco Power's Consolidated Balance Sheet reflected $2.50 billion of total liabilities compared to $2.56 billion at December 31, 2010. The $65.7 million decrease in total liabilities during 2011 was primarily due to decreases in long-term debt and postretirement benefit obligations. Long-term debt decreased $45.7 million during 2011, as discussed above. Postretirement benefit obligations decreased $36.6 million primarily due to a $60.0 million contribution made to the pension plan in January 2011.

Credit Facilities

In November 2010, Cleco Corporation entered into a $200.0 million four-year revolving credit facility. On October 7, 2011, Cleco Corporation amended its credit facility agreement. Under the amended agreement, Cleco Corporation's maximum capacity was increased from $200.0 million to $250.0 million, the maturity date was extended to October 7, 2016, and the borrowing costs were lowered to equal 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 amended $250.0 million credit facility. Under covenants contained in Cleco Corporation's credit facility, Cleco Corporation is required to maintain total indebtedness equal to or less than 65% of total capitalization. At December 31, 2011, approximately $661.5 million of Cleco's retained earnings was unrestricted.

In November 2010, Cleco Power entered into a $300.0 million four-year revolving credit facility. On October 7, 2011, Cleco Power amended its credit facility agreement. Under the amended agreement, the maturity date was extended to October 7, 2016, and the borrowing costs were lowered to equal 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 amended $300.0 million credit facility. Under covenants contained in Cleco Power's credit facility, Cleco Power is required to maintain total indebtedness equal to or less than 65% of total capitalization. At December 31, 2011, approximately $519.7 million of Cleco Power's retained earnings was unrestricted.

At December 31, 2011, 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 December 31, 2011, or 2010.

Cleco Consolidated Cash Flows

Net Operating Cash Flow

Net cash provided by operating activities was $308.0 million during 2011, $215.2 million during 2010, and $141.5 million in 2009.

Cash provided by operating activities during 2011 increased $92.8 million from 2010, primarily due to the following items:

- return on equity investment in Acadia of $58.7 million,
- absence of 2010 Madison Unit 3 construction carrying costs, Acadia Unit 1 acquisition costs, rate case costs, and IRP/FRP costs of $47.2 million,
- higher collection of receivables of $37.2 million,
- fuel oil inventory sales of $31.5 million,
- lower income taxes paid of $28.9 million,
- lower petroleum coke inventory purchases of $23.3 million due to the build-up of inventory in 2010,
- lower natural gas purchases of $3.9 million due to the build-up of inventory in 2010, and
- lower postretirement plan carrying costs of $2.4 million.

These were partially offset by:

- higher pension plan contributions of $55.0 million,
- absence of the 2010 collection of a $28.0 million long-term receivable related to the Evangeline Restructuring Agreement,
- higher coal inventory purchases of $16.7 million,
- absence of the 2010 cash portion of the gain related to the Evangeline Restructuring Agreement of $18.5 million, and
- higher vendor payments of $9.3 million.

Cash provided by operating activities during 2010 increased $73.7 million from 2009, primarily due to the following items:

- higher net income of $149.1 million, largely due to the base rate increases that became effective on February 12, 2010, and favorable weather,
- the collection of a $28.0 million long-term receivable related to the Evangeline Restructuring Agreement,
- lower fuel inventory purchases of $19.2 million, primarily due to the 2009 purchase of initial fuel inventory for Madison Unit 3,
- lower pension plan payments of $14.1 million, and
- lower retainage payments of $13.0 million, primarily due to the completion of Madison Unit 3.

These were partially offset by:

- the 2010 $74.0 million refund to customers of Madison Unit 3 carrying costs, compared to the 2009 $57.6 million collection from customers, for a net decrease of $131.6 million, and
- lower receipts on customer accounts of $24.5 million.

Net Investing Cash Flow

Net cash used in investing activities was $101.7 million during 2011, $306.9 million during 2010, and $183.4 million in 2009. Net cash used in investing activities in 2011 was lower than 2010 primarily due to lower additions to property, plant, and equipment, the return of equity investment in Acadia, returns of investment in the tax credit fund, the absence of a 2010 repayment of a company-owned life insurance loan, lower investments in equity investees, and more cash from the reconsolidation of variable interest entities. These were partially offset by lower transfers of cash from restricted accounts and higher contributions to the tax credit fund. Net cash used in investing activities in 2010 was higher than 2009 primarily due to higher additions to property, plant, and equipment, and the repayment of a company-owned life insurance loan.

During 2011, Cleco had additions to property, plant, and equipment, net of AFUDC, of $190.9 million and a $43.9 million investment in new markets tax credits. This was partially offset by an $89.7 million return of equity investment in Acadia, a $33.4 million return of investment in the tax credit fund, the transfer of $5.2 million of cash from restricted accounts, primarily related to GO Zone bonds and cash restricted for storm costs, and $3.9 million of cash from the reconsolidation of Acadia.

During 2010, Cleco had additions to property, plant, and equipment, net of AFUDC of $292.7 million, primarily from the Acadia Unit 1 transaction, the Acadiana Load Pocket project and the Teche Unit 4 Blackstart project. For more information on these projects, see "— Regulatory and Other Matters — Acadiana Load Pocket Project" and "— Teche Unit 4 Blackstart Project." Cleco also made investments in new markets tax credits of $35.9 million, an $8.5 million investment in Acadia, and a $0.2 million investment in Oxbow. Cleco used $14.4 million to repay a loan on company-owned life insurance. These investments were partially offset by the transfer of $45.5 million of cash from restricted accounts, primarily related to the termination of the Evangeline Tolling Agreement and to GO Zone bonds.

During 2009, Cleco had additions to property, plant, and equipment, net of AFUDC of $183.3 million, a $15.7 million investment in new markets tax credits, a $16.9 million investment in Acadia, and a $12.9 million investment in Oxbow. This was partially offset by the transfer of $46.5 million of cash from restricted accounts, primarily related to solid waste disposal and GO Zone bonds.

Net Financing Cash Flow

Net cash used in financing activities was $303.9 million during 2011, compared to net cash provided by financing activities of $137.7 million during 2010 and $89.7 million in 2009. Net cash used in financing activities during 2011 was higher than 2010 primarily due to higher repayments of short-term debt, the absence of 2010 short-term debt issuances, lower issuances of long-term debt, the repurchase of long-term debt, higher settlement of treasury rate lock, the repurchase of common stock, and higher dividends paid on common stock. This was partially offset by lower retirements of long-term debt and higher draws on the credit facility. Net cash provided by financing activities in 2010 was higher than 2009 primarily due to issuance of short- and long-term debt, partially offset by lower credit facility draws, higher credit facility payments, and higher retirements of long-term debt.

During 2011, Cleco repaid a $150.0 million bank term loan and $112.3 million of long-term debt, consisting of $100.0 million of credit facility draws and $12.3 million of long-term bonds. Cleco repurchased $132.0 million of long-term debt, consisting of $100.0 million of GO Zone bonds and $32.0 million of solid waste disposal facility bonds, both of which were issued in 2008. Cleco also used $68.0 million for the

payment of common stock dividends and $13.0 million for the repurchase of common stock. Cleco paid $18.6 million on the settlement of the $100.0 million extended treasury rate lock, which included an other-than-insignificant financing component. These payments were partially offset by the issuance of $100.0 million of long-term debt and $95.0 million in credit facility draws.

During 2010, Cleco received proceeds of $247.2 million for the issuance of long-term bonds and made $20.0 million of draws on the credit facility. Cleco also received net proceeds of $150.0 million for the issuance of a bank term loan, which was used to facilitate the Acadia Unit 1 transaction. These cash proceeds were partially offset by $120.9 million of repayments of retail notes and storm recovery bonds, $59.0 million of common stock dividends, and $100.0 million of payments on the credit facility.

During 2009, Cleco received net proceeds of $190.4 million for the issuance of long-term debt, consisting of $145.0 million of long-term bonds and a $50.0 million bank term loan. Cleco also made $93.0 million of draws on the credit facilities. These proceeds were partially offset by $114.8 million of repayments of medium term notes and storm recovery bonds, $54.2 million of common stock dividends, and $28.0 million of payments on the credit facilities.

Cleco Power Cash Flows

Net Operating Cash Flow

Net cash provided by operating activities was $249.7 million during 2011, $170.8 million during 2010, and $148.1 million in 2009.

Cash provided by operating activities during 2011 increased $78.9 million from 2010 primarily due to the following items:

- absence of 2010 Madison 3 construction carrying costs, Acadia Unit 1 acquisition costs, rate case costs, and IRP/FRP costs of $47.2 million,
- higher collection of receivables of $37.2 million,
- fuel oil inventory sales of $31.5 million,
- lower petroleum coke inventory purchases of $23.3 million due to the build-up of inventory in 2010,
- lower payments to affiliates of $19.2 million,
- lower natural gas purchases of $3.9 million due to the build-up of inventory in 2010, and
- lower postretirement plan carrying costs of $2.4 million.

These were partially offset by:

- higher pension plan contributions of $55.0 million,
- higher coal inventory purchases of $16.7 million, and
- higher vendor payments of $11.0 million.

Cash provided by operating activities during 2010 increased $22.7 million from 2009 primarily due to the following items:

- higher revenues, primarily due to the base rate increases that became effective on February 12, 2010 and favorable weather, partially offset by higher fuel, operating, and maintenance costs and lower capitalized interest, for a net increase of $181.4 million,
- lower fuel inventory purchases of $19.5 million,

primarily due to the 2009 purchase of initial fuel inventory for Madison Unit 3,
- lower pension plan payments of $14.1 million, and
- lower retainage payments of $13.0 million.

These were partially offset by:

- the 2010 $74.0 million refund to customers of Madison Unit 3 carrying costs, compared to the 2009 $57.6 million collection from customers, for a net decrease of $131.6 million,
- higher payments to vendors and affiliates of $45.8 million, and
- lower receipts on customer accounts of $25.9 million.

Net Investing Cash Flow
Net cash used in investing activities was $170.2 million during 2011, $134.7 million during 2010, and $148.3 million in 2009. Net cash used in investing activities during 2011 was higher than 2010 primarily due to higher additions to property, plant, and equipment. Net cash used in investing activities in 2010 was lower than 2009 primarily due to lower additions to property, plant, and equipment, and lower investment in equity investees, partially offset by lower transfers from restricted accounts and the repayment of a company-owned life insurance loan.
During 2011, Cleco Power had additions to property, plant, and equipment, net of AFUDC of $177.6 million. This was partially offset by the transfer of $5.2 million of cash from restricted accounts, primarily related to GO Zone bonds and cash restricted for storm costs.
During 2010, Cleco Power had additions to property, plant, and equipment, net of AFUDC of $136.8 million, primarily related to the Acadiana Load Pocket project and the Teche Unit 4 Blackstart project. Cleco Power also used $14.4 million to repay a company-owned life insurance loan. These payments were partially offset by the transfer of $15.4 million of cash from restricted accounts related to GO Zone bonds.
During 2009, Cleco Power had additions to property, plant, and equipment, net of AFUDC of $182.3 million and a $12.9 million investment in Oxbow. These investments were partially offset by the transfer of $46.5 million of cash from restricted accounts, primarily related to solid waste disposal and GO Zone bonds.

Net Financing Cash Flow
Net cash used in financing activities was $197.0 million in 2011, compared to net cash provided by financing activities of $10.7 million during 2010 and $46.8 million in 2009. Net cash used in financing activities during 2011 was higher than 2010 primarily due to lower issuances of long-term debt, the repurchase of long-term debt, higher payments on the credit facility, and higher payments to settle the treasury rate lock. These were partially offset by lower retirements of long-term debt, higher draws on the credit facility, and $20.0 million of lower distributions made to Cleco Corporation. Net cash provided by financing activities in 2010 was lower than 2009 primarily due to $120.0 million of higher distributions to Cleco Corporation, partially offset by higher issuances and lower retirements of long-term debt.

Capital Expenditures
Cleco allocates its capital expenditure budget among its major first-tier subsidiaries — Cleco Power and Midstream. Cleco Power capital expenditures relate primarily to assets that may

be included in Cleco Power’s rate base and, if considered prudent by the LPSC, can be recovered from its customers. Those assets also earn a rate of return authorized by the LPSC and are subject to the rate agreement. Such assets consist of improvements to Cleco Power’s distribution system, transmission system, and generating stations. Midstream’s capital expenditure activities pertain predominately to Coughlin. Cleco believes cash and cash equivalents on hand, together with cash generated from operations, borrowings from credit facilities, and the net proceeds of any

issuances of equity or debt securities, will be adequate to fund normal ongoing capital expenditures, working capital, and debt service requirements for the foreseeable future.
Cleco Power's capital expenditures, excluding AFUDC, totaled $177.6 million in 2011, $136.8 million in 2010, and $182.3 million in 2009. In 2011 and 2010, 100.0% of Cleco Power's capital expenditure requirements were funded internally. In 2009, 81.2% of Cleco Power's capital expenditure requirements were funded internally. In 2012 and for the five-year period ending 2016, 100.0% of Cleco Power's capital expenditure requirements are expected to be funded internally. All computations of internally funded capital expenditures exclude AFUDC.
Other subsidiaries had capital expenditures of $13.3 million, $155.9 million, and $1.0 million during the years ended December 31, 2011, 2010, and 2009, respectively. The increase during 2010 was primarily due to Cleco Corporation's facilitation of the Acadia Unit 1 transaction. Other subsidiary expenditures for capital expenditures and debt payments in 2012 are estimated to total $7.0 million. For the five-year period ending 2016, estimated capital expenditures and debt payments for other subsidiaries are expected to total $34.0 million.
Cleco's estimated capital expenditures and debt maturities for 2012 and for the five-year period ending 2016 are presented in the following tables. All amounts exclude AFUDC.

