CLECO POWER LLC
Form 10-Q
November 02, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2009

Or

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

Commission file number 1-15759

CLECO CORPORATION
(Exact name of registrant as specified in its charter)

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

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

Commission file number 1-05663

CLECO POWER LLC
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

Registrant	Description of Class	Shares Outstanding at October 27, 2009
Cleco Corporation	Common Stock, $1.00 Par Value	60,479,653

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

CLECO CORPORATION
CLECO POWER 2009 3RD QUARTER FORM 10-Q

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

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GLOSSARY OF TERMS

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

ABBREVIATION OR ACRONYM	DEFINITION
401(k) Plan	Cleco Power 401(k) Savings and Investment Plan
Acadia	Acadia Power Partners, LLC and its combined-cycle, natural gas-fired power plant near Eunice, Louisiana, 50% owned by APH and 50% owned by Cajun. Prior to September 13, 2007, Acadia was 50% owned by APH and 50% owned by Calpine Acadia Holdings, LLC.
Acadiana Load Pocket	An area in south central Louisiana that has experienced regular 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 Rodemacher 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.
APH	Acadia Power Holdings LLC, a wholly owned subsidiary of Midstream
Attala	Attala Transmission LLC, a wholly owned subsidiary of Cleco Corporation. Prior to February 1, 2007, Attala was a wholly owned subsidiary of Midstream.
Bear Energy	BE Louisiana LLC, an indirect wholly owned subsidiary of JPMorgan Chase & Co. In September 2008, BE Louisiana LLC was merged into JPMVEC.
Bear Stearns Companies Inc.	The parent company of Bear, Stearns & Co. Inc.
Cajun	Cajun Gas Energy L.L.C.
Cleco Energy	Cleco Energy LLC, a wholly owned subsidiary of Midstream
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
Codification	FASB Accounting Standards CodificationTM the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities.
Diversified Lands	Diversified Lands LLC, a wholly owned subsidiary of Cleco Innovations LLC
Entergy	Entergy Corporation
Entergy Gulf States	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
Evangeline Tolling Agreement	Capacity Sale and Tolling Agreement between Evangeline and BE Louisiana LLC (as successor to Williams Power Company, Inc. (formerly known as Williams Energy Marketing & Trading Company)) which expires in 2020. In September 2008, BE Louisiana LLC was merged into JPMVEC.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Generally Accepted Accounting Principles in the United States
GDP-IPD	Gross Domestic Product – Implicit Price Deflator
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, Bear Energy was merged into JPMVEC.
kWh	Kilowatt-hour(s) as applicable
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
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
NAC	North American Coal Corporation
OCI	Other Comprehensive Income

ABBREVIATION OR ACRONYM	DEFINITION
PCAOB	Public Company Accounting Oversight Board
PCB	Polychlorinated biphenyls
Perryville	Perryville Energy Partners, L.L.C., a wholly owned subsidiary of Cleco Corporation. Prior to February 1, 2007, Perryville was a wholly owned subsidiary of Perryville Energy Holdings LLC, a wholly owned subsidiary of Midstream.
Power Purchase Agreement	Power Purchase Agreement, dated as of January 28, 2004, between Perryville and Entergy Services
PRP	Potentially responsible party
Registrant(s)	Cleco Corporation and Cleco Power
RFP	Request for Proposal
Rodemacher Unit 3	A 600-MW solid-fuel generating unit under construction by Cleco Power at its existing Rodemacher plant site in Boyce, Louisiana
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.
Support Group	Cleco Support Group LLC, a wholly owned subsidiary of Cleco Corporation
SWEPCO	Southwestern Electric Power Company, a wholly owned subsidiary of American Electric Power Company, Inc.
VaR	Value-at-risk
Williams	Williams Power Company, Inc.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes "forward-looking statements" about future events, circumstances, and results. All statements other than statements of historical fact included in this Quarterly Report are forward-looking statements, including, without limitation, statements regarding the construction, timing, and cost of Rodemacher Unit 3; JPMVEC's performance under the Evangeline Tolling Agreement; future capital expenditures; projections; business strategies; goals; competitive strengths; market and industry developments; development and operation of facilities; future environmental regulations and remediation liabilities; and the anticipated outcome of various regulatory and legal proceedings. Although the Registrants believe that the expectations reflected in such forward-looking statements are reasonable, such forward-looking statements are based on numerous assumptions (some of which may prove to be incorrect) and are subject to risks and uncertainties that could cause the actual results to differ materially from the Registrants' expectations. In addition to any assumptions and other factors referred to specifically in connection with these forward-looking statements, the following list identifies some of the factors that could cause the Registrants' actual results to differ materially from those contemplated in any of the Registrants' forward-looking statements:

§ Factors affecting utility operations, such as unusual weather conditions or other natural phenomena; catastrophic weather-related damage (such as hurricanes and other storms); unscheduled generation outages; unanticipated maintenance or repairs; unanticipated changes to fuel costs, cost of and reliance on natural gas as a component of Cleco's generation fuel mix and their impact on competition and franchises, fuel supply costs or availability constraints due to higher demand, shortages, transportation problems or other developments; decreased customer load; environmental incidents; environmental compliance costs; or power transmission system constraints;

§ Cleco Corporation's holding company structure and its dependence on the earnings, dividends, or distributions from its subsidiaries to meet its debt obligations and pay dividends on its common stock;

§ Cleco Power's ability to construct, operate, and maintain, within its projected costs (including financing) and timeframe, Rodemacher Unit 3, in addition to any other self-build projects identified in future IRP and RFP processes;

§ Dependence of Cleco Power for energy from sources other than its facilities and the uncertainty of future long-term sources of such additional energy;

§ Nonperformance by and creditworthiness of counterparties under tolling, power purchase, and energy service agreements, or the restructuring of those agreements, including possible termination;

§ 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 fuel audits, the results of the IRP and RFP processes, the formation of the RTOs and the ICTs, and the compliance with the ERO reliability standards for bulk power systems by Cleco Power, Acadia, and Evangeline;

§ 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 financial crisis and U.S. recession;

§ Credit ratings of Cleco Corporation, Cleco Power, and Evangeline;

§ 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;

§ Acts of terrorism;

§ 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;

§ Uncertain tax positions;

§ 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 Rodemacher Unit 3, the joint project to upgrade the Acadiana Load Pocket transmission system, Cleco Power's acquisition of 50% of Acadia, and Entergy Louisiana's acquisition of the remaining 50% of Acadia;

§ 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, regulating policies or environmental laws and regulations; and

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

For additional discussion of these factors and other factors that could cause actual results to differ materially from those contemplated in the Registrants' forward-looking statements, please read "Risk Factors" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

All subsequent written and oral forward-looking statements attributable to the Registrants or persons acting on their behalf are expressly qualified in their entirety by the factors identified above.
The Registrants undertake no obligation to update any forward-looking statements, whether as a result of changes in actual results, changes in assumptions, or other factors affecting such statements.

PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Cleco Corporation
These unaudited condensed consolidated financial statements should be read in conjunction with Cleco Corporation's Consolidated Financial Statements and Notes included in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2008. For more information on the basis of presentation, see "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 1 — Summary of Significant Accounting Policies — Basis of Presentation."

