CLECO POWER LLC
Form 10-Q
August 05, 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 June 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 July 31, 2009
Cleco Corporation	Common Stock, $1.00 Par Value	60,476,642

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 2ND 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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CLECO POWER 2009 2ND QUARTER FORM 10-Q

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.
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, and Amendment No. 2 thereto dated as of July 2, 2008
APB	Accounting Principles Board
APB Opinion No. 10	Consolidated Financial Statements, Poolings of Interest, Convertible Debt and Debt Issued with Stock Warrants Installment Method of Accounting
APB Opinion No. 18	The Equity Method of Accounting for Investments in Common Stock
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., an affiliate of pooled investment funds managed by King Street Capital Management, L.P.
CES	Calpine Energy Services, L.P.
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
Diversified Lands	Diversified Lands LLC, a wholly owned subsidiary of Cleco Innovations LLC, a wholly owned subsidiary of Cleco Corporation
EITF	Emerging Issues Task Force of the FASB
EITF No. 08-5	Issuer’s Accounting for Liabilities Measured at Fair Value with a Third Party Credit Enhancement
Entergy	Entergy Corporation
Entergy Gulf States	Entergy Gulf States, Inc.

Entergy Louisiana	Entergy Louisiana, Inc.
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
FIN	FASB Interpretation No.
FIN 18	Accounting for Income Taxes in Interim Periods – an interpretation of APB Opinion No. 28
FIN 39	Offsetting of Amounts Related to Certain Contracts – an interpretation of APB Opinion No. 10 and FASB Statement No. 105
FIN 45	Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others
FIN 46R	Consolidation of Variable Interest Entities – an Interpretation of Accounting Research Bulletin No. 51 (revised December 2003)
FIN 48	Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109
FSP	FASB Staff Position
FSP EITF No. 03-6-1	Determining Whether Instruments Granted in Shared Based Payment Transactions Are Participating Securities
FSP No. FAS 107-1 and APB 28-1	Interim Disclosures about Fair Value of Financial Instruments
FSP No. FAS 115-2 and FAS 124-2	Recognition and Presentation of Other-Than-Temporary Impairments
FSP No. FAS 132(R)-1	Employers' Disclosures about Postretirement Benefit Plan Assets
FSP No. FAS 141(R)-1	Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies
FSP No. FAS 142-3	Determining the Useful Life of Intangible Assets
FSP No. FAS 157-4	Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly
FSP No. FIN 39-1	Amendment of FASB Interpretation No. 39
GAAP	Generally Accepted Accounting Principles in the United States

ABBREVIATION OR ACRONYM	DEFINITION
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
Not meaningful	A percentage comparison of these items is not statistically meaningful because the percentage difference is greater than 1,000%.
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
SFAS	Statement of Financial Accounting Standards
SFAS No. 5	Accounting for Contingencies
SFAS No. 71	Accounting for the Effects of Certain Types of Regulation
SFAS No. 107	Disclosures about Fair Value of Financial Instruments
SFAS No. 109	Accounting for Income Taxes

SFAS No. 123(R)	Share-Based Payment
SFAS No. 131	Disclosures about Segments of an Enterprise and Related Information
SFAS No. 132(R)	Employers' Disclosures about Postretirement Benefit Plan Assets
SFAS No. 133	Accounting for Derivative Instruments and Hedging Activities
SFAS No. 141(R)	Business Combinations
SFAS No. 142	Goodwill and Other Intangible Assets
SFAS No. 149	Amendment of Statement 133 on Derivative Instruments and Hedging Activities
SFAS No. 157	Fair Value Measurements
SFAS No. 161	Disclosures about Derivative Instruments and Hedging Activities
SFAS No. 162	The Hierarchy of Generally Accepted Accounting Principles
SFAS No. 165	Subsequent Events
SFAS No. 166	Accounting for Transfers of Financial Assets – an amendment of FASB Statement 140
SFAS No. 167	Consolidation of Variable Interest Entities, an amendment to FIN 46R
SFAS No. 168	The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles
Shaw	Shaw Contractors, Inc., a subsidiary of The Shaw Group Inc.
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; timing and outcome of Cleco Power’s proposed new rate plan; 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; power transmission system constraints; or the outcome of Cleco Power’s proposed new rate plan filed with the LPSC in July 2008;