Cleco

PROJECT (THOUSANDS)	2012	%		2012-2016	%	
Acadia Pipeline	$9,000	4	%	$9,000	1	%
CSAPR	11,000	5	%	11,000	2	%
Acadiana Load Pocket	27,000	12	%	27,000	4	%
AMI	36,000	15	%	47,000	6	%
MATS	21,000	9	%	105,000	14	%
New business	25,000	11	%	134,000	18	%
General [(1)]	105,000	44	%	405,000	55	%
Total capital expenditures	$234,000	100	%	$738,000	100	%
Debt payments	24,000			221,000		
Total capital expenditures and debt payments	$258,000			$959,000		

[(1)] Refers to the rehabilitation of older transmission, distribution, and generation assets at Cleco Power, plant maintenance at Coughlin, and hardware and software upgrades at Support Group.

Cleco Power

PROJECT (THOUSANDS)	2012	%		2012-2016	%	
Acadia Pipeline	$9,000	4	%	$9,000	1	%
CSAPR	11,000	5	%	11,000	2	%
Acadiana Load Pocket	27,000	12	%	27,000	4	%
AMI	36,000	16	%	47,000	7	%
MATS	21,000	9	%	105,000	15	%
New business	25,000	11	%	134,000	19	%
General [1]	98,000	43	%	371,000	52	%
Total capital expenditures	$227,000	100	%	$704,000	100	%
Debt payments	24,000			211,000		
Total capital expenditures and debt payments	$251,000			$915,000		

[1] Refers to the rehabilitation of older transmission, distribution, and generation assets at Cleco Power.

For more information on the Acadiana Load Pocket project, see "— Regulatory and Other Matters — Acadiana Load Pocket Project." For more information on the AMI project, see "— Regulatory and Other Matters — AMI Project."

Other Cash Requirements

Cleco Power's regulated operations and Midstream's merchant power plant are Cleco's primary sources of internally generated funds. These funds, along with the issuance of additional debt and equity in future years, will be used for general corporate purposes, capital expenditures, and repayment of corporate debt.

Shelf Registrations

On October 30, 2009, a registration statement (No. 333-162772) providing for the issuance of up to $300.0 million of Cleco Corporation debt securities was declared effective by the SEC. On November 30, 2010, an amendment to this registration statement (No. 333-170886) was filed which increased the amount to $500.0 million, along with a modification to include the ability to issue common stock in addition to debt securities. At December 31, 2011, all $500.0 million remained available. On October 30, 2009, a registration statement (No. 333-162773) providing for the issuance of up to $500.0 million of Cleco Power debt securities was declared effective by the SEC. During 2009 and 2010, Cleco Power issued $145.0 million and $250.0 million, respectively, in publicly issued debt which reduced the remaining capacity to $105.0 million. On August 23, 2011, an amendment to this registration statement (No. 333-176453) was filed, which increased the amount to $400.0 million. At

December 31, 2011, this registration statement had remaining capacity allowing for the issuance of up to $400.0 million of debt securities.

Common Stock Repurchase Program

In January 2011, Cleco Corporation's Board of Directors approved the implementation of a new common stock repurchase program. This program authorizes management to repurchase, from time to time, shares of common stock so that Cleco's diluted average shares of common stock outstanding remain approximately equal to its diluted average shares of common stock outstanding for 2010. Under this program, purchases may be made on a discretionary basis at times and in amounts as determined by management, subject to market conditions, legal requirements and other factors. Purchases under the program will not be announced in advance and may be made in the open market or through privately negotiated transactions. In August 2011, Cleco Corporation repurchased 400,000 shares of common stock.

Authorized Preferred Stock Redemption

Cleco Corporation's 4.5% cumulative preferred stock not subject to mandatory redemption has an optional redemption price of $101 per share. In January 2011, Cleco Corporation's Board of Directors authorized and approved the redemption of all outstanding shares of the 4.5% cumulative preferred stock not subject to mandatory redemption, provided that no shares of such preferred stock were redeemed prior to the repayment in full and termination of the $150.0 million bank term loan that matured on August 19, 2011. During 2011, the $150.0 million bank term loan was repaid and on June 24, 2011, Cleco Corporation redeemed all 10,288 outstanding shares of its 4.5% preferred stock. The redemption price was $101 per share, plus accrued and unpaid dividends to the redemption date, or $101.296 per share.

Contractual Obligations and Other Commitments

Cleco, in the course of normal business activities, enters into a variety of contractual obligations. Some of these result in direct obligations that are reflected in Cleco Corporation's Consolidated Balance Sheets while others are commitments, some firm and some based on uncertainties, that are not reflected in the consolidated financial statements. The obligations listed in the following table do not include amounts for ongoing needs for which no contractual obligation existed as of December 31, 2011, and represent only the projected future payments that Cleco was contractually obligated to make as of December 31, 2011.

CONTRACTUAL OBLIGATIONS (THOUSANDS)	TOTAL	PAYMENTS DUE BY PERIOD LESS THAN ONE YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Cleco Corporation					
Long-term debt obligations [1]	$13,261	$900	$1,250	$11,111	$—
Operating lease obligations [3]	33	24	9	—	—
Purchase obligations [4]	11,884	7,833	2,538	1,038	475
Other long-term liabilities [5]	13,852	2,212	2,609	3,852	5,179
Pension obligations [6]	199,006	5,148	27,803	29,793	136,262
Total Cleco Corporation	$238,036	$16,117	$34,209	$45,794	$141,916
Cleco Power					
Long-term debt obligations [1]	$2,905,820	$110,177	$254,468	$225,340	$2,315,835
Capital lease obligations [2]	32,808	4,681	9,337	9,349	9,441
Operating lease obligations [3]	53,061	12,412	16,588	7,225	16,836
Purchase obligations [4]	614,279	207,903	237,447	153,436	15,493
Other long-term liabilities [5]	148,811	14,039	29,290	30,482	75,000
Total Cleco Power	$3,754,779	$349,212	$547,130	$425,832	$2,432,605
Midstream					
Purchase obligations [4]	$4,205	$605	$1,200	$1,200	$1,200
Other long-term liabilities [5]	18	18	—	—	—
Total Midstream	$4,223	$623	$1,200	$1,200	$1,200
Total long-term debt obligations [1]	$2,919,081	$111,077	$255,718	$236,451	$2,315,835
Total capital lease obligations [2]	$32,808	$4,681	$9,337	$9,349	$9,441
Total operating lease obligations [3]	$53,094	$12,436	$16,597	$7,225	$16,836
Total purchase obligations [4]	$630,368	$216,341	$241,185	$155,674	$17,168
Total other long-term liabilities [5]	$162,681	$16,269	$31,899	$34,334	$80,179
Total pension obligations [6]	$199,006	$5,148	$27,803	$29,793	$136,262
Total	$3,997,038	$365,952	$582,539	$472,826	$2,575,721

[1] Long-term debt existing as of December 31, 2011, is debt that has a final maturity of January 1, 2013, or later (current maturities of long-term debt are due within one-year). Cleco's anticipated interest payments related to long-term debt also are included in this category. Scheduled maturities of debt will total $24.3 million for 2012 and $1.34 billion for the years thereafter. These amounts also include capital lease maturities. For more information regarding Cleco's long-term debt, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 6 — Debt" and "— Debt" above.

[2] Capital leases are maintained in the ordinary course of Cleco's business activities. These leases include barges. For more information regarding these leases, including Cleco Power's obligation to purchase the barges, see Item 8, "Financial Statement and Supplementary Data — Notes to the Financial Statements — Note 14 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Other Commitments — Fuel Transportation Agreement."

(3) Operating leases are maintained in the ordinary course of Cleco's business activities. These leases include towboat, railcar, vehicle, office space, operating facilities, and office equipment leases and have various terms and expiration dates from 1 to 15 years. For more information regarding Cleco's operating leases, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 13 — Operating Leases."

(4) Significant purchase obligations for Cleco are:
Fuel Contracts: To supply a portion of the fuel requirements for Cleco Power's generating plants, Cleco has entered into various commitments to obtain and deliver coal, lignite, petroleum coke, and natural gas. Some of these contracts contain provisions for price escalation and minimum purchase commitments. Generally, fuel and purchased power expenses are recovered through the LPSC-established fuel adjustment clause, which enables Cleco Power to pass on to customers substantially all such charges. For more information regarding fuel contracts, see Part I, Item 1, "Business — Operations — Cleco Power — Fuel and Purchased Power."
Power Purchase Agreements: Cleco Power has entered into agreements with energy suppliers for purchased power to meet system load and energy requirements, replace generation from Cleco Power owned units under maintenance and during outages, and meet operating reserve obligations. Cleco Power also has entered into agreements to purchase transmission capacity. For more information regarding power purchase agreements, see Part I, Item 1, "Business — Operations — Fuel and Purchased Power — Power Purchases."
Purchase orders: Cleco has entered into purchase orders in the course of normal business activities.

(5) Other long-term liabilities primarily consist of obligations for franchise payments, deferred compensation, facilities use, and various operating and maintenance agreements.

(6) Pension obligations consist of obligations for SERP and other postretirement obligations. For more information regarding Cleco's pension plan, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 8 — Pension Plan and Employee Benefits."

For purposes of this table, it is assumed that all terms and rates related to the above obligations will remain the same, and all franchises will be renewed according to the rates used in the table.

Other Commitments

The obligations listed in the following table represent the projected future payments that Cleco may be obligated to make relative to uncertain tax positions as of December 31, 2011. For more information on Cleco's uncertain tax positions, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 9 — Income Taxes — Uncertain Tax Positions."

UNCERTAIN TAX POSITIONS (THOUSANDS)	AT DECEMBER 31, 2011	
Tax liability	56,235	
Interest	13,843	
Total*	$70,078	
Cleco	70,078	(1)
Cleco Power	69,885	(2)
Midstream	2,965	(3)

*Uncertain federal and state tax positions as of December 31, 2011, that will be settled at some future date with the IRS and Louisiana Department of Revenue.

(1) Includes interest of $13,843
(2) Includes interest of $17,327
(3) Includes interest of $(712)

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 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.

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 on terms less favorable to its affiliates.

The off-balance sheet commitments are not recognized on Cleco Corporation's 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 December 31, 2011, 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 DECEMBER 31, 2011	
(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 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.

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 Corporation's Consolidated Balance Sheets as of December 31, 2011, 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. Acadia recorded an indemnification liability and a corresponding reduction of the gain 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 December 31, 2011, Acadia had an indemnification liability of $7.6 million, which represents the risk of payment, as a contingent sale obligation recorded on Cleco Corporation's Consolidated Balance Sheet. Acadia recognized income of $1.2 million for the year ended December 31, 2011, and no income for the year ended December 31, 2010, primarily due to the contractual expiration of the underlying indemnification. During the years ended December 31, 2011, and 2010, APH recognized income of $0.5 million and $2.0 million, respectively, primarily due to the contractual expiration of the underlying indemnification. For more information regarding this transaction, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 14 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Disclosures about Guarantees."

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 and a corresponding reduction of the gain of $21.8 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 three years. After the three-year period, a residual value of approximately $0.2 million will remain. At December 31, 2011, Acadia had an indemnification liability of $21.8 million, which represents the risk of payment, as a contingent sale obligation recorded on Cleco Corporation's Consolidated Balance Sheet. Acadia recognized no income for the year ended December 31, 2011, due to the contractual expiration of the underlying indemnification. 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. For more information regarding this transaction, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 14 — Litigation, Other Commitments and

Contingencies, and Disclosures about Guarantees — Disclosures about Guarantees."

As part of the Lignite Mining Agreement amended in 2009, 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 December 31, 2011, Cleco Power had a liability of $3.8 million related to the amended agreement. The maximum projected payment by Cleco Power under this obligation 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 DECEMBER 31, 2011
		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	33,363	—	29,357	—	4,006
Total	$ 37,588	$3,725	$29,357	$—	$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.

Regulatory and Other Matters

Inflation
Annual inflation rates, as measured by the U.S. Consumer Price Index, have averaged approximately 1.49% during the three years ended December 31, 2011. Cleco believes inflation, at this level, does not materially affect its results of operations or financial condition. However, under existing

regulatory practice, only the historical cost of a plant is recoverable from customers. As a result, Cleco Power's cash flows designed to provide recovery of historical plant costs may not be adequate to replace property, plant, and equipment in future years.

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 a minimum of three 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. However, 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 October 2011, Cleco Power received LPSC approval for recovery of 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 plans to file in late 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.

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. Cleco Power filed with the LPSC an application for a certificate of public convenience and necessity for the two agreements, and additionally filed an application with the FERC for authorization to make power sales between affiliates pursuant to Section 205 of the Federal Power Act. Cleco Power has since received the appropriate approvals from both the LPSC and FERC for the two agreements. The NRG agreement provides 200 MW of capacity and energy beginning January 1, 2012, through April 30, 2012, while the Evangeline agreement provides 250 MW of capacity and energy beginning 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. A bidders conference was conducted on October 13, 2011, and its 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 January 2012, Cleco Power filed an application with the LPSC requesting a CCN 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 must also receive approval from FERC to make power sales between affiliates pursuant to Section 205 of the Federal Power Act. Cleco Power also expects to issue an additional RFP in 2012 seeking long-term access to resources beyond April 2015. For more information on CSAPR, see Part 1, Item 1, "Business — Environmental Matters."

Madison Unit 3

In May 2006, Cleco Power began construction of Madison Unit 3, a 600-MW solid fuel power plant. The unit commenced commercial operations on February 12, 2010, whereby Cleco Power accepted care, custody, and control of the unit. Madison Unit 3 including AFUDC, Amended EPC Contract costs, and other development expenses was completed at a cost of $1.0 billion.