CLECO CORPORATION

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009	2008
Operating revenue		
Electric operations	$228,952	$333,936
Other operations	9,859	7,004
Affiliate revenue	2,689	2,735
Total operating revenue	241,500	343,675
Operating expenses		
Fuel used for electric generation	74,585	93,717
Power purchased for utility customers	61,943	150,502
Other operations	26,667	24,822
Maintenance	10,452	10,754
Depreciation	19,620	19,283
Taxes other than income taxes	7,479	9,033
Loss on sale of assets	77	-
Total operating expenses	200,823	308,111
Operating income	40,677	35,564
Interest income	369	1,669
Allowance for other funds used during construction	17,813	17,786
Equity income from investees	15,587	9,662
Other income	2,079	937
Other expense	(849)	(2,276)
Interest charges		
Interest charges, including amortization of debt expenses, premium, and discount, net of capitalized interest	17,361	20,619
Allowance for borrowed funds used during construction	(6,523)	(4,923)
Total interest charges	10,838	15,696
Income before income taxes	64,838	47,646
Federal and state income tax expense	4,983	10,513
Net income	59,855	37,133
Preferred dividends requirements, net of tax	12	12
Net income applicable to common stock	$59,843	$37,121
Average shares of common stock outstanding		
Basic	60,234,243	60,031,962
Diluted	60,556,768	60,291,616
Basic earnings per share		
From continuing operations	$0.99	$0.62

Net income applicable to common stock	$0.99	$0.62
Diluted earnings per share		
From continuing operations	$0.99	$0.62
Net income applicable to common stock	$0.99	$0.62
Cash dividends paid per share of common stock	$0.225	$0.225
The accompanying notes are an integral part of the condensed consolidated financial statements.		

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CLECO CORPORATION

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,	
(THOUSANDS)	2009	2008
Net income	$59,855	$37,133
Other comprehensive loss, net of tax:		
Net unrealized loss from available-for-sale securities (net of tax benefit of $11 in 2008)	-	(24)
Amortization of post-retirement benefit net loss (net of tax benefit of $91 in 2009 and $130 in 2008)	(123)	(153)
Cash flow hedge:		
Net derivatives loss arising during the period (net of tax benefit of $356 in 2009)	(569)	-
Reclassification to interest expense (net of tax expense of $36 in 2009)	58	-
Other comprehensive loss	(634)	(177)
Comprehensive income, net of tax	$59,221	$36,956

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

CLECO CORPORATION

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009	2008
Operating revenue		
Electric operations	$627,469	$803,397
Other operations	25,680	29,826
Affiliate revenue	8,513	7,790
Total operating revenue	661,662	841,013
Operating expenses		
Fuel used for electric generation	213,213	162,140
Power purchased for utility customers	164,209	392,245
Other operations	77,557	69,958
Maintenance	35,777	35,456
Depreciation	58,233	57,970
Taxes other than income taxes	22,812	27,320
Loss (gain) on sale of assets	77	(99)
Total operating expenses	571,878	744,990
Operating income	89,784	96,023
Interest income	1,051	4,544
Allowance for other funds used during construction	52,341	46,462
Equity income from investees	710	2,723
Other income	4,753	1,094
Other expense	(2,181)	(4,322)
Interest charges		
Interest charges, including amortization of debt expenses, premium, and discount, net of capitalized interest	58,827	49,884
Allowance for borrowed funds used during construction	(19,157)	(14,526)
Total interest charges	39,670	35,358
Income before income taxes	106,788	111,166
Federal and state income tax expense	13,258	22,573
Net income	93,530	88,593
Preferred dividends requirements, net of tax	35	35
Net income applicable to common stock	$93,495	$88,558
Average shares of common stock outstanding		
Basic	60,167,644	59,975,190
Diluted	60,390,454	60,146,501
Basic earnings per share		
From continuing operations	$1.55	$1.48
Net income applicable to common stock	$1.55	$1.48

Diluted earnings per share		
From continuing operations	$1.55	$1.47
Net income applicable to common stock	$1.55	$1.47
Cash dividends paid per share of common stock	$0.675	$0.675
The accompanying notes are an integral part of the condensed consolidated financial statements.		

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CLECO CORPORATION

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(THOUSANDS)	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009	2008
Net income	$93,530	$88,593
Other comprehensive income (loss), net of tax:		
Net unrealized loss from available-for-sale securities (net of tax benefit of $11 in 2008)	-	(68)
Amortization of post-retirement benefit net loss (net of tax benefit of $119 in 2009 and $130 in 2008)	(120)	(161)
Cash flow hedge:		
Net derivatives loss arising during the period (net of tax benefit of $356 in 2009)	(569)	-
Reclassification to interest expense (net of tax expense of $36 in 2009)	58	-
Other comprehensive income (loss)	(631)	(229)
Comprehensive income, net of tax	$92,899	$88,364

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

CLECO CORPORATION

Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT SEPTEMBER 30, 2009	AT DECEMBER 31, 2008
Assets		
Current assets		
Cash and cash equivalents	$ 49,283	$ 97,483
Restricted cash	25,124	62,311
Customer accounts receivable (less allowance for doubtful accounts of $1,576 in 2009 and $1,632 in 2008)	44,233	40,677
Accounts receivable – affiliate	10,939	3,428
Other accounts receivable (less allowance for doubtful accounts of $22 in 2009 and $0 in 2008)	23,791	34,209
Taxes receivable	27,268	13,663
Unbilled revenue	23,250	19,713
Fuel inventory, at average cost	75,191	57,221
Material and supplies inventory, at average cost	41,136	37,547
Risk management assets, net	4,679	368
Accumulated deferred fuel	27,288	69,154
Cash surrender value of company-/trust-owned life insurance policies	28,347	22,934
Prepayments	2,651	3,751
Regulatory assets – other	9,878	2,553
Other current assets	1,824	1,367
Total current assets	394,882	466,379
Property, plant and equipment		
Property, plant and equipment	2,094,766	2,015,269
Accumulated depreciation	(985,301)	(948,581)
Net property, plant and equipment	1,109,465	1,066,688
Construction work in progress	1,099,088	978,598
Total property, plant and equipment, net	2,208,553	2,045,286
Equity investment in investees	262,472	249,144
Prepayments	5,103	6,067
Restricted cash	30,916	40,671
Regulatory assets and liabilities – deferred taxes, net	227,947	174,804
Regulatory assets – other	206,386	158,206
Intangible asset	159,801	167,826
Other deferred charges	33,158	32,821
Total assets	$ 3,529,218	$ 3,341,204
The accompanying notes are an integral part of the condensed consolidated financial statements.		