§ 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, and Cleco Power's acquisition of 50 percent 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 JUNE 30, 2009	2008
Operating revenue		
Electric operations	$195,651	$259,581
Other operations	8,712	12,758
Affiliate revenue	2,863	2,448
Operating revenue	207,226	274,787
Operating expenses		
Fuel used for electric generation	50,326	22,887
Power purchased for utility customers	56,547	151,949
Other operations	25,941	22,862
Maintenance	14,766	14,589
Depreciation	19,479	19,336
Taxes other than income taxes	8,300	9,455
Total operating expenses	175,359	241,078
Operating income	31,867	33,709
Interest income	271	1,258
Allowance for other funds used during construction	17,538	14,993
Equity loss from investees	(3,125)	(2,365)
Other income	1,633	91
Other expense	(480)	(1,377)
Interest charges		
Interest charges, including amortization of debt expenses, premium, and discount, net of capitalized interest	20,150	14,947
Allowance for borrowed funds used during construction	(6,421)	(5,026)
Total interest charges	13,729	9,921
Income before income taxes	33,975	36,388
Federal and state income tax expense	6,949	6,999
Net income	27,026	29,389
Preferred dividends requirements, net of tax	12	12
Net income applicable to common stock	$27,014	$29,377
Average shares of common stock outstanding		
Basic	60,175,528	59,998,227
Diluted	60,451,665	60,168,947
Basic earnings per share		
From continuing operations	$0.45	$0.49
Net income applicable to common stock	$0.45	$0.49
Diluted earnings per share		
From continuing operations	$0.45	$0.49
Net income applicable to common stock	$0.45	$0.49

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.

CLECO CORPORATION

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	FOR THE THREE MONTHS ENDED JUNE 30,	
(THOUSANDS)	2009	2008
Net income	$27,026	$29,389
Other comprehensive income (loss), net of tax:		
Net unrealized loss from available-for-sale securities (net of tax benefit of $18 in 2008)	-	(29)
Amortization of post-retirement benefit net gain (loss) (net of tax benefit of $14 in 2009 and $8 in 2008)	1	(5)
Other comprehensive income (loss)	1	(34)
Comprehensive income, net of tax	$27,027	$29,355

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 SIX MONTHS ENDED JUNE 30, 2009	2008
Operating revenue		
Electric operations	$398,517	$469,462
Other operations	15,820	22,821
Affiliate revenue	5,825	5,054
Operating revenue	420,162	497,337
Operating expenses		
Fuel used for electric generation	138,629	68,423
Power purchased for utility customers	102,265	241,743
Other operations	50,892	45,138
Maintenance	25,325	24,702
Depreciation	38,613	38,686
Taxes other than income taxes	15,333	18,286
Gain on sales of assets	-	(99)
Total operating expenses	371,057	436,879
Operating income	49,105	60,458
Interest income	682	2,875
Allowance for other funds used during construction	34,529	28,677
Equity loss from investees	(14,876)	(6,939)
Other income	2,674	157
Other expense	(1,332)	(2,046)
Interest charges		
Interest charges, including amortization of debt expenses, premium, and discount, net of capitalized interest	41,466	29,265
Allowance for borrowed funds used during construction	(12,634)	(9,603)
Total interest charges	28,832	19,662
Income before income taxes	41,950	63,520
Federal and state income tax expense	8,275	12,060
Net income	33,675	51,460
Preferred dividends requirements, net of tax	23	23
Net income applicable to common stock	$33,652	$51,437
Average shares of common stock outstanding		
Basic	60,132,358	59,948,801
Diluted	60,279,903	60,068,682
Basic earnings per share		
From continuing operations	$0.56	$0.86
Net income applicable to common stock	$0.56	$0.86
Diluted earnings per share		
From continuing operations	$0.56	$0.86
Net income applicable to common stock	$0.56	$0.86

Cash dividends paid per share of common stock	$0.450	$0.450

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

CLECO CORPORATION

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	FOR THE SIX MONTHS ENDED JUNE 30,	
(THOUSANDS)	2009	2008
Net income	$33,675	$51,460
Other comprehensive income (loss), net of tax:		
Net unrealized loss from available-for-sale securities (net of tax benefit of $27 in 2008)	-	(43)
Amortization of post-retirement benefit net gain (loss) (net of tax benefit of $27 in 2009 and $15 in 2008)	3	(9)
Other comprehensive income (loss)	3	(52)
Comprehensive income, net of tax	$33,678	$51,408