In May 2006, Cleco Power and Shaw entered into an Amended EPC Contract to construct the unit, which was subsequently amended by the parties. On April 30, 2010, Shaw filed a demand for arbitration asserting claims of $32.0 million. On August 5, 2011, the arbitrator announced his decision in favor of Shaw's claims of Cleco Power owing Shaw $32.5 million (including the return of $19.0 million previously drawn on a Shaw letter of credit). Cleco Power paid this amount on August 22, 2011, which was included as a cost of Madison Unit 3 and reflected as property, plant, and equipment.

Shaw had not reached project completion as defined in the Amended EPC Contract, as various performance tests, the reliability test, and specified boiler performance criteria had not been met. Under the Amended EPC Contract, Shaw had to correct the identified items, complete the performance guarantee tests, meet a 30-day reliability performance test, and correct certain warranty issues to meet final acceptance, or pay certain liquidated damages and financially settle incomplete work. On December 7, 2011, these matters were resolved in a settlement whereby Shaw paid Cleco Power $8.0 million in return for granting project completion under the Amended EPC Contract. Cleco Power has returned the letters of credit, performance and payment bonds, and Shaw's parent guarantee and Shaw has effectively met its obligations under the Amended EPC Contract.

CCN

In May 2006, the LPSC issued its order granting Cleco Power a CCN to construct, own, and operate Madison Unit 3. The LPSC approved a Madison Unit 3 post-certification monitoring plan that required, at least quarterly, reports addressing construction progress, expenditures, project financing, environmental compliance, and other related matters. As of December 31, 2011, Cleco Power was in compliance with this monitoring plan. The monitoring plan has remained in place since the unit began commercial operation on February 12, 2010. In February 2012, Cleco Power provided its final monitoring document to the LPSC. Cleco Power is effectively relieved of its monitoring plan requirements and will no longer provide updates to the LPSC.

Environmental Matters

For information on environmental matters, see Part I, Item 1, "Business — Environmental Matters."

Retail Rates of Cleco Power

Retail rates regulated by the LPSC accounted for approximately 93% and 92% of Cleco Power's 2011 and 2010 revenue, respectively.

Fuel Rates

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. Cleco Power's last completed fuel audit was for the years 2001 and 2002. Cleco Power currently has fuel adjustment clause filings for 2003 through 2011 subject to audit. In March 2009, the LPSC proceeded with the 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. Cleco Power has responded to several sets of data requests from the LPSC and the responses are currently under review. The LPSC has not stated an amount of the fuel costs, if any, that would be disallowed and result in a refund to customers. Management is not able to predict or give a reasonable estimate of the possible range of the disallowance, if any, related to this audit. However, if a disallowance of fuel costs is ordered resulting in a refund, any such refund could have a material adverse effect on the Registrants' results of operations, financial condition, and cash flows.

To help stabilize electricity costs, the LPSC in 2001 encouraged hedging the exposure to natural gas price volatility through the use of financial instruments. Cleco Power hedges a portion of the projected natural gas volumes used to serve its native electric load during each year. The hedge quantity is reviewed and adjusted periodically based on projected market indicators.

In February 2008, the LPSC opened an inquiry and issued a request for comments to investigate the potential for incentive-based mechanisms for fuel cost recovery. This docket has been dormant since 2008. Management is unable to predict the time of completion and cannot determine the impact any potential rulemaking may have on the financial condition, results of operations, and cash flows of Cleco Power.

In August 2009, the LPSC opened a docket to study the promotion of energy efficiency by jurisdictional electric and natural gas utilities. The LPSC Staff issued a request for comments on a proposed rule by January 13, 2012. These comments are currently under review. Management is unable to predict the time of completion and cannot determine the impact any potential rulemaking may have on the financial condition, results of operations, and cash flows of Cleco Power.

Environmental Rates

In July 2009, the LPSC issued Docket No. U-29380 Subdocket A, which provides for an EAC 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. These variable emission mitigation costs were historically recovered through the Fuel Adjustment Clause. On November 11, 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 $2.4 million. Cleco Power has responded to data requests from the LPSC. These responses are currently under review by the LPSC. The LPSC has not stated an amount of the environmental costs, if any, that would be disallowed and result in a refund to customers. However, if a disallowance of environmental costs is ordered resulting in a refund, any such refund is not expected to have a material effect on the Registrants' results of operations, financial condition, and cash flows.

Base Rates

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 new rates and the FRP became effective upon commencement of commercial operations at Madison Unit 3 on February 12, 2010. The 2010 FRP establishes a target return on equity and requires all or a portion of regulated earnings for each yearly review period above the targeted regulatory rate of return on equity to be credited to Cleco Power's retail customers. The 2010 FRP allows Cleco Power the opportunity to earn a target return on equity of 10.7%, including returning to retail customers 60.0% 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. Credits are typically included on customers' bills the following summer, but the timing of the refunds is ultimately at the discretion of the LPSC. The capital structure assumes an equity ratio of 51.0%. The 2010 FRP included a mechanism that allowed for the recovery of revenue requirements related to Cleco Power's acquisition of Acadia Unit 1, which was completed in February 2010. The 2010 FRP also includes a mechanism allowing for recovery of revenue requirements for the Acadiana Load Pocket transmission project, which is expected to be completed by December 2012. The 2010 FRP allows Cleco Power to propose additional capital projects to the LPSC during its initial four-year term.

For information concerning amounts accrued and refunded by Cleco Power as a result of the FRP and information on the Staff's FRP reviews, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 11 — Electric Customer Credits."

Wholesale Rates of Cleco

Power Sales

Cleco's wholesale electric power sales are regulated by FERC via cost- and market-based tariffs.

In April 2004, FERC issued an order revising the methodology to be used in assessing whether a jurisdictional electric utility has generation market power, requiring a utility to pass a screening test as a condition for securing and/or retaining approval to sell electricity in wholesale markets at market-based rates. An updated market power analysis is to be filed with FERC every three years or upon the occurrence of a change in status as defined by FERC regulation.

In March 2010, Cleco Power filed a scheduled market power analysis after acquiring Acadia Unit 1. The reviews conducted by FERC for this filing concluded that Cleco demonstrated a lack of market power in Cleco Power's control area, and the power marketing entities may continue to charge market-based rates for wholesale power.

In January 2012, Cleco filed a market power analysis after the expiration of the Evangeline 2010 Tolling Agreement. The filing demonstrated a lack of market power in Cleco Power's control area. The power marketing entities may continue to charge market-based rates for wholesale power, pending review and acceptance by FERC.

Transmission Service

Cleco's electric transmission rates are regulated by FERC via cost-based, pro forma OATTs, a FERC-approved document outlining rates, charges, rules and conditions under which a utility provides electric transmission service. The pro forma OATT was instituted by FERC in 1996 with the issuance of Order Nos. 888 and 889. These orders required FERC-regulated electric utilities to offer third parties access to transmission under terms and conditions comparable to the terms and conditions followed by the utilities for use of their own systems. The goal of these orders was to ensure that the provision of transmission service is reasonable and not unduly discriminatory or preferential.

On February 15, 2007, FERC issued Order No. 890 amending its regulations and the pro forma tariff adopted in FERC Order Nos. 888 and 889. The amendments addressed apparent deficiencies in the pro forma tariff and standardized several industry practices relating to the provision of wholesale transmission service. In November 2009, FERC issued Order 890-D affirming its basic determinations in Order Nos. 890, 890-A, 890-B, and 890-C, granting clarification regarding certain revisions to its regulations and the pro forma open-access transmission tariff adopted in Order Nos. 888 and 889 to ensure that transmission services are provided on a basis that is just, reasonable, and not unduly discriminatory. FERC granted clarification regarding the requirement to undesignate network resources used to serve off-system sales. Cleco Power has incorporated these new requirements and business practices into its operations, which had no significant impact on Cleco Power. On July 21, 2011, FERC issued Order No. 1000 that reforms the electric transmission planning and cost allocation requirements for public utility transmission providers. The rule builds on the reforms of Order No. 890 and corrects remaining deficiencies with respect to transmission planning processes and cost allocation methods. Cleco Power is currently reviewing the new requirements and business practices. Management is unable, at this time, to determine if this order will have a material adverse effect on the Registrants' results of operations, financial condition, and cash flows.

Market Restructuring

Wholesale Electric Markets

Regional Transmission Organization

In 1999, FERC issued Order No. 2000, which established a general framework for all transmission-owning entities in the nation to voluntarily place their transmission facilities under the control of an appropriate RTO. Although participation was voluntary, FERC made it clear that any jurisdictional entity not participating in a RTO likely would be subject to regulatory directives. FERC later relaxed its mandate to participate in a RTO, but continued to insist upon large regional models. Many transmission-owning entities and system operators have been trying to interpret and implement FERC's directives by attempting to organize and/or join acceptable RTOs. In October 2004, FERC granted the SPP status as a RTO.

In April 2004, Entergy filed at FERC to make potentially significant modifications to its transmission tariff. The modifications would incorporate an independent third-party entity, the ICT, into its transmission operations, with the ICT having access to pertinent information regarding the Entergy transmission system. After receiving approval from FERC and state commissions (including the LPSC), the SPP began a four-year trial as Entergy's acting ICT on November 17, 2006.

In early 2009, the Arkansas Public Service Commission directed SPP to perform a comprehensive Cost Benefit Analysis Study (CBA Study) of full SPP membership by all the Entergy operating companies as compared to participation under the existing ICT services arrangement and full SPP membership by Entergy Arkansas, Inc. as a standalone entity, compared to continuing under the existing ICT services arrangement.

The study was completed on September 30, 2010. Additional addendum studies were performed during 2011, which included all the Entergy operating companies joining the Midwest Independent System Operator (MISO) RTO. Based on these addendum studies, Entergy has announced that MISO provides more overall savings for their customers than SPP. Currently, Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana have indicated their intent to join MISO by January 1, 2014.

As with RTO developments at large, other various parties, including several state commissions, utilities, and other industry participants, are participants in the RTO and Entergy proceedings described above. As both the SPP and Entergy proceedings could impact the ability to transport power into and out of the Cleco control area, Cleco will continue monitoring developments in these proceedings and plans to be a participant in these and all other proceedings affecting the availability and sale of power in and around Louisiana.

Electric Reliability Organization

The Energy Policy Act of 2005 added Section 215 to the Federal Power Act, which provides for a uniform system of mandatory, enforceable reliability standards. In July 2006, FERC named NERC as the ERO that will be required to develop and enforce the mandatory reliability standards. All registered utilities subject to NERC's authority are required to comply with the reliability standards and could be subjected to financial penalties if they violate NERC's reliability standards.

In April 2010, the SPP RE conducted an audit of Cleco to determine Cleco's compliance with the NERC Reliability Standard Requirements. Cleco submitted mitigation plans and evidence of remedial efforts in connection with the SPP's findings from the April 2010 audit. In October 2010, Cleco and SPP agreed to a financial settlement totaling less than $0.1 million, which has been approved by NERC. Cleco's next scheduled audit will begin in 2013.

For a discussion of risks associated with FERC's regulation of Cleco Power's wholesale electric business, see Part I, Item 1A, "Risk Factors — Reliability Standards Compliance."

Retail Electric Markets

In 2002, the LPSC adopted order R-26172 governing the way electric generation sources are to be solicited and tested versus self-build options of a utility. In 2004, the LPSC amended the order to add the requirement that the soliciting utility employ an independent monitor. The independent monitor's role is to assure the RFP process is run fairly, that bidder data is treated confidentially, and that no preference is afforded bids from affiliate companies of the utility or the utility's own self-build proposals.

Currently, the LPSC does not provide exclusive service territories for electric utilities under its jurisdiction. Instead, retail service is obtained through a long-term nonexclusive franchise. The LPSC uses a "300-foot rule" for determining the supplier for new customers. The "300-foot rule" requires a customer to take service from the electric utility that is within 300 feet of the respective customer. If the customer is beyond 300 feet from any existing utility service, they may choose their electric supplier. The "300-foot rule" (Docket No. R-28955) is currently under review by the LPSC. Management is unable to predict the time of completion and cannot determine the impact any potential rulemaking may have on the financial condition, results of operations, and cash flows of Cleco Power. The application of the current rule has led to competition with neighboring utilities for retail customers at the borders of Cleco Power's service areas. Such competition has led to complaints by competitors that Cleco Power has violated the 300-foot rule. Several complaints have been made by competitors who operate as rural electric cooperatives and, if the LPSC were to rule in favor of such competitors, Cleco Power may be fined. Management does not believe any such fines, if imposed, would have a material impact on Cleco Power's financial condition. Cleco Power also competes in its service area with suppliers of alternative forms of energy, some of which may be less costly than electricity for certain applications. Cleco Power could experience some

competition for electric sales to industrial customers in the form of cogeneration or from independent power producers.
For information on dual franchise attempts, see Part I, Item 1, "Business — Regulatory Matters, Industry Developments, and Franchises — Franchises."