(Continued on next page)

CLECO CORPORATION

Condensed Consolidated Balance Sheets (Unaudited) (Continued)

(THOUSANDS)	AT SEPTEMBER 30, 2009	AT DECEMBER 31, 2008
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Long-term debt due within one year	$ 11,478	$ 63,546
Accounts payable	69,657	117,337
Retainage	28	12,734
Accounts payable – affiliate	12,284	8,229
Customer deposits	33,155	27,155
Interest accrued	16,390	16,787
Accumulated current deferred taxes, net	52,160	64,838
Risk management liability, net	17,521	30,109
Regulatory liabilities – other	27,570	392
Deferred compensation	6,652	5,118
Other current liabilities	12,775	14,588
Total current liabilities	259,670	360,833
Deferred credits		
Accumulated deferred federal and state income taxes, net	414,350	373,825
Accumulated deferred investment tax credits	10,287	11,286
Postretirement benefit obligations	142,571	155,910
Regulatory liabilities – other	155,746	85,496
Restricted storm reserve	25,090	27,411
Uncertain tax positions	74,810	76,124
Other deferred credits	91,360	82,635
Total deferred credits	914,214	812,687
Long-term debt, net	1,238,238	1,106,819
Total liabilities	2,412,122	2,280,339
Commitments and Contingencies (Note 10)		
Shareholders' equity		
Preferred stock		
Not subject to mandatory redemption, $100 par value, authorized 1,491,000 shares, issued 10,288 shares at September 30, 2009 and December 31, 2008, respectively	1,029	1,029
Common shareholders' equity		
Common stock, $1 par value, authorized 100,000,000 shares, issued 60,271,221 and 60,066,345 shares and outstanding 60,251,985 and 60,042,514 shares at September 30, 2009 and December 31, 2008, respectively	60,271	60,066

Premium on common stock	398,492	394,517
Retained earnings	668,103	615,514
Treasury stock, at cost, 19,236 and 23,831 shares at September 30, 2009 and December 31, 2008, respectively	(335)	(428)
Accumulated other comprehensive loss	(10,464)	(9,833)
Total common shareholders' equity	1,116,067	1,059,836
Total shareholders' equity	1,117,096	1,060,865
Total liabilities and shareholders' equity	$ 3,529,218	$ 3,341,204

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

CLECO CORPORATION

Condensed Consolidated Statements of Cash Flows (Unaudited)

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
(THOUSANDS)	2009	2008
Operating activities		
Net income	$93,530	$88,593
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	96,051	81,335
Loss (gain) on sale of assets	77	(99)
Provision for doubtful accounts	1,444	2,906
Return on equity investment in investees	750	8,690
Income from equity investments	(710)	(2,723)
Unearned compensation expense	4,388	2,994
Allowance for other funds used during construction	(52,341)	(46,462)
Amortization of investment tax credits	(999)	(1,035)
Net deferred income taxes	(6,061)	(10,098)
Deferred fuel costs	20,035	(25)
Loss on economic hedges	144	434
Cash surrender value of company-/trust-owned life insurance	(4,406)	2,603
Changes in assets and liabilities:		
Accounts receivable	1,351	(24,414)
Accounts and notes receivable, affiliate	(7,511)	14,373
Unbilled revenue	(3,537)	(1,583)
Fuel, materials and supplies inventory	(21,559)	(4,336)
Prepayments	1,761	1,725
Accounts payable	(40,667)	6,456
Accounts and notes payable, affiliate	(9,882)	(38,472)
Customer deposits	10,155	4,396
Post retirement benefit obligations	(13,339)	-
Regulatory assets and liabilities, net	34,201	32,119
Other deferred accounts	(33,299)	(63,971)
Retainage payable	(12,706)	10,551
Taxes accrued	188	22,874
Interest accrued	(396)	(2,289)
Risk management assets and liabilities, net	(2,337)	(8,827)
Other operating	(894)	1,387
Net cash provided by operating activities	53,431	77,102
Investing activities		
Additions to property, plant and equipment	(190,296)	(264,303)

Allowance for other funds used during construction	52,341	46,462
Proceeds from sale of property, plant and equipment	570	99
Return of equity investment in investees	850	95
Contributions to equity investees	(29,666)	(14,697)
Premiums paid on company-/trust-owned life insurance	(400)	(629)
Settlements received from insurance policies	-	941
Net transfer of cash from (to) restricted accounts	46,942	(44,625)
Other investing	-	599
Net cash used in investing activities	(119,659)	(276,058)
Financing activities		
Retirement of long-term obligations	(114,805)	(350,231)
Repayment of capital leases	(1,028)	(87)
Issuance of long-term debt	173,000	537,541
Deferred financing costs	(517)	(315)
Dividends paid on preferred stock	(35)	(35)
Dividends paid on common stock	(40,654)	(40,521)
Other financing	2,067	983
Net cash provided by financing activities	18,028	147,335
Net decrease in cash and cash equivalents	(48,200)	(51,621)
Cash and cash equivalents at beginning of period	97,483	129,013
Cash and cash equivalents at end of period	$49,283	$77,392
Supplementary cash flow information		
Interest paid (net of amount capitalized)	$51,327	$33,950
Income taxes paid	$8,131	$40,180
Supplementary non-cash investing and financing activities		
Issuance of treasury stock – LTICP	$93	$79
Issuance of common stock – LTICP/ESPP	$217	$93
Accrued additions to property, plant and equipment not reported above	$1,179	$10,868
Incurrence of capital lease obligation – barges	$22,050	$-

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

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PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Cleco Power
These unaudited condensed consolidated financial statements should be read in conjunction with Cleco Power's Consolidated Financial Statements and Notes included in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2008. For more information on the basis of presentation, see "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 1 — Summary of Significant Accounting Policies — Basis of Presentation."

CLECO POWER

Condensed Consolidated Statements of Income (Unaudited)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,	
(THOUSANDS)	2009	2008
Operating revenue		
Electric operations	$228,952	$333,936
Other operations	9,834	6,981
Affiliate revenue	349	425
Total operating revenue	239,135	341,342
Operating expenses		
Fuel used for electric generation	74,585	93,717
Power purchased for utility customers	61,943	150,502
Other operations	25,165	23,242
Maintenance	9,602	9,719
Depreciation	19,310	18,861
Taxes other than income taxes	7,809	8,732
Loss on sale of assets	70	-
Total operating expenses	198,484	304,773
Operating income	40,651	36,569
Interest income	341	1,545
Allowance for other funds used during construction	17,813	17,786
Other income	538	956
Other expense	(830)	(779)
Interest charges		
Interest charges, including amortization of debt expenses, premium, and discount	20,168	19,896
Allowance for borrowed funds used during construction	(6,523)	(4,923)
Total interest charges	13,645	14,973
Income before income taxes	44,868	41,104
Federal and state income taxes	1,316	10,566
Net income	$43,552	$30,538

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

CLECO POWER

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS)	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009	2008
Operating revenue		
Electric operations	$627,469	$803,397
Other operations	25,609	29,757
Affiliate revenue	1,046	1,527
Total operating revenue	654,124	834,681
Operating expenses		
Fuel used for electric generation	213,213	162,140
Power purchased for utility customers	164,209	392,245
Other operations	72,814	65,862
Maintenance	32,705	32,556
Depreciation	57,339	56,886
Taxes other than income taxes	23,172	24,727
Loss on sale of assets	70	-
Total operating expenses	563,522	734,416
Operating income	90,602	100,265
Interest income	999	3,121
Allowance for other funds used during construction	52,341	46,462
Other income	2,138	1,172
Other expense	(2,985)	(1,643)
Interest charges		
Interest charges, including amortization of debt expenses, premium, and discount	59,443	45,961
Allowance for borrowed funds used during construction	(19,157)	(14,526)
Total interest charges	40,286	31,435
Income before income taxes	102,809	117,942
Federal and state income taxes	14,033	27,135
Net income	$88,776	$90,807