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

CLECO CORPORATION

Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT JUNE 30, 2009	AT DECEMBER 31, 2008
Assets		
Current assets		
Cash and cash equivalents	$41,996	$ 97,483
Restricted cash	31,874	62,311
Customer accounts receivable (less allowance for doubtful accounts of $2,085 in 2009 and $1,632 in 2008)	41,577	40,677
Accounts receivable – affiliate	13,247	3,428
Other accounts receivable	32,174	34,209
Taxes receivable	10,193	13,663
Unbilled revenue	26,718	19,713
Fuel inventory, at average cost	69,847	57,221
Material and supplies inventory, at average cost	40,472	37,547
Risk management assets, net	7,871	368
Accumulated deferred fuel	51,466	69,154
Cash surrender value of company-/trust-owned life insurance policies	25,804	22,934
Prepayments	2,121	3,751
Regulatory assets – other	2,553	2,553
Other current assets	1,881	1,367
Total current assets	399,794	466,379
Property, plant and equipment		
Property, plant and equipment	2,075,516	2,015,269
Accumulated depreciation	(971,521)	(948,581)
Net property, plant and equipment	1,103,995	1,066,688
Construction work in progress	1,057,608	978,598
Total property, plant and equipment, net	2,161,603	2,045,286
Equity investment in investees	248,485	249,144
Prepayments	5,502	6,067
Restricted cash	38,815	40,671
Regulatory assets and liabilities – deferred taxes, net	208,143	174,804
Regulatory assets – other	160,932	158,206
Intangible asset	162,452	167,826
Other deferred charges	32,045	32,821
Total assets	$3,417,771	$ 3,341,204
The accompanying notes are an integral part of the condensed consolidated financial statements.		

(Continued on next page)

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CLECO CORPORATION

Condensed Consolidated Balance Sheets (Unaudited) (Continued)

(THOUSANDS)	AT JUNE 30, 2009	AT DECEMBER 31, 2008
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Long-term debt due within one year	$11,087	$ 63,546
Accounts payable	83,154	117,337
Retainage	28	12,734
Accounts payable – affiliate	2,861	8,229
Customer deposits	30,511	27,155
Interest accrued	11,123	16,787
Accumulated current deferred taxes, net	62,031	64,838
Risk management liability, net	29,858	30,109
Regulatory liabilities – other	131	392
Deferred compensation	5,791	5,118
Other current liabilities	13,146	14,588
Total current liabilities	249,721	360,833
Deferred credits		
Accumulated deferred federal and state income taxes, net	371,559	373,825
Accumulated deferred investment tax credits	10,620	11,286
Postretirement benefit obligations	155,602	155,910
Regulatory liabilities – other	120,644	85,496
Restricted storm reserve	25,894	27,411
Uncertain tax positions	81,401	76,124
Other deferred credits	94,022	82,635
Total deferred credits	859,742	812,687
Long-term debt, net	1,238,757	1,106,819
Total liabilities	2,348,220	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 June 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 60,207,811 and 60,066,345 shares and outstanding 60,187,035 and 60,042,514 shares at June 30, 2009 and December 31, 2008, respectively	60,208	60,066
Premium on common stock	396,608	394,517
Retained earnings	621,902	615,514
Treasury stock, at cost, 20,776 and 23,831 shares at June 30, 2009 and December 31, 2008, respectively	(366)	(428)

Accumulated other comprehensive loss	(9,830)	(9,833)
Total common shareholders’ equity	1,068,522	1,059,836
Total shareholders’ equity	1,069,551	1,060,865
Total liabilities and shareholders’ equity	$3,417,771	$ 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)

(THOUSANDS)	FOR THE SIX MONTHS ENDED JUNE 30, 2009	2008
Operating activities		
Net income	$33,675	$51,460
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	63,658	42,436
Gain on sale of assets	-	(99)
Provision for doubtful accounts	1,365	1,228
Loss from equity investments	14,876	6,939
Unearned compensation expense	2,458	1,654
Allowance for other funds used during construction	(34,529)	(28,677)
Amortization of investment tax credits	(666)	(690)
Net deferred income taxes	(18,972)	(20,920)
Deferred fuel costs	16,600	(36,677)
Loss (gain) on economic hedges	631	(4,506)
Cash surrender value of company-/trust-owned life insurance	(1,940)	772
Changes in assets and liabilities:		
Accounts receivable	(3,100)	(23,226)
Accounts and notes receivable, affiliate	(9,819)	2,020
Unbilled revenue	(7,005)	(6,446)
Fuel, materials and supplies inventory	(15,550)	(2,504)
Prepayments	1,892	1,971
Accounts payable	(25,610)	20,023
Accounts and notes payable, affiliate	(19,305)	(27,200)
Customer deposits	5,823	2,816
Post retirement benefit obligation	(308)	(1,201)
Regulatory assets and liabilities, net	31,972	22,297
Other deferred accounts	(23,421)	12,255
Retainage payable	(12,706)	8,291
Taxes accrued	17,182	19,583
Interest accrued	(5,664)	(9,309)
Risk management assets and liabilities, net	(10,237)	19,566
Other operating	(1,347)	1,256
Net cash (used in) provided by operating activities	(47)	53,112
Investing activities		
Additions to property, plant and equipment	(131,690)	(190,841)
Allowance for other funds used during construction	34,529	28,677
Proceeds from sale of property, plant and equipment	366	287
Return of equity investment in investees	-	7,860
Equity investment in investees	(21,651)	-