Lignite Deferral
Cleco Power operates a generating unit jointly owned with SWEPCO that uses lignite as its fuel source.
In May 2001, Cleco Power (along with SWEPCO) entered into the Lignite Mining Agreement with DHLC, the operator of the Dolet Hills mine. As ordered then by the LPSC, Cleco Power's retail customers began receiving fuel cost savings equal to 2% of the projected costs under the previous mining contract (the benchmark price) through the year 2011. Actual mining costs incurred above 98% of the benchmark price were deferred, and can be recovered from retail customers through the fuel adjustment clause only when the actual mining costs are below 98% of the benchmark price.
In 2006, Cleco Power recognized that there was a possibility it may not recover all or part of the lignite mining costs it had deferred. In November 2006, Cleco Power and SWEPCO submitted a joint application to the LPSC requesting approval for Cleco Power to recover its existing deferral balance, and eliminate any future benchmarking of lignite mining costs. In December 2007, the LPSC approved a settlement agreement between Cleco Power, SWEPCO and the LPSC Staff authorizing Cleco Power to recover the existing deferred mining cost balance, including interest, over approximately 11.5 years. The settlement also established a new benchmark utilizing the contract's escalators to assure a minimum 2% savings to customers compared to the costs under the prior mining contract. Under the settlement, the benchmarking was scheduled to end after April 2011. Cleco Power and SWEPCO also agreed to commit to continued operation of the mining operation through 2016 as long as the operation of the mine was considered prudent. Cleco Power did not record any additional deferred fuel costs under the new benchmarking method.
In September 2009, in connection with its approval of the Oxbow Lignite Mine acquisition, the LPSC agreed to discontinue benchmarking and the corresponding potential to defer future lignite mining costs while preserving the recovery of the legacy deferred fuel balance previously authorized. At December 31, 2011, and 2010, Cleco Power had $19.1 million and $21.7 million, respectively, in deferred costs remaining uncollected.

Oxbow Lignite Mine Acquisition
In April 2009, Cleco Power entered into an agreement with SWEPCO to purchase Oxbow from NAC. In September 2009, the LPSC approved the joint application authorizing the acquisition of Oxbow. In December 2009, Cleco Power and SWEPCO completed the transaction. Cleco Power's 50% portion of the purchase price for the lignite reserves was $12.9 million. SWEPCO likewise paid $12.9 million for its 50% interest in the lignite reserves. SWEPCO's subsidiary, DHLC, acquired the mining equipment and related assets and permits for $15.6 million and operates the new mine along with its current operations at the Dolet Hills Lignite Mine on similar terms. The controlled lignite reserves of approximately 43 million tons contained within the Oxbow Mine permit area, together with the reserves from the Dolet Hills Lignite Mine are expected to be sufficient to fuel the Dolet Hills Power Station until at least 2026. The Red River Lignite Supply and

Transportation Agreement with NAC terminated upon the closing of this transaction.

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 initial portion of the estimated cost was approximately $150.0 million, including AFUDC. Due to lower material and labor costs than initially expected, Cleco Power's estimated costs for its portion of the project were reduced to $125.0 million, including AFUDC. At

December 31, 2011, Cleco Power had spent $96.2 million on the project, including AFUDC. The costs associated with the completed portions of the Acadiana Load Pocket project are included in base revenue. The project is estimated to be 87% complete with the completion expected by December 2012. Upgrading the interconnected transmission system is expected to increase capacity, reduce transmission constraints, and improve electric service for customers served by all three utilities.

AMI Project

In October 2009, Cleco Power received notification of its selection to receive a $20.0 million grant from the DOE to deploy advanced metering infrastructure technology for Cleco Power's customers. Cleco Power applied to the DOE under a small grant process, which capped the grant award at $20.0 million. The DOE selected 100 smart-grid initiatives out of approximately 400 applications for funding under the smart-grid investment grant program. 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. In May 2010, Cleco Power accepted the terms of the $20.0 million grant from the DOE and the DOE assistance agreement was executed.

Implementing advanced metering technology includes installing smart meters with two-way communication capabilities along with implementing a territory-wide communication network and data management system. The primary initial benefit is savings gained through operational efficiencies. Another benefit is increased information about customer usage, which will give Cleco Power better distribution system planning data, better response to customer usage questions, and faster detection and restoration of system outages. Future benefits could include providing customers with near real-time energy usage information and rate options. These benefits may also require other significant capital investments.

Cleco Power estimates the project will cost approximately $73.0 million, with the DOE grant providing $20.0 million toward the project and Cleco Power providing the remaining $53.0 million. In April 2010, Cleco Power received board approval for the project conditioned upon approval by the LPSC. Cleco Power filed an application with the LPSC in June 2010 and requested expedited approval of the project prior to the end of 2010. A July 2010 status conference established a procedural schedule for the docket. On October 15, 2010, Cleco Power, the LPSC Staff, and the interveners in the docket executed a Proposed Uncontested Stipulated Settlement, which was filed with the LPSC. An uncontested stipulation hearing was conducted on October 25, 2010 before the Administrative Law Judge, during which the Proposed Uncontested Stipulated Settlement, as well as Cleco Power's and the LPSC Staff's respective testimony, were made part of the docket's evidentiary record. In November 2010, the LPSC requested that Cleco Power levelize the impact to customers' bills by utilizing deferrals of initial net incremental costs in the early years, which would then reverse as net cost savings materialize later in the project cycle. Cleco Corporation's Board of Directors approved the realigned recovery mechanism on January 28, 2011, and the LPSC approved the project at its February 23, 2011, Business and Executive Session. At December 31, 2011, Cleco Power had incurred $9.8 million in project costs, of which $4.4 million has been submitted to the DOE for reimbursement. As of December 31, 2011, Cleco Power had received $3.5 million in payments from the DOE. The project is expected to be completed in the third quarter of 2013.

Teche Unit 4 Blackstart Project

In January 2009, Cleco Power filed an application with the LPSC to improve its "blackstart" process by constructing a 33-MW gas turbine sited at the Teche Power Station, which has been designated as Teche Unit 4. This project allows Cleco Power to return its generating system to service more

efficiently than was previously possible in the event of a total system shutdown, and can also be dispatched in peaking service to meet system load requirements. As part of the Teche Power Station, Teche Unit 4 is located in a region known as the Acadiana Load Pocket, an area that has experienced considerable growth in recent years. The LPSC approved the application with estimated costs of $31.0 million in December 2009, and construction began in April 2010. The new unit was placed into commercial operation in April 2011. The project was completed at a total cost of $29.6 million.

Franchises

For information on franchises, see Part I, Item 1, "Business — Regulatory Matters, Industry Developments, and Franchises — Franchises."

Recent Authoritative Guidance

For a discussion of recent authoritative guidance, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 2 — Summary of Significant Accounting Policies — Recent Authoritative Guidance."

ITEM 7A.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 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 6 — Debt."
Sensitivity to changes in interest rates for fixed-rate obligations is computed by calculating the current fair market value using a net present value model based upon a 1% change in the average interest rate applicable to such 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.

As of December 31, 2011, the carrying value of Cleco's long-term fixed-rate debt was approximately $1.34 billion, with a fair market value of approximately $1.53 billion. The $188.3 million difference between the carrying value of the debt and the market value of such debt is driven by the spread between the stated rate of Cleco's debt as compared to the current market yield for debt with similar risk profiles, maturities, and terms as Cleco's debt. Fair value was determined using quoted market prices. Each 1% increase in the average interest rates applicable to such debt would result in a corresponding decrease of approximately $97.7 million in the fair value of these instruments. If these instruments are held to maturity, no change in stated value will be realized.

At December 31, 2011, Cleco had no short-term variable rate debt outstanding.

At December 31, 2011, Cleco Corporation had $10.0 million borrowings outstanding under its $250.0 million credit facility at an interest rate of 1.78%. The borrowings under the credit facility are considered to be long-term as the credit facility expires in 2016. The borrowing costs under the facility are equal to one-month LIBOR plus 1.50% or ABR plus 0.50%, plus facility fees of 0.25%. The existing borrowings had 30-day terms and matured on January 16, 2011. Each 1% increase in the interest rate applicable to such debt would have resulted in a decrease in Cleco's pre-tax earnings of $0.1 million.

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 net of 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 $3.3 million unrealized mark-to-market loss in other comprehensive income for the year ended December 31, 2011. The offsetting liability was recorded on Cleco Corporation and Cleco Power's Consolidated Balance Sheets as an interest rate risk management liability. There was no impact to earnings due to ineffectiveness for the year ended December 31, 2011. 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 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 year end, the net mark-to-market impact related to open natural gas positions at December 31, 2011, and 2010, were losses of $5.3 million and $15.1 million, respectively. All of these natural gas positions will close over

the next 12 months. Deferred losses relating to closed natural gas positions at December 31, 2011, and 2010, totaled $1.2 million and $1.6 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 2011, as well as the VaR at December 31, 2011, and 2010, are summarized in the following table.

	FOR THE YEAR ENDED DECEMBER 31, 2011			AT DECEMBER 31,	
(THOUSANDS)	HIGH	LOW	AVERAGE	2011	2010
Fuel cost hedges	$453.1	$195.9	$312.1	$196.1	$1,346.0

All open positions were transacted by Cleco Power. The decrease in VaR for fuel cost hedges at December 31, 2011, compared to December 31, 2010, is due to the decrease in hedged positions.
The following table summarizes the market value maturities of open natural gas contracts at December 31, 2011. All contracts were transacted by Cleco Power.

(THOUSANDS)	MATURITY LESS THAN ONE YEAR	MATURITY 1-3 YEARS	MATURITY OVER THREE YEARS	TOTAL FAIR VALUE
Liabilities	$6,656	$—	$—	$6,656

For more information on the market value maturities of contracts, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 5 — Fair Value Accounting."

Cleco Power

Please refer to "— Risk Overview" above 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. For details, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial

Statements — Note 6 — Debt.” Please refer to “— Interest Rate Risks” above for a discussion of how Cleco Power monitors it 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.

As of December 31, 2011, the carrying value of Cleco Power’s long-term fixed-rate debt was approximately $1.34 billion, with a fair market value of approximately $1.53 billion. The $188.3 million difference between the carrying value of the debt and the market value of such debt is driven by the spread between the stated rate of Cleco Power’s debt as compared to the current market yield for debt with similar risk profiles, maturities, and terms as Cleco Power’s debt. Fair value was determined using quoted market prices. Each 1% increase in the average interest rates applicable to such debt would result in a corresponding decrease of approximately $97.7 million in the fair values of these instruments. If these instruments are held to maturity, no change in stated value will be realized.

Cleco Power had no short- or long-term variable-rate debt as of December 31, 2011. At December 31, 2011, Cleco Power had no borrowings outstanding under its $300.0 million credit facility.

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

ITEM 8.FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of
Directors of Cleco Corporation:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Cleco Corporation (the "Company") and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance

with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New Orleans, Louisiana
February 22, 2012

CLECO CORPORATION

Consolidated Statements of Income

(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	FOR THE YEAR ENDED DECEMBER 31, 2011	2010	2009
Operating revenue			
Electric operations	$1,051,956	$1,086,102	$808,646
Tolling operations	19,004	26,067	—
Other operations	52,962	44,529	33,651
Affiliate revenue	202	1,564	11,461
Gross operating revenue	1,124,124	1,158,262	853,758
Electric customer credits	(6,811)	(9,596)	—
Operating revenue, net	1,117,313	1,148,666	853,758
Operating expenses			
Fuel used for electric generation	383,254	363,550	261,456
Power purchased for utility customers	67,898	141,864	216,906
Other operations	126,413	119,516	109,060
Maintenance	82,076	81,228	51,300
Depreciation	119,790	112,203	78,204
Taxes other than income taxes	36,356	34,626	29,947
Loss on sales of assets	491	338	76
Total operating expenses	816,278	853,325	746,949
Operating income	301,035	295,341	106,809
Interest income	891	409	1,512
Allowance for other funds used during construction	4,947	12,413	73,269
Equity income (loss) from investees, before tax	62,050	38,849	(17,423)
Gain on toll settlement	—	148,402	—
Other income	8,914	5,242	5,581
Other expense	(8,434)	(6,991)	(2,807)
Interest charges			
Interest charges, including amortization of debt expense, premium, and discount, net	72,445	100,339	77,228
Allowance for borrowed funds used during construction	(1,787)	(4,563)	(26,173)
Total interest charges	70,658	95,776	51,055
Income before income taxes	298,745	397,889	115,886
Federal and state income tax expense	102,897	142,498	9,579
Net income	195,848	255,391	106,307
Preferred dividends requirements	26	46	46
Preferred stock redemption costs	112	—	—
Net income applicable to common stock	$195,710	$255,345	$106,261
Average number of basic common shares outstanding	60,488,740	60,431,142	60,187,894
Average number of diluted common shares outstanding	60,833,564	60,754,589	60,498,205
Basic earnings per share			
Net income applicable to common stock	$3.24	$4.23	$1.77
Diluted earnings per share			

Net income applicable to common stock	$3.22	$4.20	$1.76
Cash dividends paid per share of common stock	$1.1225	$0.975	$0.900

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

CLECO CORPORATION

Consolidated Balance Sheets

	AT DECEMBER 31,	
(THOUSANDS)	2011	2010
Assets		
Current assets		
Cash and cash equivalents	$93,576	$191,128
Restricted cash	8,761	14,959
Customer accounts receivable (less allowance for doubtful accounts of $1,128 in 2011 and $1,046 in 2010)	37,813	38,820
Accounts receivable – affiliate	—	831
Other accounts receivable (less allowance for doubtful accounts of $8 in 2011 and $2,409 in 2010)	42,051	52,546
Taxes receivable	44,584	50,104
Unbilled revenue	30,129	44,649
Fuel inventory, at average cost	41,845	82,737
Material and supplies inventory, at average cost	53,714	48,265
Accumulated deferred federal and state income taxes, net	29,249	4,106
Accumulated deferred fuel	2,136	10,348
Cash surrender value of company-/trust-owned life insurance policies	51,073	49,789
Prepayments	5,384	6,399
Regulatory assets – other	13,028	13,508
Other current assets	3,442	661
Total current assets	456,785	608,850
Property, plant and equipment		
Property, plant, and equipment	4,023,655	3,810,896
Accumulated depreciation	(1,230,783)	(1,162,456)
Net property, plant, and equipment	2,792,872	2,648,440
Construction work in progress	101,027	135,785
Total property, plant and equipment, net	2,893,899	2,784,225
Equity investment in investees	14,540	86,732
Prepayments	4,770	5,274
Restricted cash, less current portion	27,067	26,089
Regulatory assets and liabilities – deferred taxes, net	214,421	203,696
Regulatory assets – other	269,444	266,431
Net investment in direct financing lease	13,633	13,817
Intangible asset	133,595	145,374
Other deferred charges	22,048	20,922
Total assets	$4,050,202	$4,161,410