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

CLECO POWER

Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT SEPTEMBER 30, 2009	AT DECEMBER 31, 2008
Assets		
Utility plant and equipment		
Property, plant and equipment	$ 2,078,372	$ 1,999,119
Accumulated depreciation	(973,398)	(937,568)
Net property, plant and equipment	1,104,974	1,061,551
Construction work in progress	1,097,865	977,377
Total utility plant, net	2,202,839	2,038,928
Current assets		
Cash and cash equivalents	35,010	91,542
Restricted cash	25,124	62,311
Customer accounts receivable (less allowance for doubtful accounts of $1,576 in 2009 and $1,632 in 2008)	44,233	40,677
Other accounts receivable (less allowance for doubtful accounts of $22 in 2009 and $0 in 2008)	22,787	34,130
Taxes receivable	-	5,992
Accounts receivable – affiliate	2,452	2,059
Unbilled revenue	23,250	19,713
Fuel inventory, at average cost	75,191	57,221
Material and supplies inventory, at average cost	41,136	37,547
Risk management assets, net	4,679	368
Prepayments	2,273	3,099
Regulatory assets – other	9,878	2,553
Accumulated deferred fuel	27,288	69,154
Cash surrender value of life insurance policies	5,722	5,563
Other current assets	1,031	1,144
Total current assets	320,054	433,073
Prepayments	5,103	6,067
Restricted cash	30,820	40,574
Regulatory assets and liabilities – deferred taxes, net	227,947	174,804
Regulatory assets – other	206,386	158,206
Intangible asset	159,801	167,826
Other deferred charges	21,865	22,119
Total assets	$ 3,174,815	$ 3,041,597
Liabilities and member's equity		
Member's equity	$ 987,119	$ 929,178
Long-term debt, net	1,120,238	1,076,819

Total capitalization		2,107,357		2,005,997
Current liabilities				
Long-term debt due within one year		11,478		63,546
Accounts payable		65,974		109,450
Accounts payable – affiliate		6,325		7,536
Retainage		28		12,734
Customer deposits		33,155		27,155
Taxes accrued		36,011		-
Interest accrued		16,740		16,762
Accumulated deferred taxes, net		54,546		67,233
Risk management liability, net		17,521		30,109
Regulatory liabilities – other		27,570		392
Other current liabilities		10,353		10,200
Total current liabilities		279,701		345,117
Deferred credits				
Accumulated deferred federal and state income taxes, net		386,654		337,148
Accumulated deferred investment tax credits		10,287		11,286
Postretirement benefit obligations		113,391		128,373
Regulatory liabilities – other		155,746		85,496
Restricted storm reserve		25,090		27,411
Uncertain tax positions		54,509		54,306
Other deferred credits		42,080		46,463
Total deferred credits		787,757		690,483
Total liabilities and member's equity	$	3,174,815	$	3,041,597

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

CLECO CORPORATION
CLECO POWER 2009 3RD QUARTER FORM 10-Q

CLECO POWER

Condensed Consolidated Statements of Cash Flows (Unaudited)

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
(THOUSANDS)	2009	2008
Operating activities		
Net income	$88,776	$90,807
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	66,496	63,543
Loss on sale of assets	70	-
Provision for doubtful accounts	1,444	2,901
Unearned compensation expense	1,348	867
Allowance for other funds used during construction	(52,341)	(46,462)
Amortization of investment tax credits	(999)	(1,035)
Net deferred income taxes	4,552	(4,577)
Deferred fuel costs	20,035	(25)
Loss on economic hedges	144	434
Cash surrender value of company-owned life insurance	(641)	(317)
Changes in assets and liabilities:		
Accounts receivable	2,273	(24,760)
Accounts and notes receivable, affiliate	(272)	15,209
Unbilled revenue	(3,537)	(1,583)
Fuel, materials and supplies inventory	(21,559)	(4,336)
Prepayments	2,272	1,636
Accounts payable	(36,375)	8,947
Accounts and notes payable, affiliate	(1,643)	(12,990)
Customer deposits	10,155	4,396
Post retirement benefit obligations	(14,982)	(772)
Regulatory assets and liabilities, net	34,201	32,119
Other deferred accounts	(31,404)	(68,764)
Retainage payable	(12,706)	10,551
Taxes accrued	42,003	17,872
Interest accrued	(22)	2,043
Risk management assets and liabilities, net	(2,337)	(8,827)
Other operating	60	2,191
Net cash provided by operating activities	95,011	79,068
Investing activities		
Additions to property, plant and equipment	(190,047)	(263,454)
Allowance for other funds used during construction	52,341	46,462
Proceeds from sale of property, plant and equipment	570	99

Premiums paid on company-owned life insurance	-	(424)
Net transfer of cash from (to) restricted accounts	46,942	(44,624)
Other investing	1	-
Net cash used in investing activities	(90,193)	(261,941)
Financing activities		
Retirement of long-term obligations	(114,805)	(250,231)
Repayment of capital leases	(1,028)	(87)
Issuance of long-term debt	85,000	489,541
Distribution to parent	(30,000)	-
Deferred financing costs	(517)	(315)
Net cash (used in) provided by financing activities	(61,350)	238,908
Net (decrease) increase in cash and cash equivalents	(56,532)	56,035
Cash and cash equivalents at beginning of period	91,542	11,944
Cash and cash equivalents at end of period	$35,010	$67,979
Supplementary cash flow information		
Interest paid (net of amount capitalized)	$50,086	$29,531
Income taxes paid	$8,104	$2,100
Supplementary non-cash investing and financing activities		
Accrued additions to property, plant and equipment not reported above	$1,179	$10,868
Incurrence of capital lease obligation – barges	$22,050	$-
The accompanying notes are an integral part of the condensed consolidated financial statements.		

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

Notes to the Unaudited Condensed Consolidated Financial Statements

Note 1 — Summary of Significant Accounting Policies

Principles of Consolidation

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

Using the authoritative guidance for variable interest entities, Cleco has determined that it is not the primary beneficiary of Evangeline, Perryville, Attala, and Acadia. Cleco determined it was not the primary beneficiary by examining all interests that could absorb expected losses and expected gains. This examination used assumptions about the expected rate of inflation, changes in the market price of natural gas as compared to the market price of electricity, length of contracts, variability of revenue stream as compared to variability of expenses, and maximum exposure to loss. Cleco reports its investment in these entities on the equity method of accounting. As a result, the assets and liabilities of these entities are represented by one line item corresponding to Cleco's equity investment in these entities. The pre-tax results of operations of these entities are reported as equity income or loss from investees on Cleco Corporation's Condensed Consolidated Statements of Income. For additional information on the operations of these entities, see Note 9 — "Equity Investment in Investees."