Premiums paid on company-/trust-owned life insurance	(400)	(629)
Settlements received from insurance policies	-	941
Transfer of cash from (to) restricted accounts	32,294	(38,915)
Other investing	(2)	661
Net cash used in investing activities	(86,554)	(191,959)
Financing activities		
Retirement of long-term obligations	(60,017)	(350,189)
Repayment of capital leases	(643)	(58)
Issuance of long-term debt	118,000	537,541
Deferred financing costs	-	(281)
Dividends paid on preferred stock	(23)	(23)
Dividends paid on common stock	(27,088)	(27,007)
Other financing	885	620
Net cash provided by financing activities	31,114	160,603
Net (decrease) increase in cash and cash equivalents	(55,487)	21,756
Cash and cash equivalents at beginning of period	97,483	129,013
Cash and cash equivalents at end of period	$41,996	$150,769
Supplementary cash flow information		
Interest paid (net of amount capitalized)	$39,396	$24,893
Income taxes paid	$8,131	$40,180
Supplementary non-cash investing and financing activities		
Issuance of treasury stock – LTICP	$62	$47
Issuance of common stock – LTICP/ESPP	$146	$23
Accrued additions to property, plant and equipment not reported above	$7,083	$22,737
Incurrence of capital lease obligation – barges	$22,050	$-

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

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)

(THOUSANDS)	FOR THE THREE MONTHS ENDED JUNE 30, 2009	2008
Operating revenue		
Electric operations	$195,651	$259,581
Other operations	8,688	12,714
Affiliate revenue	349	594
Operating revenue	204,688	272,889
Operating expenses		
Fuel used for electric generation	50,326	22,887
Power purchased for utility customers	56,547	151,949
Other operations	24,229	21,706
Maintenance	13,675	13,645
Depreciation	19,184	19,007
Taxes other than income taxes	7,654	8,181
Total operating expenses	171,615	237,375
Operating income	33,073	35,514
Interest income	255	999
Allowance for other funds used during construction	17,538	14,993
Other income	204	115
Other expense	(443)	(518)
Interest charges		
Interest charges, including amortization of debt expenses, premium, and discount	17,926	13,857
Allowance for borrowed funds used during construction	(6,421)	(5,026)
Total interest charges	11,505	8,831
Income before income taxes	39,122	42,272
Federal and state income taxes	8,916	9,610
Net income	$30,206	$32,662

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

CLECO POWER

Condensed Consolidated Statements of Income (Unaudited)

	FOR THE SIX MONTHS ENDED JUNE 30,	
(THOUSANDS)	2009	2008
Operating revenue		
Electric operations	$398,517	$469,462
Other operations	15,774	22,775
Affiliate revenue	697	1,102
Operating revenue	414,988	493,339
Operating expenses		
Fuel used for electric generation	138,629	68,423
Power purchased for utility customers	102,265	241,743
Other operations	47,649	42,620
Maintenance	23,104	22,838
Depreciation	38,029	38,025
Taxes other than income taxes	15,363	15,995
Total operating expenses	365,039	429,644
Operating income	49,949	63,695
Interest income	658	1,576
Allowance for other funds used during construction	34,529	28,677
Other income	1,600	216
Other expense	(2,155)	(864)
Interest charges		
Interest charges, including amortization of debt expenses, premium, and discount	39,275	26,065
Allowance for borrowed funds used during construction	(12,634)	(9,603)
Total interest charges	26,641	16,462
Income before income taxes	57,940	76,838
Federal and state income taxes	12,716	16,569
Net income	$45,224	$60,269