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

(Continued on next page)

CLECO CORPORATION

Consolidated Balance Sheets (Continued)

(THOUSANDS)	AT DECEMBER 31, 2011	2010
Liabilities and shareholders’ equity		
Liabilities		
Current liabilities		
Short-term debt	$—	$150,000
Long-term debt due within one year	24,258	12,269
Accounts payable	125,721	123,042
Retainage	3,587	2,726
Accounts payable – affiliate	—	155
Customer deposits	43,091	38,934
Provision for rate refund	7,323	9,598
Interest accrued	22,642	34,462
Energy risk management liability	5,336	9,027
Interest rate risk management liability	3,330	—
Regulatory liabilities - other	33,019	43,562
Deferred compensation	8,302	7,751
Uncertain tax positions	27,239	31,853
Other current liabilities	17,154	14,302
Total current liabilities	321,002	477,681
Deferred credits		
Accumulated deferred federal and state income taxes, net	649,926	553,211
Accumulated deferred investment tax credits	7,432	8,669
Postretirement benefit obligations	133,274	166,387
Regulatory liabilities – other	7,303	44,313
Restricted storm reserve	24,880	25,993
Uncertain tax positions	23,494	60,395
Tax credit fund investment, net	61,507	44,514
Contingent sale obligations	29,357	4,714
Other deferred credits	35,114	57,617
Total deferred credits	972,287	965,813
Long-term debt, net	1,337,056	1,399,709
Total liabilities	2,630,345	2,843,203
Commitments and Contingencies (Note 14)		
Shareholders’ equity		
Preferred stock		
Not subject to mandatory redemption, $100 par value, authorized 1,491,900 shares, issued zero and 10,288 shares at December 31, 2011, and 2010, respectively	—	1,029
Common shareholders’ equity		
Common stock, $1 par value, authorized 100,000,000 shares, issued 60,702,342 and 60,539,624 shares and outstanding 60,291,939 and 60,526,126 shares at December 31, 2011, and 2010, respectively	60,702	60,540
Premium on common stock	409,904	405,313
Retained earnings	990,605	863,237

Treasury stock, at cost, 410,403 and 13,498 shares at December 31, 2011, and 2010, respectively	(13,215)	(274)
Accumulated other comprehensive loss	(28,139)	(11,638)
Total common shareholders' equity	1,419,857	1,317,178
Total shareholders' equity	1,419,857	1,318,207
Total liabilities and shareholders' equity	$4,050,202	$4,161,410

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

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CLECO CORPORATION

Consolidated Statements of Cash Flows

	FOR THE YEAR ENDED DECEMBER 31,		
(THOUSANDS)	2011	2010	2009
Operating activities			
Net income	$195,848	$255,391	$106,307
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	160,765	168,363	121,436
Gain on forgiveness of debt	—	(129,870)	—
Return on equity investment in investees	58,665	—	750
(Income) loss from equity investments	(62,050)	(38,849)	17,423
Unearned compensation expense	7,416	5,587	6,087
Allowance for other funds used during construction	(4,947)	(12,413)	(73,269)
Net deferred income taxes	23,618	54,873	(5,983)
Deferred fuel costs	653	21,086	7,223
Cash surrender value of company-/trust-owned life insurance	1,687	(2,759)	(5,180)
Changes in assets and liabilities:			
Accounts receivable	(15,798)	(16,156)	8,310
Accounts and notes receivable, affiliate	1,161	2,109	(8,701)
Unbilled revenue	14,520	(22,675)	(2,262)
Fuel, materials and supplies inventory	35,442	(7,465)	(26,680)
Prepayments	1,520	(2,316)	1,575
Accounts payable	(1,137)	8,167	18,593
Accounts and notes payable, affiliate	(552)	(2,215)	(22,796)
Customer deposits	12,693	12,313	12,906
Long-term receivable	—	27,976	—
Postretirement benefit obligations	(55,529)	2,975	(11,173)
Regulatory assets and liabilities, net	(43,131)	(88,333)	32,922
Contingent sale obligations	10,900	4,714	—
Other deferred accounts	(1,084)	1,813	(46,051)
Retainage payable	(2,481)	(27)	(13,011)
Taxes accrued	5,171	(34,266)	23,612
Interest accrued	(38,103)	2,466	(4,138)
Energy risk management assets and liabilities, net	4,646	7,885	4,406
Other operating	(1,873)	(3,201)	(854)
Net cash provided by operating activities	308,020	215,173	141,452
Investing activities			
Additions to property, plant, and equipment	(195,882)	(305,157)	(256,558)
Allowance for other funds used during construction	4,947	12,413	73,269
Cash from reconsolidation of VIEs	3,879	812	—
Return of equity investment in investees	89,654	—	850
Equity investment in investees	(1,460)	(8,700)	(29,809)
Return of equity investment in tax credit fund	33,430	—	—
Contributions to tax credit fund	(43,921)	(35,871)	(15,730)

Repayment of company-owned life insurance loan	—	(14,355)	—
Transfer of cash from restricted accounts	5,220	45,535	46,531
Other investing	2,458	(1,582)	(2,002)
Net cash used in investing activities	(101,675)	(306,905)	(183,449)

(Continued on next page)

CLECO CORPORATION

Consolidated Statements of Cash Flows (Continued)

	FOR THE YEAR ENDED DECEMBER 31,		
(THOUSANDS)	2011	2010	2009
Financing activities			
Issuance of short-term debt	—	150,000	—
Retirement of short-term debt	(150,000)	—	—
Draws on credit facility	95,000	20,000	93,000
Payments on credit facility	(100,000)	(100,000)	(28,000)
Issuance of long-term debt	100,000	247,245	190,369
Retirement of long-term debt	(12,269)	(120,867)	(114,846)
Repurchase of long-term debt	(132,000)	—	—
Repurchase of common stock	(13,009)	—	—
Redemption of preferred stock	(1,039)	—	—
Settlement of treasury rate lock	(18,636)	5,675	4,696
Dividends paid on preferred stock	(26)	(46)	(46)
Dividends paid on common stock	(68,023)	(58,988)	(54,221)
Other financing	(3,895)	(5,352)	(1,245)
Net cash (used in) provided by financing activities	(303,897)	137,667	89,707
Net (decrease) increase in cash and cash equivalents	(97,552)	45,935	47,710
Cash and cash equivalents at beginning of period	191,128	145,193	97,483
Cash and cash equivalents at end of period	$93,576	$191,128	$145,193
Supplementary cash flow information			
Interest paid (net of amount capitalized)	$87,359	$90,773	$84,629
Interest paid on treasury rate lock settlement	$8,128	$—	$—
Income taxes paid (refunded), net	$46,636	$75,498	$(30,309)
Supplementary non-cash investing and financing activities			
Accrued additions to property, plant, and equipment	$17,525	$6,032	$11,396
Issuance of treasury stock – LTICP	$68	$93	$117
Issuance of common stock – LTICP/ESPP	$328	$299	$290
Incurrence of capital lease obligation - barges	$—	$—	$22,050
Non-cash additions to property, plant, and equipment	$4,586	$152,067	$—
Non-cash return of investment	$—	$152,067	$—
Non-cash contribution to subsidiary, net of tax	$—	$225,732	$—

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

CLECO CORPORATION

Consolidated Statements of Comprehensive Income

(THOUSANDS)	FOR THE YEAR ENDED DECEMBER 31, 2011	2010	2009
Net income	$195,848	$255,391	$106,307
Other comprehensive loss, net of tax:			
Amortization of postretirement benefit net loss (gain) (net of tax expense of $605 in 2011, and tax benefit of $20 in 2010 and $158 in 2009)	1,213	(31)	(160)
Postretirement benefit loss incurred during the year (net of tax benefit of $949 in 2011 and $2,553 in 2009, and tax expense of $131 in 2010)	(1,721)	(4,241)	(3,403)
Cash flow hedges:			
Net derivative (loss) gain (net of tax benefit of $9,873 in 2011, and tax expense of $1,823 in 2010 and $1,208 in 2009)	(15,788)	2,916	1,930
Reclassification of net (gain) loss to interest charges (net of tax benefit of $129 in 2011, and tax expense of $197 in 2010 and $110 in 2009)	(205)	315	175
Reclassification of net loss to other expense (net of tax expense of $434 in 2010)	—	694	—
Total other comprehensive loss, net of tax	(16,501)	(347)	(1,458)
Comprehensive income, net of tax	$179,347	$255,044	$104,849

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

Consolidated Statements of Changes in Common Shareholders' Equity

(THOUSANDS, EXCEPT SHARE AMOUNTS)	COMMON STOCK SHARES	AMOUNT	PREMIUM ON COMMON STOCK	RETAINED EARNINGS	TREASURY STOCK SHARES	COST	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL COMMON EQUITY
Balances, December 31, 2008	60,066,345	$60,066	$394,517	$615,514	(23,831)	$(428)	$ (9,833)	$1,059,836
Common stock issued for compensatory plans	211,117	211	4,615	—	—	—	—	4,826
Issuance of treasury stock	—	—	16	—	5,737	117	—	133
Dividend requirements, preferred stock, net	—	—	—	(46)	—	—	—	(46)
Dividends on common stock, $0.900 per share	—	—	—	(54,555)	—	—	—	(54,555)
Net income	—	—	—	106,307	—	—	—	106,307
	—	—	—	—	—	—	(1,458)	(1,458)

Other comprehensive loss, net of tax								
Balances, December 31, 2009	60,277,462	$ 60,277	$ 399,148	$ 667,220	(18,094)	$ (311)	$ (11,291)	$ 1,115,043
Common stock issued for compensatory plans	262,162	263	6,129	—			—	6,392
Issuance of treasury stock	—	—	36	—	4,596	37	—	73
Dividend requirements, preferred stock, net	—	—	—	(46)	—	—	—	(46)
Dividends on common stock, $0.975 per share	—	—	—	(59,328)	—	—	—	(59,328)
Net income	—	—	—	255,391	—	—	—	255,391
Other comprehensive loss, net of tax	—	—	—	—	—	—	(347)	(347)
Balances, December 31, 2010	60,539,624	$ 60,540	$ 405,313	$ 863,237	(13,498)	$ (274)	$ (11,638)	$ 1,317,178
Common stock issued for compensatory plans	162,718	162	4,523	—	—	—	—	4,685
Issuance of treasury stock	—	—	68	—	3,095	68	—	136
Repurchase of treasury stock	—	—	—	—	(400,000)	(13,009)	—	(13,009)
Dividend requirements, preferred stock, net	—	—	—	(26)	—	—	—	(26)
Stock redemption costs, preferred stock, net	—	—	—	(112)	—	—	—	(112)
Dividends on common stock, $1.1225 per share	—	—	—	(68,342)	—	—	—	(68,342)
Net income	—	—	—	195,848	—	—	—	195,848
Other comprehensive loss, net of tax	—	—	—	—	—	—	(16,501)	(16,501)
Balances, December 31, 2011	60,702,342	$ 60,702	$ 409,904	$ 990,605	(410,403)	$ (13,215)	$ (28,139)	$ 1,419,857

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

Report of Independent Registered Public Accounting Firm

To the Member and Board of
Managers of Cleco Power LLC:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Cleco Power LLC (the "Company") and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have

a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New Orleans, Louisiana
February 22, 2012

CLECO POWER

Consolidated Statements of Income

(THOUSANDS)	FOR THE YEAR ENDED DECEMBER 31, 2011	2010	2009
Operating revenue			
Electric operations	$1,051,956	$1,086,102	$808,646
Other operations	50,948	42,578	33,558
Affiliate revenue	1,389	1,371	1,395
Gross operating revenue	1,104,293	1,130,051	843,599
Electric customer credits	(6,811)	(9,596)	—
Operating revenue, net	1,097,482	1,120,455	843,599
Operating expenses			
Fuel used for electric generation	383,254	363,550	261,456
Power purchased for utility customers	67,898	141,864	216,906
Other operations	119,553	111,966	99,704
Maintenance	74,603	72,048	47,179
Depreciation	112,846	105,586	77,064
Taxes other than income taxes	32,157	32,744	29,758
(Gain) loss on sales of assets	(9)	47	70
Total operating expenses	790,302	827,805	732,137
Operating income	307,180	292,650	111,462
Interest income	630	379	1,449
Allowance for other funds used during construction	4,947	12,413	73,269
Other income	3,163	2,007	2,370
Other expense	(6,586)	(6,206)	(3,525)
Interest charges			
Interest charges, including amortization of debt expense, premium, and discount, net	98,877	83,294	84,735
Allowance for borrowed funds used during construction	(1,787)	(4,563)	(26,173)
Total interest charges	97,090	78,731	58,562
Income before income taxes	212,244	222,512	126,463
Federal and state income taxes	69,409	75,107	15,297
Net income	$142,835	$147,405	$111,166