Basis of Presentation

The condensed consolidated financial statements of Cleco Corporation and Cleco Power have been prepared pursuant to the rules and regulations of the SEC. Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted; however, Cleco believes that the disclosures are adequate to make the information presented not misleading.

The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The unaudited financial information included in the condensed consolidated financial statements of Cleco Corporation and Cleco Power reflects all adjustments of a normal recurring nature which are, in the opinion of the management of Cleco Corporation and Cleco Power, necessary for a fair statement of the financial position and the results of operations for the interim periods. Information for interim periods is affected by seasonal variations in sales, rate changes, timing of fuel expense recovery and other factors, and is not indicative necessarily of the results that may be expected for the full fiscal year. For more information on recent accounting standards and their effect on financial results, see Note 2 — "Recent Accounting Standards."

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 general corporate purposes. At September 30, 2009, and December 31, 2008, $56.0 million and $103.0 million of cash, respectively, were restricted. The $47.0 million decrease is primarily due to the use of $17.4 million of funds for GO Zone project costs, the release of $14.7 million for the construction of Cleco Power's solid waste disposal facilities at Rodemacher Unit 3, a $12.7 million net decrease in Cleco Katrina/Rita restricted cash due to the payment of operating expenses, interest, and principal on storm recovery bonds, offset by collections, and Cleco Power's use of $2.2 million for approved storm damage costs. At September 30, 2009, restricted cash consisted of $0.1 million under the Diversified Lands mitigation escrow agreement, $27.2 million reserved at Cleco Power for GO

Zone project costs, $25.2 million reserved at Cleco Power for future storm restoration costs, and $3.5 million at Cleco Katrina/Rita restricted for payment of operating expenses, interest, and principal on storm recovery bonds.

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 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 condensed consolidated balance sheets with their fair values disclosed without regard to the three levels. For more information about fair value levels, see Note 4 — "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 uses 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 has entered into certain financial transactions it considers economic hedges to mitigate the risk associated with the fixed-price power to be provided to a wholesale customer through December 2010. The economic hedges cover approximately 98% of the estimated daily peak-hour power sales to the wholesale customer. These transactions meet the definition of derivatives but do not meet the accounting criteria to be considered hedges. These transactions are marked-to-market with the resulting gain or loss recorded on the income statement as a component of operating revenue. For the three and nine months ended September 30, 2009, and 2008, the following gains and losses related to these economic hedge transactions were recorded in other operations revenue.

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
(THOUSANDS)	2009	2008	2009	2008
Realized (loss) gain	$(524)	$163	$(1,405)	$950
Mark-to-market gain (loss)	487	(4,940)	(144)	(433)
Total (loss) gain	$(37)	$(4,777)	$(1,549)	$517

Cleco Power has entered into other 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 the accumulated deferred fuel asset or liability and a component of risk management 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. Based on market prices at September 30, 2009, and December 31, 2008, the net mark-to-market impact relating to these positions were losses of $29.6 million and $57.4 million, respectively. The decreased loss is primarily due to the closing of certain natural gas positions. Deferred losses relating to closed natural gas positions totaled $6.4 million at September 30, 2009, and December 31, 2008.

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 fixed-price power sales and volatility in customer fuel costs noted above. At September 30, 2009, and December 31, 2008, Cleco Power had deposited net collateral of $12.5 million and $16.5 million, respectively, to cover margin requirements relating to open natural gas futures, options, and swap positions.

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.

In August 2009, Cleco Power entered into a $50.0 million bank loan with variable interest, paid monthly, calculated at 3.00% plus the one-month LIBOR. The loan matures on August 19, 2012, and can be repaid before maturity without penalty. In order to mitigate risk of the future floating interest rates, Cleco Power entered into an interest rate swap. Based on the notional amount of the bank loan, the swap requires a monthly net settlement between Cleco Power's fixed payment of 1.84% and the swap counterparty's floating payment of the one-month LIBOR. The swap matures on May 31, 2012. Under the authoritative guidance for derivatives and hedging, the swap meets the criteria of a cash flow hedge. Changes in the swap's fair value related to the effective portion of cash flow hedges are recognized in other comprehensive income, whereas changes in the fair value related to the ineffective

portion are recognized in earnings. As time passes and settlements are made, the swap's other comprehensive income fair values are reclassified into earnings as a component of interest expense. For the three and nine months ended September 30, 2009, there were $0.1 million of reclassification adjustments from other comprehensive income to interest
expense. There was no impact to earnings due to ineffectiveness for the three or nine months ended September 30, 2009. For more information on accounting for derivatives, see Note 4 — "Fair Value Accounting."

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

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,					
(THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS)	INCOME	SHARES	2009 PER SHARE AMOUNT	INCOME	SHARES	2008 PER SHARE AMOUNT
Net income	$59,855			$37,133		
Deduct: non-participating stock dividends (4.5% preferred stock)	12			12		
Basic earnings per share						
Net income applicable to common stock	$59,843		$0.99	$37,121		$0.62
Total basic net income applicable to common stock	$59,843	60,234,243	$0.99	$37,121	60,031,962	$0.62
Effect of Dilutive Securities						
Add: stock option grants		28,578			62,289	
Add: restricted stock (LTICP)		293,947			197,365	
Diluted earnings per share						
Net income applicable to common stock	$59,843		$0.99	$37,121		$0.62
Total diluted net income applicable to common stock	$59,843	60,556,768	$0.99	$37,121	60,291,616	$0.62

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,					
(THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS)	INCOME	SHARES	2009 PER SHARE AMOUNT	INCOME	SHARES	2008 PER SHARE AMOUNT
Net income	$93,530			$88,593		
Deduct: non-participating stock dividends (4.5% preferred	35			35		

stock)						
Basic earnings per share						
Net income applicable to common stock	$93,495		$1.55	$88,558		$1.48
Total basic net income applicable to common stock	$93,495	60,167,644	$1.55	$88,558	59,975,190	$1.48
Effect of Dilutive Securities						
Add: stock option grants		26,269			63,833	
Add: restricted stock (LTICP)		196,541			107,478	
Diluted earnings per share						
Net income applicable to common stock	$93,495		$1.55	$88,558		$1.47
Total diluted net income applicable to common stock	$93,495	60,390,454	$1.55	$88,558	60,146,501	$1.47

During the first quarter of 2009, Cleco implemented an amendment to the authoritative guidance for calculating basic earnings per share. For additional information on Cleco's implementation of Codification Topic Earnings Per Share, see Note 2 — "Recent Accounting Standards."
Stock option grants are excluded from the computation of diluted earnings per share if the exercise price is higher than the average market price. There were no stock option grants excluded from the computation of diluted earnings per share for the three or nine months ended September 30, 2008, due to the average market price being higher than the exercise prices of the stock options. Stock option grants excluded from the computation for the three and nine months ended September 30, 2009, are presented in the following tables.