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

CLECO POWER

Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT JUNE 30, 2009	AT DECEMBER 31, 2008
Assets		
Utility plant and equipment		
Property, plant and equipment	$2,059,300	$ 1,999,119
Accumulated depreciation	(959,924)	(937,568)
Net property, plant and equipment	1,099,376	1,061,551
Construction work in progress	1,056,024	977,377
Total utility plant, net	2,155,400	2,038,928
Current assets		
Cash and cash equivalents	31,875	91,542
Restricted cash	31,874	62,311
Customer accounts receivable (less allowance for doubtful accounts of $2,085 in 2009 and $1,632 in 2008)	41,577	40,677
Other accounts receivable	31,160	34,130
Taxes receivable	-	5,992
Accounts receivable – affiliate	2,096	2,059
Unbilled revenue	26,718	19,713
Fuel inventory, at average cost	69,847	57,221
Material and supplies inventory, at average cost	40,472	37,547
Risk management assets, net	7,871	368
Prepayments	1,919	3,099
Regulatory assets – other	2,553	2,553
Accumulated deferred fuel	51,466	69,154
Cash surrender value of life insurance policies	5,603	5,563
Other current assets	792	1,144
Total current assets	345,823	433,073
Prepayments	5,502	6,067
Restricted cash	38,718	40,574
Regulatory assets and liabilities – deferred taxes, net	208,143	174,804
Regulatory assets – other	160,932	158,206
Intangible asset	162,452	167,826
Other deferred charges	20,907	22,119
Total assets	$3,097,877	$ 3,041,597
Liabilities and member’s equity		
Member’s equity	$959,221	$ 929,178
Long-term debt, net	1,120,757	1,076,819
Total capitalization	2,079,978	2,005,997
Current liabilities		
Long-term debt due within one year	11,087	63,546
Accounts payable	79,916	109,450

Accounts payable – affiliate	6,181	7,536
Retainage	28	12,734
Customer deposits	30,511	27,155
Taxes accrued	56,739	-
Interest accrued	11,471	16,762
Accumulated deferred taxes, net	63,686	67,233
Risk management liability, net	29,858	30,109
Regulatory liabilities – other	131	392
Other current liabilities	10,339	10,200
Total current liabilities	299,947	345,117
Deferred credits		
Accumulated deferred federal and state income taxes, net	330,569	337,148
Accumulated deferred investment tax credits	10,620	11,286
Postretirement benefit obligations	126,693	128,373
Regulatory liabilities – other	120,644	85,496
Restricted storm reserve	25,894	27,411
Uncertain tax positions	60,394	54,306
Other deferred credits	43,138	46,463
Total deferred credits	717,952	690,483
Total liabilities and member’s equity	$3,097,877	$ 3,041,597
The accompanying notes are an integral part of the condensed consolidated financial statements.		

CLECO POWER

Condensed Consolidated Statements of Cash Flows (Unaudited)

	FOR THE SIX MONTHS ENDED JUNE 30,	
(THOUSANDS)	2009	2008
Operating activities		
Net income	$45,224	$60,269
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	43,967	41,519
Provision for doubtful accounts	1,365	1,223
Unearned compensation expense	770	447
Allowance for other funds used during construction	(34,529)	(28,677)
Amortization of investment tax credits	(666)	(690)
Net deferred income taxes	(23,102)	(18,407)
Deferred fuel costs	16,600	(36,677)
Loss (gain) on economic hedges	631	(4,506)
Cash surrender value of company-owned life insurance	(523)	(211)
Changes in assets and liabilities:		
Accounts receivable	(2,167)	(23,641)
Accounts and notes receivable, affiliate	84	(1,327)
Unbilled revenue	(7,005)	(6,446)
Fuel, materials and supplies inventory	(15,550)	(2,504)
Prepayments	2,227	1,455
Accounts payable	(20,878)	23,698
Accounts and notes payable, affiliate	(1,636)	17,878
Customer deposits	5,823	2,816
Post retirement benefit obligations	(1,680)	(349)
Regulatory assets and liabilities, net	31,972	22,297
Other deferred accounts	(25,688)	6,581
Retainage payable	(12,706)	8,291
Taxes accrued	62,731	14,406
Interest accrued	(5,291)	(4,973)
Risk management assets and liabilities, net	(10,237)	19,566
Other operating	331	566
Net cash provided by operating activities	50,067	92,604
Investing activities		
Additions to property, plant and equipment	(131,262)	(190,258)
Allowance for other funds used during construction	34,529	28,677
Proceeds from sale of property, plant and equipment	366	286
Premiums paid on company-owned life insurance	-	(424)
Transfer of cash from (to) restricted accounts	32,294	(38,913)
Other investing	(1)	-
Net cash used in investing activities	(64,074)	(200,632)
Financing activities		