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

CLECO POWER

Consolidated Balance Sheets

	AT DECEMBER 31,	
(THOUSANDS)	2011	2010
Assets		
Utility plant and equipment		
Property, plant, and equipment	$3,759,541	$3,552,779
Accumulated depreciation	(1,153,004)	(1,085,945)
Net property, plant, and equipment	2,606,537	2,466,834
Construction work in progress	97,595	130,396
Total utility plant, net	2,704,132	2,597,230
Current assets		
Cash and cash equivalents	67,458	184,912
Restricted cash	8,761	14,959
Customer accounts receivable (less allowance for doubtful accounts of $1,128 in 2011 and $1,046 in 2010)	37,813	38,820
Accounts receivable – affiliate	2,405	2,738
Other accounts receivable (less allowance for doubtful accounts of $8 in 2011 and $2,349 in 2010)	35,618	47,992
Taxes receivable	3,197	4,123
Unbilled revenue	30,129	44,649
Fuel inventory, at average cost	41,845	82,737
Material and supplies inventory, at average cost	51,132	45,913
Accumulated deferred federal and state income taxes, net	19,829	2,811
Accumulated deferred fuel	2,136	10,348
Cash surrender value of company-owned life insurance policies	20,433	20,051
Prepayments	4,155	4,944
Regulatory assets – other	13,028	13,508
Other current assets	375	412
Total current assets	338,314	518,917
Equity investment in investee	14,532	13,073
Prepayments	4,770	5,274
Restricted cash, less current portion	26,970	25,992
Regulatory assets and liabilities – deferred taxes, net	214,421	203,696
Regulatory assets – other	269,444	266,431
Intangible asset	133,595	145,374
Other deferred charges	20,293	19,218
Total assets	$3,726,471	$3,795,205

(Continued on next page)

CLECO POWER

Consolidated Balance Sheets (Continued)

(THOUSANDS)	AT DECEMBER 31, 2011	2010
Liabilities and member's equity		
Member's equity	$1,230,862	$1,233,923
Long-term debt, net	1,327,056	1,384,709
Total capitalization	2,557,918	2,618,632
Current liabilities		
Long-term debt due within one year	24,258	12,269
Accounts payable	111,504	112,487
Retainage	3,587	2,726
Accounts payable – affiliate	9,311	7,945
Customer deposits	43,091	38,934
Provision for rate refund	7,323	9,598
Interest accrued	22,540	13,450
Energy risk management liability, net	5,336	9,027
Interest rate risk management liability	3,330	—
Regulatory liabilities – other	33,019	43,562
Uncertain tax positions	27,465	—
Other current liabilities	11,193	9,862
Total current liabilities	301,957	259,860
Commitments and Contingencies (Note 14)		
Deferred credits		
Accumulated deferred federal and state income taxes, net	675,835	601,574
Accumulated deferred investment tax credits	7,432	8,669
Postretirement benefit obligations	94,147	130,757
Regulatory liabilities – other	7,303	44,313
Restricted storm reserve	24,880	25,993
Uncertain tax positions	19,906	54,835
Other deferred credits	37,093	50,572
Total deferred credits	866,596	916,713
Total liabilities and member's equity	$3,726,471	$3,795,205

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

CLECO POWER

Consolidated Statements of Cash Flows

	FOR THE YEAR ENDED DECEMBER 31,		
(THOUSANDS)	2011	2010	2009
Operating activities			
Net income	$142,835	$147,405	$111,166
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	127,109	119,940	88,843
Unearned compensation expense	1,796	1,846	1,855
Allowance for other funds used during construction	(4,947)	(12,413)	(73,269)
Net deferred income taxes	45,608	34,555	3,230
Deferred fuel costs	653	21,086	7,223
Cash surrender value of company-owned life insurance	(383)	(345)	(454)
Changes in assets and liabilities:			
Accounts receivable	(14,858)	(16,261)	9,646
Accounts and notes receivable, affiliate	464	349	(656)
Unbilled revenue	14,520	(22,675)	(2,262)
Fuel, materials and supplies inventory	35,673	(7,202)	(26,680)
Prepayments	1,294	(2,016)	1,386
Accounts payable	(2,017)	8,934	18,254
Accounts and notes payable, affiliate	600	(18,598)	17,855
Customer deposits	12,693	12,313	12,906
Postretirement benefit obligations	(57,531)	647	(13,469)
Regulatory assets and liabilities, net	(43,131)	(88,333)	32,922
Other deferred accounts	(7,788)	(8,082)	(37,021)
Retainage payable	(2,481)	(27)	(13,011)
Taxes accrued	926	(7,561)	9,430
Interest accrued	(5,609)	1,594	(4,140)
Energy risk management assets and liabilities, net	4,646	7,885	4,406
Other operating	(355)	(2,282)	(101)
Net cash provided by operating activities	249,717	170,759	148,059
Investing activities			
Additions to property, plant, and equipment	(182,574)	(149,211)	(255,585)
Allowance for other funds used during construction	4,947	12,413	73,269
Equity investment in investees	(1,460)	(200)	(12,873)
Repayment of company-owned life insurance loan	—	(14,355)	—
Transfer of cash from restricted accounts	5,220	15,404	46,531
Other investing	3,674	1,277	327
Net cash used in investing activities	(170,193)	(134,672)	(148,331)

(Continued on next page)

CLECO POWER

Consolidated Statements of Cash Flows (Continued)

	FOR THE YEAR ENDED DECEMBER 31,		
(THOUSANDS)	2011	2010	2009
Financing activities			
Draws on credit facility	60,000	—	45,000
Payments on credit facility	(60,000)	—	(45,000)
Issuance of long-term debt	100,000	247,245	190,369
Retirement of long-term debt	(12,269)	(85,704)	(114,846)
Repurchase of long-term debt	(132,000)	—	—
Settlement of treasury rate lock	(18,636)	5,675	4,696
Distribution to parent	(130,000)	(150,000)	(30,000)
Other financing	(4,073)	(6,504)	(3,376)
Net cash (used in) provided by financing activities	(196,978)	10,712	46,843
Net (decrease) increase in cash and cash equivalents	(117,454)	46,799	46,571
Cash and cash equivalents at beginning of period	184,912	138,113	91,542
Cash and cash equivalents at end of period	$67,458	$184,912	$138,113
Supplementary cash flow information			
Interest paid (net of amount capitalized)	$85,607	$79,044	$81,508
Interest paid on treasury rate lock settlement	$8,128	$—	$—
Income taxes paid (refunded), net	$2,233	$(5,425)	$4,444
Supplementary non-cash investing and financing activities			
Accrued additions to property, plant, and equipment	$21,007	$5,697	$11,335
Incurrence of capital lease obligation - barges	$—	$—	$22,050
Non-cash additions to property, plant, and equipment	$4,586	$304,134	$—
Non-cash assumption of deferred tax liability	$—	$78,402	$—

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

CLECO POWER

Consolidated Statements of Comprehensive Income

(THOUSANDS)	FOR THE YEAR ENDED DECEMBER 31, 2011	2010	2009
Net income	$ 142,835	$ 147,405	$ 111,166
Other comprehensive loss, net of tax:			
Amortization of postretirement benefit net loss (gain) (net of tax expense of $303 in 2011 and tax benefit of $239 in 2010 and $322 in 2009)	692	(381)	(433)
Postretirement benefit loss incurred during the year (net of tax benefit of $266 in 2011 and $1,715 in 2009, and tax expense of $725 in 2010)	(595)	(2,607)	(2,167)
Cash flow hedges:			
Net derivative (loss) gain (net of tax benefit of $9,873 in 2011, and tax expense of $1,823 in 2010 and $1,208 in 2009)	(15,788)	2,916	1,930
Reclassification of net (gain) loss to interest charges (net of tax benefit of $129 in 2011, and tax expense of $197 in 2010 and $110 in 2009)	(205)	315	175
Reclassification of net loss to other expense (net of tax expense of $434 in 2010)	—	694	—
Total other comprehensive (loss) income, net of tax	(15,896)	937	(495)
Comprehensive income, net of tax	$ 126,939	$ 148,342	$ 110,671

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

Consolidated Statements of Changes in Member's Equity

(THOUSANDS)	MEMBER'S EQUITY	ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME	TOTAL MEMBER'S EQUITY
Balances, December 31, 2008	$ 934,354	$ (5,176)	$ 929,178
Other comprehensive loss, net of tax	—	(495)	(495)
Distribution to parent	(30,000)	—	(30,000)
Net income	111,166	—	111,166
Balances, December 31, 2009	1,015,520	(5,671)	1,009,849
Other comprehensive income, net of tax	—	937	937
Distribution to parent	(150,000)	—	(150,000)
Non-cash property donation, net of tax	225,732	—	225,732
Net income	147,405	—	147,405
Balances, December 31, 2010	1,238,657	(4,734)	1,233,923
Other comprehensive income, net of tax	—	(15,896)	(15,896)
Distribution to parent	(130,000)	—	(130,000)
Net income	142,835	—	142,835
Balances, December 31, 2011	$ 1,251,492	$ (20,630)	$ 1,230,862

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

Index to Applicable Notes to the Financial Statements of Registrants

Notes to the Financial Statements

Note 1 — The Company

General

Cleco Corporation is a holding company composed of the following:

- Cleco Power, a regulated electric utility subsidiary, which owns nine 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. Cleco Power also owns a 50% interest in an entity that owns lignite reserves. Cleco Power owns all of the outstanding membership interests in Cleco Katrina/Rita, a special purpose entity, that is consolidated with Cleco Power in its financial statements.
- Midstream is a wholesale energy subsidiary regulated by FERC which owns Evangeline (which operates Coughlin).
- Cleco Corporation's other operations consist of a holding company, two transmission interconnection facility subsidiaries, a shared services subsidiary, and an investment subsidiary.

Note 2 — Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual

results could differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements of Cleco include the accounts of Cleco and its majority-owned subsidiaries after elimination of intercompany accounts and transactions.

On January 1, 2010, Cleco implemented the amended authoritative guidance with respect to the consolidation of Perryville, Attala, and Evangeline. For more information on the consolidation of these entities, see Note 12 — "Variable Interest Entities."

Reclassifications

Certain reclassifications have been made to the 2009 and 2010 financial statements to conform them to the presentation used in the 2011 financial statements. These reclassifications had no effect on Cleco Corporation's net income applicable to common stock or total common shareholders' equity or Cleco Power's net income or total member's equity.

The Registrants determined that an error existed in the statement of cash flow methodology for determining non-cash transactions related to property, plant, and equipment, specifically the dollar amount of property, plant, and equipment acquisitions included in accounts payable. This caused errors between the operating activities section and investing activities section for prior years, including 2009 and 2010.

Cleco Corporation and Cleco Power's Consolidated Statements of Cash Flows for the years ended December 31, 2010, and 2009, have been adjusted to correct the presentation of cash flows related to accruals for property, plant, and equipment. These corrections had no impact on the Registrants' financial condition or results of operations. Management believes that these corrections did not have a material effect on the Registrants' Consolidated Statements of Cash Flows. The corrections to the December 31, 2010, and

2009 Consolidated Statements of Cash Flows are presented in the following tables.

Cleco

	FOR THE YEAR ENDED			
		2009		2010
(THOUSANDS)	AS REPORTED	AS ADJUSTED	AS REPORTED	AS ADJUSTED
Accounts receivable	$8,310	$ 8,310	$ (35,156)	$ (16,156)
Accounts payable	$11,231	$ 18,593	$ 3,459	$ 8,167
Retainage payable	$(11,921)	$ (13,011)	$ 1,913	$ (27)
Net cash provided by operating activities	$135,179	$ 141,452	$ 193,405	$ 215,173
Additions to property, plant, and equipment	$(250,286)	$ (256,558)	$ (283,389)	$ (305,157)
Net cash used in investing activities	$(177,176)	$ (183,449)	$ (285,137)	$ (306,905)
Net increase in cash and cash equivalents	$47,710	$ 47,710	$ 45,935	$ 45,935
Cash and cash equivalents at the beginning of the period	$97,483	$ 97,483	$ 145,193	$ 145,193
Cash and cash equivalents at the end of the period	$145,193	$ 145,193	$ 191,128	$ 191,128
Accrued additions to property, plant, and equipment	$3,069	$ 11,396	$ 17,765	$ 6,032

Cleco Power

	FOR THE YEAR ENDED			
		2009		2010
(THOUSANDS)	AS REPORTED	AS ADJUSTED	AS REPORTED	AS ADJUSTED
Accounts receivable	$9,646	$ 9,646	$ (35,261)	$ (16,261)
Accounts payable	$10,831	$ 18,254	$ 3,936	$ 8,934
Retainage payable	$(11,921)	$ (13,011)	$ 1,913	$ (27)
Net cash provided by operating activities	$141,726	$ 148,059	$ 148,701	$ 170,759
Additions to property, plant, and equipment	$(249,252)	$ (255,585)	$ (127,153)	$ (149,211)
Net cash used in investing activities	$(141,998)	$ (148,331)	$ (112,614)	$ (134,672)
Net increase in cash and cash equivalents	$46,571	$ 46,571	$ 46,799	$ 46,799
Cash and cash equivalents at the beginning of the period	$91,542	$ 91,542	$ 138,113	$ 138,113
Cash and cash equivalents at the end of the period	$138,113	$ 138,113	$ 184,912	$ 184,912
Accrued additions to property, plant, and equipment	$3,069	$ 11,335	$ 17,765	$ 5,697

Statements of Cash Flows

Cleco Corporation and Cleco Power's Consolidated Statements of Cash Flows are prepared using the indirect method described in the authoritative guidance for the presentation of the statement of cash flows. This method requires that net income be adjusted to remove the effects of all deferrals and accruals of operating cash receipts and payments and the effects of all investing and financing cash flow items. Derivatives meeting the definition of an accounting hedge are classified in the same category as the item being hedged.

Regulation

Cleco Power maintains its accounts in accordance with the Uniform System of Accounts prescribed for electric utilities by FERC, as adopted by the LPSC. Cleco Power's retail rates are regulated by the LPSC, and its rates for transmission services and wholesale power sales are regulated by FERC. Cleco Power follows the authoritative

guidelines for industry regulated operations, which allows utilities to capitalize or defer certain costs based on regulatory approval, and management's ongoing assessment that it is probable these items will be recovered through the ratemaking process.
Pursuant to this authoritative guidance, Cleco Power has recorded regulatory assets and liabilities primarily for the effects of income taxes, postretirement plan costs, AFUDC equity gross-up, mining costs, and construction carrying costs. For more information regarding the regulatory assets and liabilities recorded by Cleco Power, see Note 3 — "Regulatory Assets and Liabilities."