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009		
	STRIKE PRICE	AVERAGE MARKET PRICE	SHARES
Stock option grants excluded	24.00 $-$24.25	$23.90	36,433

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009		
	STRIKE PRICE	AVERAGE MARKET PRICE	SHARES
Stock option grants excluded	22.69 $-$24.25	$22.50	69,433

Employee Stock Purchase Plan
In July 2000, Cleco Corporation's Board of Directors ratified the adoption of a procedure providing for the automatic reinvestment of dividends (the "DRIP Feature") received with respect to the stock held by participants in the ESPP. At that time, the Board of Directors reserved 20,000 shares of common stock (40,000 after giving effect for a 2-for-1 stock split) for issuance pursuant to the DRIP Feature. In January 2009, the Board of Directors approved and authorized an additional 50,000 shares of common stock to be reserved for issuance under the DRIP Feature of the ESPP.

Stock-Based Compensation
At September 30, 2009, Cleco had one share-based compensation plan: the LTICP. Options or restricted shares of Cleco Corporation common stock, known as non-vested stock

compensation, common stock equivalents, and stock appreciation rights may be granted to certain officers, key employees, or directors of Cleco Corporation and its subsidiaries pursuant to the LTICP.

On January 30, 2009, Cleco granted 97,149 shares of non-vested stock and 74,253 common stock equivalent units to

certain officers, key employees, and directors of Cleco Corporation and its subsidiaries pursuant to the LTICP.
Cleco and Cleco Power reported pre-tax compensation expense for their share-based compensation plans as shown in the following table:

	CLECO CORPORATION		CLECO POWER		CLECO CORPORATION		CLECO POWER	
	FOR THE THREE MONTHS ENDED SEPTEMBER 30,				FOR THE NINE MONTHS ENDED SEPTEMBER 30,			
(THOUSANDS)	2009	2008	2009	2008	2009	2008	2009	2008
Equity classification								
Non-vested stock	$ 563	$ 396	$ 150	$ 113	$ 1,618	$ 1,179	$ 432	$ 310
Stock options	13	14	-	-	38	42	-	-
Total	$ 576	$ 410	$ 150	$ 113	$ 1,656	$ 1,221	$ 432	$ 310
Liability classification								
Common stock equivalent units	$ 1,244	$ 827	$ 428	$ 308	$ 2,418	$ 1,504	$ 916	$ 557
Total pre-tax compensation expense	$ 1,820	$ 1,237	$ 578	$ 421	$ 4,074	$ 2,725	$ 1,348	$ 867
Tax benefit (excluding income tax gross-up)	$ 700	$ 476	$ 222	$ 162	$ 1,568	$ 1,049	$ 519	$ 334

Note 2 — Recent Accounting Standards

The Registrants adopted, or will adopt, the recent accounting standards listed below on their respective effective dates.
In April 2008, FASB amended the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. This amendment allows an entity to use its own experience in renewing arrangements or to use market assumptions about renewal in determining the useful life of a recognized intangible asset. This amendment also requires additional disclosure about the renewal costs. This amendment is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. The adoption of this amendment did not have an impact on the financial condition or results of operations of the Registrants.
In June 2008, FASB amended the authoritative guidance on earnings per share to determine whether non-vested instruments issued in share-based payment transactions are participating securities when calculating earnings per share. This amendment states that non-vested share-based instruments that contain nonforfeitable rights to dividends or dividend equivalents are participating securities and are required to be included in the computation of earnings per share pursuant to the two-class method. This amendment is effective for fiscal years and interim periods beginning after December 15, 2008. Earnings per share for prior periods presented are required to be adjusted retrospectively to conform to this amendment. The implementation of this amendment did not have an impact on the financial condition or results of operations of the Registrants.

In September 2008, FASB amended the authoritative guidance on fair value measurements and disclosures for accounting and disclosure at fair value for liabilities that contain inseparable third-party credit enhancements. This amendment requires issuers of liabilities to exclude the third-party credit enhancement when calculating the fair value of the liability for both recognition and disclosure purposes. Also, proceeds received by the issuer for liabilities within the scope of this amendment represent consideration for both the liability and the credit enhancement and shall be allocated to both the liability and the premium for the credit enhancement. The provisions of this amendment are effective on a prospective basis in the first reporting period beginning on or after December 15, 2008. The implementation of this amendment did not have an impact on the financial condition or results of operations of the Registrants.

In December 2008, FASB amended the authoritative guidance for compensation as it relates to retirement benefits and an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. This amendment also includes a technical change that requires a nonpublic entity to disclose net periodic benefit cost for each annual period for which a statement of income is presented. This amendment is effective for the first fiscal year ending after December 15, 2009. Since the adoption of this amendment is a change in disclosure, the adoption will not have any effect on the financial condition or results of operations of the Registrants.

In February 2009, the SEC issued its final rules requiring public companies to provide the SEC with supplemental financial information in interactive data format using eXtensible Business Reporting Language or XBRL. The information will be provided as an exhibit to the related SEC filing. The Registrants are required to include certain financial information in XBRL format in certain SEC filings beginning with the fiscal period ending June 30, 2010.

On April 1, 2009, FASB amended the authoritative guidance on business combinations to address application issues raised by preparers, auditors, and members of the legal profession on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This amendment applies to all assets acquired and liabilities assumed in a business combination that arise from contingencies that would be within the scope of the contingencies accounting standard if the contingency is not acquired or assumed in a business combination, except for assets and liabilities arising from contingencies that are subject to specific guidance in the business combinations accounting standard. An acquirer shall develop a systematic and rational basis for subsequently measuring and accounting for assets and liabilities arising from contingencies depending on their nature. An acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effects of a business combination that occurs either during the current reporting period or after the reporting period but before the financial statements are issued. This amendment was effective for assets and liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of this amendment had no impact on the financial condition or results of operations of the Registrants.

On April 9, 2009, FASB amended the other-than-temporary impairment guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. If the fair value of a debt security is less than its amortized value, these amendments require companies to assess whether the impairment is recognized depending on a combination of its intent to sell the security and its ability to hold the security until recovery of its amortized cost basis. If an entity intends to sell the debt security or it is more likely than not the entity will be required to sell the security, an other-than-temporary impairment is considered to have occurred and an impairment expense equal to the difference between fair market value and amortized costs should be recognized. If an entity does not intend to sell the security and it is not more likely than not the entity will be required to sell the security, then the entity will only recognize the credit loss as an expense. The amount of loss relating to other factors will be recognized as a reduction in other comprehensive income. These amendments also include guidance on calculating credit loss and additional disclosures. These amendments are effective for interim and annual reporting periods ending after June 15, 2009. The implementation of these amendments did not have an impact on the financial condition or results of operations of the Registrants.