Retirement of long-term obligations	(60,017)	(250,189)
Repayment of capital leases	(643)	(58)
Issuance of long-term debt	30,000	489,541
Distribution to parent	(15,000)	-
Deferred financing costs	-	(280)
Net cash (used in) provided by financing activities	(45,660)	239,014
Net (decrease) increase in cash and cash equivalents	(59,667)	130,986
Cash and cash equivalents at beginning of period	91,542	11,944
Cash and cash equivalents at end of period	$31,875	$142,930
Supplementary cash flow information		
Interest paid (net of amount capitalized)	$38,643	$21,206
Income taxes paid	$8,104	$2,100
Supplementary non-cash investing and financing activities		
Accrued additions to property, plant and equipment not reported above	$7,083	$22,737
Incurrence of capital lease obligation – barges	$22,050	$-
The accompanying notes are an integral part of the condensed consolidated financial statements.		

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.

Cleco has adopted the provisions of FIN 46R on its scheduled effective dates. 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. These are considered variable interest entities. In accordance with FIN 46R, 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 generally accepted accounting principles 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 generally accepted accounting principles. 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 June 30, 2009, and December 31, 2008, $70.7 million and $103.0 million of cash, respectively, were restricted. At June 30, 2009, restricted cash consisted of $0.1 million under the Diversified Lands mitigation escrow agreement, $1.9 million held in escrow for the construction of Cleco Power's solid waste disposal facilities at Rodemacher Unit 3, $32.6 million reserved at Cleco Power for GO Zone project costs, $27.8 million reserved at Cleco Power for future storm restoration costs, and $8.3 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 generally accepted accounting principles. 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 SFAS No. 133 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 of SFAS No. 133, as modified by SFAS No. 149, since 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 are derivatives as defined by SFAS No. 133 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, net. For the three and six months ended June 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 JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
(THOUSANDS)	2009	2008	2009	2008
Realized (loss) gain	$(534)	$679	$(882)	$788
Mark-to-market gain (loss)	512	2,736	(631)	4,506
Total (loss) gain	$(22)	$3,415	$(1,513)	$5,294

Cleco Power could experience realized losses in future periods as natural gas or power is purchased to meet its contractual obligations.
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 June 30, 2009, and December 31, 2008, the net mark-to-market impact relating to these positions were losses of $52.2 million and $57.4 million, respectively. The decreased loss is

primarily due to the closing of certain natural gas positions and the addition of new hedge positions. Deferred losses relating to closed natural gas positions at June 30, 2009, and December 31, 2008, totaled $8.4 million and $6.4 million, respectively.

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 June 30, 2009, and December 31, 2008, Cleco Power had deposited collateral of $19.6 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.

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.

CLECO CORPORATION
CLECO POWER 2009 2ND QUARTER FORM 10-Q

				FOR THE THREE MONTHS ENDED JUNE 30		
			2009			2008
(THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS)	INCOME	SHARES	PER SHARE AMOUNT	INCOME	SHARES	PER SHARE AMOUNT
Net income	$27,026			$29,389		
Deduct: non-participating stock dividends (4.5% preferred stock)	12			12		
Basic earnings per share						
Net income applicable to common stock	$27,014		$0.45	$29,377		$0.49
Total basic net income applicable to common stock	$27,014	60,175,528	$0.45	$29,377	59,998,227	$0.49
Effect of Dilutive Securities						
Add: stock option grants		22,557			51,775	
Add: restricted stock (LTICP)		253,580			118,945	
Diluted earnings per share						
Net income applicable to common stock	$27,014		$0.45	$29,377		$0.49
Total diluted net income applicable to common stock	$27,014	60,451,665	$0.45	$29,377	60,168,947	$0.49

				FOR THE SIX MONTHS ENDED JUNE 30		
			2009			2008
(THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS)	INCOME	SHARES	PER SHARE AMOUNT	INCOME	SHARES	PER SHARE AMOUNT
Net income	$33,675			$51,460		
Deduct: non-participating stock dividends (4.5% preferred stock)	23			23		
Basic earnings per share						
Net income applicable to common stock	$33,652		$0.56	$51,437		$0.86
Total basic net income applicable to common stock	$33,652	60,132,358	$0.56	$51,437	59,948,801	$0.86
Effect of Dilutive Securities						
Add: stock option grants		24,855			61,744	
Add: restricted stock (LTICP)		122,690			58,137	
Diluted earnings per share						
	$33,652		$0.56	$51,437		$0.86

Net income applicable to common stock						
Total diluted net income applicable to common stock	$33,652	60,279,903	$0.56	$51,437	60,068,682	$0.86

During the first quarter of 2009, Cleco implemented FSP EITF No. 03-6-1 in connection with calculating basic earnings per share. For additional information on Cleco's implementation of FSP EITF No. 03-6-1, 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 six months ended June 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 six months ended June 30, 2009, and three months ended June 30, 2008, are presented in the tables below.