Any future plan adopted by the LPSC for purposes of transitioning utilities from LPSC regulation to retail competition may affect the regulatory assets and liabilities recorded by Cleco Power if the criteria for the application of the authoritative guidelines for industry regulated operations cannot continue to be met. At this time, Cleco cannot predict whether any legislation or regulation affecting Cleco Power will be enacted or adopted and, if enacted, what form such legislation or regulation may take.

Asset Retirement Obligation
Cleco has recorded asset retirement obligations (liabilities) in accordance with the authoritative guidance. This authoritative guidance requires an entity to record an ARO when there is a legal obligation under existing or enacted law, statute, written or oral contract, or by legal construction under the doctrine of promissory estoppel to incur costs to remove an asset when the asset is retired. These guidelines also require an ARO which is conditional on a future event to be recorded even if the event has not yet occurred.
At the point the liability for asset retirement is incurred, the authoritative guidance requires capitalization of the costs to the related property, plant, and equipment asset. For AROs existing at the time of adoption, the statement requires capitalization of costs at the level that existed at the point of incurring the liability. These capitalized costs are depreciated over the same period as the related property asset. Cleco Power also defers the current depreciation of the asset retirement cost as a regulatory asset.

Under the authoritative guidance, the initial ARO liability recorded is accreted to its present value each accounting period. Cleco Power defers this accretion as a regulatory asset based on its determination that these costs can be collected from customers. For more information on Cleco's AROs, see Note 3 — "Regulatory Assets and Liabilities — Asset Removal Costs."

Property, Plant, and Equipment

Property, plant, and equipment consist primarily of regulated utility generation and energy transmission assets. Regulated assets, utilized primarily for retail operations and electric transmission and distribution, are stated at the cost of construction, which includes certain materials, labor, payroll taxes and benefits, administrative and general costs, and the estimated cost of funds used during construction. Jointly owned assets are reflected in property, plant, and equipment at Cleco Power's share of the cost to construct or purchase the assets. For information on jointly owned assets, see Note 4 — "Jointly Owned Generation Units."

Cleco's cost of improvements to property, plant, and equipment is capitalized. Costs associated with repairs and major maintenance projects are expensed as incurred. Cleco capitalizes the cost to purchase or develop software for internal use. The amounts of unamortized computer software costs at December 31, 2011, and 2010 were $3.3 million and $3.8 million, respectively. Amortization of capitalized computer software costs charged to expense for the years ending December 31, 2011, 2010, and 2009 was $1.5 million, $1.7 million, and $1.5 million, respectively.

Upon retirement or disposition, the cost of Cleco Power's depreciable plant and the cost of removal, net of salvage value, are charged to accumulated depreciation. For Cleco's other depreciable assets, upon disposition or retirement, the difference between the net book value of the property and any proceeds received for the property is recorded as a gain or loss on asset disposition on Cleco Corporation's Consolidated Statements of Income. Any cost incurred to remove the asset is charged to expense. Annual depreciation provisions expressed as a percentage of average depreciable property for Cleco Power were 2.80% for 2011, 2.55% for 2010, and 3.22% for 2009. The 0.25% increase in the percentage of average depreciable property for Cleco Power from 2010 to 2011 was primarily due to Cleco Power's new retail rate plan, the addition of Madison Unit 3, the acquisition of Acadia Unit 1, and the addition of Teche Unit 4.

Depreciation on property, plant, and equipment is calculated primarily on a straight-line basis over the useful lives of the assets, as follows:

	YEARS
Utility plant	5-58
Other	5-44

During 2011, Cleco's investment in regulated utility plant increased primarily due to the Acadiana Load Pocket project and the completion of Teche Unit 4. Teche Unit 4 has a useful life of 23 years.

Property, plant, and equipment consist of:

	AT DECEMBER 31,	
(THOUSANDS)	2011	2010
Regulated utility plants	$3,759,541	$3,552,054
Other	264,114	258,842
Total property, plant, and equipment	4,023,655	3,810,896
Accumulated depreciation	(1,230,783)	(1,162,456)
Net property, plant, and equipment	$2,792,872	$2,648,440

In 2010, Cleco Power's acquisition of Acadia Unit 1 resulted in a plant acquisition adjustment. The plant acquisition adjustment represents the fair market value of the assets acquired in excess of their carrying value. In January 2010, the LPSC approved the full recovery of the $304.0 million purchase price for the acquisition of Acadia Unit 1, which includes a plant acquisition adjustment in the amount of $95.6 million. The plant acquisition adjustment in the amount of $5.4 million relates primarily to the 1997 acquisition of Teche. For more information on the Acadia Unit 1 transaction, see Note 18 — "Acadia Transactions — Acadia Unit 1." The following table discloses the amounts of plant acquisition adjustments reported in Cleco Power's property, plant, and equipment and the associated accumulated amortization reported in accumulated depreciation at December 31, 2011, and December 31, 2010.

(THOUSANDS)	AT DECEMBER 31, 2011	AT DECEMBER 31, 2010
Acadia Unit 1		
Plant acquisition adjustment	$95,578	$95,578
Less: accumulated amortization	5,836	2,653
Net plant acquisition adjustment	$89,742	$92,925
Teche		
Plant acquisition adjustment	5,359	$5,359
Less: accumulated amortization	3,724	3,470
Net plant acquisition adjustment	$1,635	$1,889

Deferred Project Costs

Cleco Power defers costs related to the initial stage of a construction project during which time the feasibility of the construction of property, plant, and equipment is being investigated. Cleco Power had spent approximately $1.2 million and $0.2 million as of December 31, 2011, and December 31, 2010, respectively, for various resource planning projects. These projects are still in the initial stages of development and as a result are classified as other deferred charges on Cleco Power's Consolidated Balance Sheets.

Inventories

Fuel inventories consist of petroleum coke, coal, lignite, and natural gas used to generate electricity.

Materials and supplies inventory consists of transmission and distribution line construction and repair material, and generating station and transmission and distribution substation repair materials.

Both fuel and materials and supplies inventories are stated at average cost and are issued from inventory using the average cost of existing inventory. The amount of storeroom operating expenses allocated to inventory for the years ended December 31, 2011, and 2010 was $4.7 million and $3.2 million, respectively. Deferred storeroom operating expenses remaining in materials and supplies inventory as of December 31, 2011, and 2010 were $5.0 million and $1.9 million, respectively.

During 2010 and 2011, no fuel oil was purchased or burned. During 2011, Cleco Power sold its entire fuel oil supply. Cleco Power does not anticipate a need to use fuel oil as a fuel source going forward.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. It is the policy of management to review the outstanding accounts receivable monthly, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts. Account balances are charged off against the allowance when management determines it is probable the receivable will not be recovered. As of December 31, 2011, and 2010, the allowance for doubtful accounts amounted to $1.1 million and $3.5 million, respectively. There is no off-balance sheet credit exposure related to Cleco's customers.

Financing Receivables

Cleco, through Perryville and Attala, has a combined net investment in direct financing lease long-term asset of $13.6 million. Each subsidiary leases its respective transmission assets to a single counterparty. Both counterparties are considered credit worthy and are expected to pay their obligations when due, thus, no allowance for credit loss has been recognized. Management bases this assessment on the following common factors of each counterparty:

- both counterparties use the respective transmission facilities to move electricity from its power plants to the regional transmission grid,
- neither counterparty has another avenue to move electricity from its respective power plants to the regional transmission grid,
- the stream of payments was approved by the FERC through respective rate orders, and
- both counterparties serve retail and wholesale customers in their respective service territories under LPSC oversight that allows recovery of prudent costs, of which, the stream of payments under the direct financing leases appear to be prudent.

Management monitors both entities for indication of adverse actions by their respective public service commissions and market conditions which would indicate an inability to pay their obligations under the direct financing leases when due. Since the inception of the agreements, each counterparty has paid their respective obligations when due and at December 31, 2011, no amounts were past due.

Reserves

Cleco maintains property insurance on generating stations, buildings and contents, and substations. Cleco is self-insured for any damage to transmission and distribution lines. To mitigate the exposure to potential financial loss for damage to lines, Cleco maintains an LPSC-approved funded storm reserve.
Cleco also maintains liability and workers' compensation insurance to mitigate financial losses due to injuries and damages to the property of others. Cleco's insurance covers claims that exceed certain self-insured limits. For claims that do not meet the limits to be covered by insurance, Cleco maintains reserves. The general liability and workers compensation reserves are immaterial because the balance of these items as of December 31, 2011, together represented 0.2% of total liabilities.

Cash Equivalents

Cleco considers highly liquid, marketable securities, and other similar instruments with original maturity dates of three months or less at the time of purchase to be cash equivalents.

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:

	AT DECEMBER 31,	
(THOUSANDS)	2011	2010
Diversified Lands' mitigation escrow	$97	$97
Cleco Katrina/Rita's storm recovery bonds	8,761	8,822
Cleco Power's future storm restoration costs	24,876	25,992
Cleco Power's renewable energy grant	381	—
Cleco Power's GO Zone bonds	—	6,137
Cleco Power's NO_x allowance escrow	1,713	—
Total restricted cash	$35,828	$41,048

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 2011, Cleco Katrina/Rita collected $19.7 million net of operating expenses. In March and September 2011, Cleco Katrina/Rita used $6.3 million and $6.0 million, respectively for scheduled storm recovery bond principal payments and $3.8 million and $3.7 million, respectively for related interest. In 2011, Cleco Power received a $0.6 million renewable energy grant from the Louisiana Department of Natural Resources.

Equity Investments

Cleco reports its investment in unconsolidated affiliated companies on the equity method of accounting, as defined in the authoritative guidance on investments. The amounts reported on Cleco Corporation and Cleco Power's Consolidated Balance Sheets represent assets contributed by Cleco Corporation or Cleco Power, plus their share of the net income of the affiliate, less any distributions of earnings (dividends) received from the affiliate. The revenues and expenses of these affiliates are netted and reported on one line item as equity income from investees on Cleco Corporation and Cleco Power's Consolidated Statements of Income. For more information, see Note 12 — "Variable Interest Entities."

Cleco applies the provisions of the authoritative guidance on investments to account for equity method investment impairments. Under this standard, Cleco evaluates at each balance sheet date whether events and circumstances have occurred that indicate a possible other-than-temporary decline in the fair value of the investment and the possible inability to recover the carrying value through operations. Cleco uses estimates of the future cash flows from the investee and observable market transactions in order to calculate fair value and recoverability. An impairment is recognized when an other-than-temporary decline in market value occurs and recovery of the carrying value is not probable. No impairments were recorded for 2011, 2010, or 2009. For more information, see Note 12 — "Variable Interest Entities."

Prior to April 30, 2011, Cleco reported its investment in Cajun on the equity method of accounting. In conjunction with the disposition of Acadia Unit 2 to Entergy Louisiana, APH

received 100% ownership in Acadia in exchange for its 50% ownership interest in Cajun, and Acadia became a consolidated subsidiary of APH. Following the transaction, Acadia's assets, liabilities, revenues, expenses, and cash flows are presented on the corresponding line items of Cleco Corporation's consolidated financial statements, prospectively. For more information on the Acadia Unit 2 transaction, see Note 18 — "Acadia Transactions — Acadia Unit 2."
Effective January 1, 2010, FASB amended the authoritative guidance on consolidation. Beginning January 1, 2010, the assets, liabilities, revenues, expenses, and cash flows for Evangeline, Perryville, and Attala are presented in the corresponding line items of the consolidated financial statements. For more information, see Note 12 — "Variable Interest Entities."

Income Taxes
Cleco accounts for income taxes under the appropriate authoritative guidance. Cleco's income tax expense and related regulatory assets and liabilities could be affected by changes in its assumptions and estimates and by ultimate resolution of assumptions and estimates with taxing authorities. Cleco files a federal consolidated income tax return for all wholly owned subsidiaries. Cleco computes its federal and state income taxes as if it were a standalone taxpayer. The LPSC generally requires Cleco Power to flow the state tax benefit of deductions immediately to customers. The LPSC specifically requires that the state tax benefits associated with the deductions related to storm damages be normalized. For more information on income taxes, see Note 9 — "Income Taxes."

Investment Tax Credits
Investment tax credits, which were deferred for financial statement purposes, are amortized to income over the estimated service lives of the properties that gave rise to the credits.

New Markets Tax Credits
In August 2008, Cleco Corporation acquired a membership interest in U.S. Bank New Markets Tax Credit Fund 2008-1 LLC which was formed by U.S. Bancorp Community Development Corporation which purpose 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. For more information, see Note 14 — "Litigation, Other Commitments and Contingencies, and Disclosures About Guarantees — Other Commitments — New Markets Tax Credits."

Debt Expenses, Premiums, and Discounts
Expenses, premiums, and discounts applicable to debt securities are amortized to income ratably over the lives of the related issues. Expenses and call premiums related to refinanced Cleco Power debt are deferred and amortized over the life of the new issue.

Revenue and Fuel Costs
Utility Revenue Revenue from sales of electricity is recognized based upon the amount of energy delivered. The costs of fuel

and purchased power used for retail customers currently are recovered from customers through the fuel adjustment clause. These costs are subject to audit and final determination by regulators. Excise taxes and pass-through fees collected on the sale of electricity are not recorded in utility revenue.

Unbilled Revenue Cleco Power accrues estimated revenue monthly for energy delivered since the latest billings. The monthly estimated unbilled revenue amounts are recorded as revenue and a receivable and are reversed the following month.