On April 9, 2009, FASB amended the accounting standard to provide additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. This amendment also includes guidance on identifying circumstances that indicate a transaction is not orderly. This amendment applies to all assets and liabilities within the scope of the fair value accounting standard. When weighing indications of fair value resulting from the use of multiple valuation techniques, a reporting entity shall consider the reasonableness of the range of fair value estimates. The objective is to determine the point within that range that is most representative of fair value under current market conditions. A reporting entity shall evaluate the circumstances to determine whether the transaction is orderly based on the weight of the evidence. In its determinations, a reporting entity need not undertake all possible efforts, but shall not ignore information that is available without undue cost and effort. A reporting entity would be expected to have sufficient information to conclude whether a transaction is orderly when it is party to the transaction. This amendment is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. This amendment does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this amendment requires comparative disclosures only for periods ending after initial adoption. The implementation of this amendment did not have an impact on the financial condition or results of operations of the Registrants.

On April 9, 2009, FASB amended the accounting standards which require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies. These amendments apply to all financial instruments within the scope of the authoritative guidance for financial instruments, financial services, and receivables held by publicly traded companies. A publicly traded company shall include disclosures about the fair value of its financial instruments whenever it issues summarized financial information for interim reporting periods. These amendments shall be effective for interim reporting periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. These amendments do not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, these amendments require comparative disclosures only for periods ending after initial adoption. Since the adoption of these amendments is only a change in disclosure, adoption did not have any effect on the financial condition or results of operations of the Registrants.

On June 4, 2009, FASB amended the authoritative guidance on accounting for events occurring subsequent to the balance sheet date, but before the issuance of financial statements. Certain subsequent events would require an entity to make adjustments to the financial statements and disclosure, whereas other events would only require disclosure. Additionally, all entities are required to disclose the date through which they have evaluated subsequent events and whether the date corresponds with the release of their financial statements. This amendment is effective for financial statements issued for fiscal years and interim periods beginning after June 15, 2009. Implementation of this amendment did not have an impact on the financial condition or results of operations of the Registrants.

On June 12, 2009, FASB amended the authoritative guidance on transfer and servicing to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. This amendment is effective for fiscal years beginning after November 15, 2009. Implementation of this amendment is not expected to have an impact on the financial condition or results of operations of the Registrants.

On June 12, 2009, FASB amended the authoritative guidance on consolidation which requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. In order to be the primary beneficiary of a variable interest entity, an enterprise must have (a) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance, and (b) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. Along with these criteria, an enterprise is now required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining (a) above. Also, the enterprise is required to perform ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. The quantitative approach previously required for determining the primary beneficiary has been eliminated. Additional disclosures are now required in order to provide users of financial statements with more transparent information about an enterprise's involvement in a variable interest entity. This amendment is effective for the first fiscal year beginning after November 15, 2009. Management is currently evaluating the impact this amendment will have on the financial condition and results of operations of the Registrants.

On June 29, 2009, FASB amended the authoritative guidance which identified the sources of accounting principles and the framework for selecting them. Codification has become the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. This amendment was effective for financial statements issued for interim and annual periods ending after September 15, 2009.

On August 28, 2009, FASB amended the authoritative guidance on fair value measurements and disclosures in order to clarify the fair value of a liability. The best measurement of a liability would be a quoted price in an active market of the liability or an identical liability. If the quoted price of the liability is not available, then an entity could use a quoted price of the liability quoted as an asset, quoted prices of similar liabilities traded as assets, or a valuation technique consistent with the principles contained in the Fair Value Measurements and Disclosures Topic, such as present value. If an asset quote is used, the fair market value should be adjusted for factors specific to an asset that is not applicable to a liability. Regardless of the method used to determine fair value, restrictions on transfer of the liability should not be factored into the valuation of the liability. This amendment is effective for the first reporting period beginning after October 1, 2009. Management believes the adoption of this amendment will not have a material effect on the financial condition or results of operations of the Registrants.

In September 2009, FASB issued various technical corrections to the Codification that did not have a material effect on the financial condition or results of operations of the Registrants.

In September 2009, the FASB amended revenue recognition of arrangements with multiple deliverables. If an arrangement contains multiple deliverables, the selling entity must first determine the best estimate of the selling price of each deliverable. Then the selling entity must allocate the selling price of the entire arrangement based upon the relative best estimate of the selling price of each deliverable. This amendment also contains additional disclosures such as the nature of the arrangement, significant deliverables and general timing. This amendment is effective for arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Management is currently evaluating the impact this amendment will have on the financial condition or results of operations of the Registrants.

Note 3 — Regulatory Assets and Liabilities

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

The following chart summarizes Cleco Power's regulatory assets and liabilities at September 30, 2009, and December 31, 2008:

(THOUSANDS)	AT SEPTEMBER 30, 2009	AT DECEMBER 31, 2008
Regulatory assets and liabilities – deferred taxes, net	$ 227,947	$ 174,804
Deferred mining costs	$ 24,853	$ 26,811
Deferred interest costs	7,495	7,779
Deferred asset removal costs	698	658
Deferred postretirement plan costs	110,819	112,213
Deferred tree trimming costs	12,010	5,915
Deferred training costs	5,716	2,520
Deferred storm surcredit, net	5,842	4,863
Deferred construction carrying costs	48,831	-
Regulatory assets – other	$ 216,264	$ 160,759
Deferred fuel transportation revenue	$ (85)	$ (392)
Deferred construction carrying costs	(183,231)	(85,496)
Regulatory liabilities – other	$ (183,316)	$ (85,888)
Deferred fuel and purchased power	27,288	69,154
Total regulatory assets and liabilities, net	$ 288,183	$ 318,829

Deferred Taxes

Cleco Power has recorded a net regulatory asset related to deferred income taxes in accordance with the authoritative guidance on income taxes. The related regulatory asset or liability recorded represents the effect of tax benefits or detriments that must be flowed through to customers as they are received or paid. Generally, the recovery periods for regulatory assets and liabilities are based on assets' lives, which are typically 30 years or greater. The amounts deferred are attributable to differences between book and tax recovery periods. At September 30, 2009, Cleco Power had regulatory assets and liabilities – deferred taxes, net of $227.9 million. The $53.1 million increase from December 31, 2008, was primarily the result of the collection and deferral of carrying costs for Cleco Power's construction of Rodemacher Unit 3.

Deferred Tree Trimming Costs

In January 2008, the LPSC approved Cleco Power's request to establish a regulatory asset for costs incurred to trim, cut, or remove trees that were damaged by Hurricanes Katrina and Rita, but were not addressed as part of the restoration efforts. The regulatory asset is capped at $12.0 million in actual expenditures plus a 12.4% grossed-up rate of return. Recovery of these expenditures was requested in Cleco Power's base rate application filed on July 14, 2008, and was approved by the LPSC on October 14, 2009. At September 30, 2009, the regulatory asset consisted of \$10.9 million of actual expenditures and \$1.1 million related to the grossed-up rate of return.

Deferred Training Costs
In February 2008, the LPSC approved Cleco Power's request to establish a regulatory asset which is being charged with training costs associated with existing processes and technology for new employees at Rodemacher Unit 3. Recovery of these expenditures was requested in Cleco Power's base rate application filed on July 14, 2008, and were covered by the retail rate plan which was approved by the LPSC on October 14, 2009. At September 30, 2009, Cleco Power had deferred \$5.7 million of Rodemacher Unit 3 training costs.