	FOR THE THREE MONTHS ENDED JUNE 30, 2009		
	STRIKE PRICE	AVERAGE MARKET PRICE	SHARES
Stock option grants excluded	$ 22.25-$24.25	$21.42	135,533

	FOR THE SIX MONTHS ENDED JUNE 30, 2009		
	STRIKE PRICE	AVERAGE MARKET PRICE	SHARES
Stock option grants excluded	$ 22.25-$24.25	$21.69	135,533

	FOR THE THREE MONTHS ENDED JUNE 30, 2008		
	STRIKE PRICE	AVERAGE MARKET PRICE	SHARES
Stock option grants excluded	$ 24.00-$24.25	$23.63	45,767

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 June 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 as defined by SFAS No. 123(R), 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 JUNE 30,				FOR THE SIX MONTHS ENDED JUNE 30,			
(THOUSANDS)	2009	2008	2009	2008	2009	2008	2009	2008
Equity classification								
Non-vested stock	$ 480	$ 330	$ 122	$ 80	$ 1,055	$ 783	$ 281	$ 197
Stock options	12	14	-	-	25	28	-	-
Total	$ 492	$ 344	$ 122	$ 80	$ 1,080	$ 811	$ 281	$ 197
Liability classification								
Common stock equivalent units	$ 211	$ 781	$ 74	$ 297	$ 1,174	$ 677	$ 489	$ 250
Total pre-tax compensation expense	$ 703	$ 1,125	$ 196	$ 377	$ 2,254	$ 1,488	$ 770	$ 447
Tax benefit (excluding income tax gross-up)	$ 271	$ 433	$ 75	$ 145	$ 867	$ 573	$ 296	$ 172

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 issued FSP No. FAS 142-3 which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. This FSP amends SFAS No. 142 to allow an entity's own experience in renewing arrangements or to use market assumptions about renewal in determining the useful life of a recognized intangible asset. This FSP also requires additional disclosure about the renewal costs. FSP No. FAS 142-3 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. The adoption of FSP No. FAS 142-3 did not have an impact on the financial condition or results of operations of the Registrants.

In June 2008, FASB issued FSP EITF No. 03-6-1 which gives guidance on determining whether non-vested instruments issued in share-based payment transactions are participating securities when calculating earnings per share. This FSP 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 FSP 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 FSP. The implementation of this FSP did not have an impact on the financial condition or results of operations of the Registrants.

In September 2008, FASB ratified EITF No. 08-5 which provides guidance on issuer's accounting and disclosure at fair value for liabilities that contain inseparable third-party credit enhancements. The EITF 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 the EITF 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 EITF are effective on a prospective basis in the first reporting period beginning on or after December 15, 2008. The implementation of this FSP did not have an impact on the financial condition or results of operations of the Registrants.

In December 2008, FASB issued FSP No. FAS 132(R)-1 which amends SFAS No. 132(R) which provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. This FSP also includes a technical amendment to SFAS No. 132(R) that requires a nonpublic entity to disclose net periodic benefit cost for each annual period for which a statement of income is presented. This FSP is effective for the first fiscal year ending after December 15, 2009. Since the adoption of this FSP is only a change in disclosure, the adoption of the FSP 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 issued FSP No. FAS 141(R)-1 which amends and clarifies SFAS No. 141(R) 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 FSP applies to all assets acquired and liabilities assumed in a business combination that arise from contingencies that would be within the scope of SFAS No. 5 if not acquired or assumed in a business combination, except for assets or liabilities arising from contingencies that are subject to specific guidance in SFAS No. 141(R). 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 FSP shall be effective for assets or 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 FSP had no impact on the financial condition or results of operations of the Registrants.

On April 9, 2009, FASB issued FSP No. FAS 115-2 and FAS 124-2 which amend 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, this FSP requires 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. This FSP also includes guidance on calculating credit loss and additional disclosures. This FSP is effective for interim and annual reporting periods ending after June 15, 2009. The implementation of this FSP did not have an impact on the financial condition and results of operations of the Registrants.

On April 9, 2009, FASB issued FSP No. FAS 157-4 which provides additional guidance for estimating fair value in accordance with SFAS No. 157 when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. This FSP applies to all assets and liabilities within the scope of SFAS No. 157. 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 FSP is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. This FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption. The implementation of this FSP did not have an impact on the financial condition and results of operations of the Registrants.