Other Revenue Other revenue is recognized at the time products or services are provided to and accepted by customers.

Evangeline Midstream owns 100% of Evangeline. On February 22, 2010, Evangeline and JPMVEC entered into the Evangeline Restructuring Agreement whereby the parties agreed to terminate the existing Evangeline Tolling Agreement and enter into the Evangeline 2010 Tolling Agreement, which was considered to be an executory contract, whereby Evangeline's revenues were derived. Some provisions, such as penalties and bonuses, were considered to be contingent and were recognized when the contingencies were fulfilled. A significant portion of Evangeline's revenue was derived from a capacity payment, which it received when the plant was available to produce electricity. Evangeline also recognized variable revenue from the Evangeline 2010 Tolling Agreement which depended on the dispatch of the unit and the electricity generated. The Evangeline 2010 Tolling Agreement expired on December 31, 2011. Beginning January 1, 2012, Coughlin's capacity and energy became available to Midstream. Evangeline was one of the successful bidders in Cleco Power's RFP for short-term 2012 resources beginning January 1, 2012, and is currently providing 250 MW of capacity and energy to Cleco Power 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 May 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 has been submitted to the LPSC and FERC for approval. 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 on Evangeline, see Note 17 — "Evangeline Transactions."

Perryville and Attala Cleco Corporation owns 100% of Perryville and Attala. Both companies provide transmission to a single customer. The transmission tariffs charged by both companies are regulated by FERC.

Franchise Fees Cleco Power collects a consumer fee for one of its franchise agreements. This fee is not recorded on Cleco's income statement as revenue and expense, but is reflected at gross amounts on Cleco's balance sheet as a receivable until it is collected and as a payable until the liability is paid. Cleco currently does not have any excise taxes reflected on its income statement.

AFUDC
The capitalization of AFUDC by Cleco Power is a utility accounting practice prescribed by FERC and the LPSC. AFUDC represents the estimated cost of financing construction and is not a current source of cash. Under regulatory practices, a return on and recovery of AFUDC is permitted in setting rates charged for utility services. The composite AFUDC rate, including borrowed and other funds, was 12.0% on a pre-tax basis (7.5% net of tax) for 2011, 11.9% on a pre-tax basis (7.4% net of tax) for 2010, and 12.3% on a pre-tax basis (7.6% net of tax) for 2009.

Capitalized Interest
Cleco and its subsidiaries, except Cleco Power (see AFUDC above), capitalize interest costs related to longer-term construction projects. Other than AFUDC at Cleco Power, no interest was capitalized in 2011, 2010, or 2009.

Fair Value Measurements and Disclosures
Various accounting pronouncements require certain assets and liabilities to be measured at their fair values. Some assets and liabilities are required to be measured at their fair value each reporting period, while others are required to be measured only one time, generally the date of acquisition or debt issuance. Cleco and Cleco Power are required to disclose the fair value of certain assets and liabilities by one of three levels when required for recognition purposes under GAAP. Other financial assets and liabilities, such as long-term debt, are reported at their carrying values at their date of issuance on the consolidated balance sheets with their fair values disclosed without regard to the three levels. For more information about fair value levels, see Note 5 — "Fair Value Accounting."

Risk Management
Market risk inherent in Cleco Power's market risk-sensitive instruments and positions includes potential changes arising from changes in interest rates and the commodity market prices of power and natural gas on different energy exchanges. Cleco's Energy Market Risk Management Policy authorizes the use of various derivative instruments, including exchange traded futures and option contracts, forward purchase and sales contracts, and swap transactions to reduce exposure to fluctuations in the price of power and natural gas. Cleco applies the authoritative guidance as it relates to derivatives and hedging to determine whether the market risk-sensitive instruments and positions are required to be marked-to-market. Generally, Cleco Power's market risk-sensitive instruments and positions qualify for the normal-purchase, normal-sale exception to mark-to-market accounting because Cleco Power takes physical delivery and the instruments and positions are used to satisfy customer requirements. Cleco Power entered into certain financial transactions it considered economic hedges to mitigate the risk associated with the fixed-price power provided to a wholesale customer through December 2010.
Cleco Power may enter into positions to mitigate the volatility in customer fuel costs. These positions are marked-to-market with the resulting gain or loss recorded on the balance sheet as a component of energy risk management assets or liabilities. Such gain or loss is deferred as a component of deferred fuel assets or liabilities. When these positions close, actual gains or losses will be included in the fuel adjustment clause and reflected on customers' bills as a component of the fuel cost adjustment.

Cleco Power maintains margin accounts with commodity brokers used to partially fund the acquisition of natural gas futures, options and swap contracts. These contracts/positions are used to mitigate the risks associated with the volatility in customer fuel costs noted above. The current and long-term portions of collateral are reported as a component of energy risk management assets or liabilities and other deferred credits, respectively.
Cleco and Cleco Power maintain a master netting agreement policy and monitor credit risk exposure through review of counterparty credit quality, counterparty credit exposure, and counterparty concentration levels. Cleco manages these risks by establishing appropriate credit and concentration limits on transactions with counterparties and by requiring contractual guarantees, cash deposits, or letters of credit from counterparties or their affiliates, as deemed necessary. Cleco Power has agreements in place with various counterparties that authorize the netting of financial

buys and sells and contract payments to mitigate credit risk for transactions entered into for risk management purposes.

Cleco has entered into various contracts to mitigate the volatility in interest rate risk. These contracts include, but are not limited to, interest rate swaps and treasury rate locks. For these contracts in which Cleco is hedging the variability of cash flows related to forecasted transactions that qualify as cash flow hedges, the changes in the fair value of such derivative instruments are reported in other comprehensive income. To qualify for hedge accounting, the relationship between the hedging instrument and the hedged item must be documented to include the risk management objective and strategy and, at inception and on an ongoing basis, the effectiveness of the hedge in offsetting the changes in the cash flows of the item being hedged. Gains or losses accumulated in other comprehensive income are reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. The ineffective portions of hedges will be recognized in current-period earnings unless management determines that it is probable that the costs will be recovered through the rate making process. If management determines that it is probable that the costs will be recovered, then they will be recognized as a regulatory asset or liability and amortized to earnings over the life of the related debt. For those contracts in which Cleco is hedging the variability of cash flows related to forecasted transactions that do not qualify as cash flow hedges, the changes in the fair value of such derivative instruments will be recognized in current period earnings unless management determines that it is probable that the costs will be recovered through the rate-making process. If management determines that it is probable that the costs will be recovered, then they will be recognized as a regulatory asset or liability and amortized to earnings over the life of the related debt. For more information on the interest rate risk contracts, see Note 5 — "Fair Value Accounting — Interest Rate Derivatives."

Recent Authoritative Guidance

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

In July 2010, FASB amended the authoritative guidance on receivables, which required companies to improve their disclosures about the credit quality of their financing receivables and the credit reserves held against them. For public companies, the amendment was effective for interim and annual reporting periods ending on or after December 15, 2010, with specific items, such as allowance rollforward and

modification disclosures, effective for periods beginning after December 15, 2010. The adoption of this amendment did not have any effect on the financial condition or results of operations of the Registrants.
In December 2010, FASB amended the authoritative guidance on business combinations to expand supplemental pro forma disclosures and to require comparative prior period financial statement disclosures as if the combination occurred as of the beginning of the prior annual period. The amendment was effective prospectively for business combination acquisition dates on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of this amendment did not have any effect on the financial condition or results of operations of the Registrants.
In April 2011, FASB issued additional guidance to creditors for evaluating whether a modification or restructuring of a receivable is a troubled debt restructuring. The implementation of this guidance was effective in the first interim or annual period beginning on or after June 15, 2011. The adoption of this guidance did not have an impact on the financial condition or results of operations of the Registrants.
In April 2011, FASB issued guidance to improve the accounting for repurchase agreements and other similar agreements. Specifically, this guidance modifies the criteria for determining when these transactions would be accounted for as financings as opposed to sales or purchases with commitments to repurchase or resale. The adoption of this guidance is effective in the first interim or annual period beginning on or after December 15, 2011. The adoption of this guidance is not expected to have an impact on the financial condition or results of operations of the Registrants.
In May 2011, FASB issued guidance on fair value measurements. This guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between GAAP and IFRS (International Financial Reporting Standards). The adoption of this guidance is effective prospectively for interim and annual periods beginning after December 15, 2011. The adoption of this guidance is not expected to have a material impact on the financial condition or results of operations of the Registrants.
In June 2011, FASB issued guidance on the presentation of comprehensive income. This guidance eliminates the

current option to report other comprehensive income and its components in the statement of changes in equity. The adoption of this guidance is effective for interim and annual periods beginning after December 15, 2011. In December 2011, the FASB deferred the requirements relating to the presentation of reclassifications of items out of accumulated other comprehensive income until a later date to be determined by the FASB. The other provisions of the June 2011 guidance are not affected by this deferral. The adoption of this guidance will not have any impact on the financial condition or results of operations of the Registrants.
In September 2011, FASB revised the testing of goodwill for impairment. The revision provides entities the option to first use qualitative factors to determine whether it is necessary to perform the quantitative two-step test. The adoption of this guidance is effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with some provisions for early adoption. The adoption of this guidance will not have any impact on the financial condition or results of operations of the Registrants.
In December 2011, FASB revised the accounting for a parent that ceases to have a controlling financial interest in a subsidiary due to a default on the subsidiary's non-recourse debt when the subsidiary is in substance real estate by requiring the application of real estate sales guidance. This revision is effective for events occurring on or after June 15, 2012. The adoption of this guidance will not have any impact on the financial condition or results of operations of the Registrants.
In December 2011, FASB revised the disclosure requirements related to balance sheet offsetting. After the effective date, entities must disclose both the gross and net information about instruments and transactions eligible for offsetting on the balance sheet, including transactions under master netting agreements. The adoption of this revision is required for interim and annual periods beginning on or after January 1, 2013. The adoption of this revision will not have any effect on the financial condition or results of operations of the Registrants since it relates to disclosures.

Earnings per Average Common Share
The following table shows the calculation of basic and diluted earnings per share.

	FOR THE YEAR ENDED DECEMBER 31,								
			2011			2010			2009
(THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS)	INCOME	SHARES	PER SHARE AMOUNT	INCOME	SHARES	PER SHARE AMOUNT	INCOME	SHARES	PER SHARE AMOUNT
Income from continuing operations	$195,848			$255,391			$106,307		
Deduct: non-participating stock dividends (4.5% preferred stock)	26			46			46		
Deduct: non-participating stock redemption costs (4.5% preferred stock)	112			—			—		
Basic net income applicable to common stock	$195,710	60,488,740	$3.24	$255,345	60,431,142	$4.23	$106,261	60,187,894	$1.77
Effect of dilutive securities									
Add: stock option grants		20,647			32,080			32,050	
Add: restricted stock (LTICP)		324,177			291,367			278,261	
Diluted net income applicable to common stock	$195,710	60,833,564	$3.22	$255,345	60,754,589	$4.20	$106,261	60,498,205	$1.76

Stock option grants excluded from the computation of 2009 diluted earnings per share are presented in the following table. These stock option grants were excluded from the computation of 2009 diluted earnings per share because they had exercise prices higher than the average market price. There were no stock option grants excluded from the computation of 2011 or 2010 diluted earnings per share.

	FOR THE YEAR ENDED DECEMBER 31, 2009		
	STRIKE PRICE	AVERAGE MARKET PRICE	SHARES
Stock option grants excluded	\$ 23.31 - \$ 24.25	\$23.28	57,766

Preferred Stock Redemption

On June 24, 2011, Cleco Corporation redeemed all 10,288 outstanding shares of its 4.5% preferred stock. The redemption price was \$101 per share plus accrued and unpaid dividends to the redemption date, or \$101.296 per share. As of the redemption date, no shares of 4.5% preferred stock were outstanding. Holders are no longer entitled to dividends and all rights of such holders as shareholders of Cleco Corporation by reason of their ownership of such 4.5% preferred stock have ceased.

Stock-Based Compensation

For information on Cleco's stock-based compensation, see Note 7 — "Common and Preferred Stock — Common Stock — Stock-Based Compensation."

Note 3 — Regulatory Assets and Liabilities

Cleco Power follows the authoritative guidance on regulated operations, which allows utilities to capitalize or defer certain costs based on regulatory approval and management's ongoing assessment that it is probable these items will be recovered through the ratemaking process.

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

The following chart summarizes Cleco Power's regulatory assets and liabilities at December 31, 2011, and 2010.

	AT DECEMBER 31,		
(THOUSANDS)	2011	2010	REMAINING RECOVERY PERIOD
Total federal regulatory asset — income taxes	\$34,127	\$41,344	—
Total state regulatory asset — income taxes	51,720	36,394	—
AFUDC	132,802	130,890	—
Total investment tax credit	(4,228)	(4,932)	—
Total regulatory assets and liabilities — deferred taxes, net	214,421	203,696	
Mining costs	19,117	21,666	7.5 yrs.
Interest costs	6,667	7,033	28 yrs.
Asset removal costs	829	768	38 yrs.
Postretirement plan costs	132,556	117,651	—

Tree trimming costs	8,371	11,086	3 yrs.
Training costs	7,486	7,642	48 yrs.
Storm surcredits, net	9,254	10,633	11 yrs.
Construction carrying costs	10,883	18,830	3 yrs.
Mining agreement contingency	3,781	3,781	—
AFUDC equity gross-up	74,346	74,859	—
Rate case costs	1,117	1,654	2 yrs.
Acadia Unit 1 acquisition costs	2,971	3,076	28 yrs.
IRP/RFP costs	508	977	1 yr.
AMI pilot costs	153	283	1.5 yrs.
Financing costs	4,433	—	30 yrs.
Total regulatory assets - other			