Deferred Storm Surcredit, net
Cleco Power has recorded a storm surcredit as the result of a settlement with the LPSC that addressed, among other things, the recovery of the storm damages related to Hurricanes Katrina and Rita. In the settlement, Cleco Power was required to implement a surcredit to provide ratepayers with the economic benefit of the carrying charges of all accumulated deferred income tax liabilities due to the storm damage costs at a 12.2% rate of return which was set in LPSC Order No. U-29157A. The accumulated deferred income tax liability includes deductions for operation and maintenance expense, casualty loss, and depreciation against taxable income in the year incurred and all subsequent periods. The settlement, through a true-up mechanism, allows the surcredit to be adjusted to reflect the actual tax deductions allowed by the IRS.
Cleco Power also was allowed to record a corresponding regulatory asset in an amount representing the flow back of the carrying charges to ratepayers. This amount is being amortized over the life of the storm recovery bonds. The corresponding regulatory asset will be adjusted through the same surcredit true-up mechanism at the time of a final determination of the tax benefit for storm damage costs by the IRS.
As a result of the settlement with the LPSC, Cleco Power was required to implement a surcredit when funds were withdrawn from the restricted storm reserve. In October 2008, Cleco Power withdrew funds from the restricted storm reserve to pay for damage caused by Hurricanes Gustav and Ike resulting in the establishment of a surcredit. However, rather than refunding this amount, Cleco Power requested and received approval from the LPSC to replenish the restricted storm reserve. At September 30, 2009, Cleco Power had \$5.8 million in deferred storm surcredit, net.

Deferred Construction Carrying Costs
In February 2006, the LPSC approved Cleco Power's plans to build Rodemacher Unit 3. Terms of the approval included authorization for Cleco Power to collect from customers an amount equal to 75% of the LPSC-jurisdictional portion of the carrying costs of capital during the construction phase of the unit. In any calendar year during the construction period, the amount collected from customers is not to exceed 6.5% of Cleco Power's projected retail revenues. Cleco Power began collection of the carrying costs and established a regulatory liability in May 2006. As of September 30, 2009, Cleco Power had collected \$134.4 million in construction carrying costs.
On October 14, 2009, the LPSC voted unanimously to approve Cleco Power's retail rate plan. The retail rate plan establishes that a minimum of \$183.2 million be returned to customers over a five-year period and that Cleco Power will record a regulatory asset for all amounts above the actual amount collected from customers. At September 30, 2009, Cleco Power recognized the minimum regulatory liability of \$183.2 million and the related regulatory asset of \$48.8 million. Upon commercial operations of Rodemacher Unit 3, the regulatory asset will be amortized over a five-year period. At September 30, 2009, \$27.5 million was due to be returned to customers within one year.

Deferred Fuel and Purchased Power Costs

The cost of fuel used for electric generation and the cost of power purchased for utility customers are recovered through the LPSC-established fuel adjustment clause, which enables Cleco Power to pass on to its customers substantially all such charges. For the three months ended September 30, 2009, approximately 95% of Cleco Power's total fuel cost was regulated by the LPSC, while the remainder was regulated by FERC. Deferred fuel and purchased power costs recorded at September 30, 2009, and December 31, 2008, were under-recoveries of $27.3 million and $69.2 million, respectively, and are scheduled to be collected from customers in future months. The $41.9 million decrease in the under-recovered funds was primarily the result of a $27.8 million decreased loss in the mark-to-market of natural gas hedge positions due to the close of certain natural gas positions, and the collection of $14.9 million in additional fuel and purchased power costs. These decreases were partially offset by the deferral of $0.6 million in additional fuel and purchased power costs. For additional information on Cleco Power's treatment of natural gas hedges, see Note 1 — "Summary of Significant Accounting Policies — Risk Management."

Note 4 — Fair Value Accounting

The amounts reflected in the Condensed Consolidated Balance Sheets of Cleco and Cleco Power at September 30, 2009, and December 31, 2008, for cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and short-term debt approximate fair value because of their short-term nature. Estimates of the fair value of Cleco and Cleco Power's long-term debt and Cleco's nonconvertible preferred stock are based upon the quoted market price for the same or similar issues or by a discounted present value analysis of future cash flows using current rates obtained by Cleco and Cleco Power for debt and by Cleco for preferred stock with similar maturities.

The estimated fair value of energy market positions is based upon observed market prices when available. When such market prices are not available, management estimates market value at a discrete point in time by assessing market conditions and observed volatility. These estimates are subjective in nature and involve uncertainties. Therefore, actual results may differ from these estimates.

Cleco

(THOUSANDS)	AT SEPTEMBER 30, 2009 CARRYING VALUE	AT SEPTEMBER 30, 2009 ESTIMATED FAIR VALUE	AT DECEMBER 31, 2008 CARRYING VALUE	AT DECEMBER 31, 2008 ESTIMATED FAIR VALUE
Financial instruments not marked-to-market				
Cash and cash equivalents	$49,283	$ 49,283	$97,483	$ 97,483
Restricted cash	$56,040	$ 56,040	$102,982	$ 102,982
Long-term debt, excluding debt issuance costs	$1,232,545	$ 1,242,206	$1,172,874	$ 1,110,171
Preferred stock not subject to mandatory redemption	$1,029	$ 792	$1,029	$ 699

(THOUSANDS)	AT SEPTEMBER 30, 2009 ORIGINAL VALUE	AT SEPTEMBER 30, 2009 OTHER UNREALIZED LOSSES DURING THE PERIOD	AT SEPTEMBER 30, 2009 ESTIMATED FAIR VALUE	AT DECEMBER 31, 2008 ORIGINAL VALUE	AT DECEMBER 31, 2008 OTHER UNREALIZED LOSSES DURING THE PERIOD	AT DECEMBER 31, 2008 ESTIMATED FAIR VALUE
Financial instruments marked-to-market						
Energy market positions						
Assets	$104,075	$(17,064)	$ 86,487	$159,432	$(47,293)	$ 117,851
Liabilities	$151,943	$(12,942)	$ 139,001	$221,083	$(10,315)	$ 210,768
Interest rate swap liability	$-	$(833)	$ 833	$-	$-	$ -

Cleco Power

(THOUSANDS)	AT SEPTEMBER 30, 2009 CARRYING VALUE	AT SEPTEMBER 30, 2009 ESTIMATED FAIR VALUE	AT DECEMBER 31, 2008 CARRYING VALUE	AT DECEMBER 31, 2008 ESTIMATED FAIR VALUE
Financial instruments not marked-to-market				
Cash and cash equivalents	$35,010	$ 35,010	$91,542	$ 91,542
Restricted cash	$55,944	$ 55,944	$102,885	$ 102,885
Long-term debt, excluding debt issuance costs	$1,114,545	$ 1,124,206	$1,142,874	$ 1,080,171

(THOUSANDS)	AT SEPTEMBER 30, 2009 ORIGINAL VALUE	OTHER UNREALIZED LOSSES DURING THE PERIOD	ESTIMATED FAIR VALUE	AT DECEMBER 31, 2008 ORIGINAL VALUE	OTHER UNREALIZED LOSSES DURING THE PERIOD	ESTIMATED