On April 9, 2009, FASB issued FSP No. FAS 107-1 and APB 28-1 which require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies. This FSP applies to all financial instruments within the scope of SFAS No. 107 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. This FSP shall be effective for interim reporting periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. This FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption. Since the adoption of this FSP is only a change in disclosure, the adoption of the FSP did not have any effect on the financial condition or results of operation of the Registrants.

On June 4, 2009, FASB issued SFAS No. 165 which gives 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. SFAS No. 165 is effective for financial statements issued for fiscal years and interim periods beginning after June 15, 2009. The implementation of this statement did not have an impact on the financial condition or results of operations of the Registrants.

On June 12, 2009, FASB issued SFAS No. 166 which is anticipated 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 statement is effective for fiscal years beginning after November 15, 2009. The implementation of this statement is not expected to have an impact on the financial condition or results of operations of the Registrants.

On June 12, 2009, FASB issued SFAS No. 167 which amends FIN 46R to require 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 statement is effective for the first fiscal year beginning after November 15, 2009. Management is currently evaluating the impact this statement will have on the financial condition and results of operations of the Registrants.

On June 29, 2009, FASB issued SFAS No. 168 which replaces SFAS No. 162, which identified the sources of accounting principles and the framework for selecting them. The FASB Accounting Standards Codification will become the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. This statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009.

Note 3 — Regulatory Assets and Liabilities

Cleco Power follows SFAS No. 71, 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 June 30, 2009, and December 31, 2008:

(THOUSANDS)	AT JUNE 30, 2009	AT DECEMBER 31, 2008
Regulatory assets and liabilities – deferred taxes, net	$208,143	$ 174,804
Deferred mining costs	$25,490	$ 26,811
Deferred interest costs	7,590	7,779
Deferred asset removal costs	685	658
Deferred postretirement plan costs	111,251	112,213
Deferred tree trimming costs	9,420	5,915
Deferred training costs	3,522	2,520
Deferred storm surcredit, net	5,527	4,863
Regulatory assets – other	$163,485	$ 160,759
Deferred fuel transportation revenue	$(131)	$ (392)
Deferred construction carrying costs	(120,644)	(85,496)
Regulatory liabilities – other	$(120,775)	$ (85,888)
Deferred fuel and purchased power	51,466	69,154
Total regulatory assets and liabilities, net	$302,319	$ 318,829

Deferred Taxes

Cleco Power has recorded a net regulatory asset related to deferred income taxes in accordance with SFAS No. 109. The regulatory asset or liability is recorded under SFAS No. 71 and 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 June 30, 2009, Cleco Power had regulatory assets and liabilities – deferred taxes, net of $208.1 million. The $33.3 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 which is being charged with actual expenditures at Cleco Power's grossed-up rate of return 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 amount of expenditures subject to deferral as a regulatory asset was limited to $12.0 million by the LPSC. Recovery of these expenditures was requested in Cleco Power's base rate application filed on July 14, 2008, and will be covered by the rate case settlement. At June 30, 2009, Cleco Power had deferred $9.4 million in tree trimming expenditures.

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 will be covered by the rate case settlement. At June 30, 2009, Cleco Power had deferred $3.5 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. 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 June 30, 2009, Cleco Power had $5.5 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 in May 2006. For the three- and six-month periods ended June 30, 2009, Cleco Power collected $19.4 million and $35.1 million, respectively, compared to $16.3 million and $28.1 million for the three- and six-month periods ended June 30, 2008, respectively. A regulatory liability was established for the carrying costs due to the terms of the LPSC order which requires Cleco Power, as part of its base rate application to recover Rodemacher Unit 3 ownership costs, to submit a plan to return to customers the carrying costs over a shorter period than the life of the Rodemacher Unit 3 asset. In July 2009, Cleco Power notified the Administrative Law Judge that Cleco Power, the LPSC Staff, and the intervenors in Cleco Power's retail base rate case had made significant progress toward a full resolution of all issues in the case and that the parties anticipate they will be successful in their efforts to achieve an uncontested stipulated settlement in the case.

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 June 30, 2009, approximately 94% 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 June 30, 2009, and December 31, 2008, were under-recoveries of $51.5 million and $69.2 million, respectively, and are scheduled to be collected from customers in future months. The $17.7 million decrease in the unrecovered funds was primarily the result of the collection of $14.8 million in additional fuel and purchased power costs. In addition, the increase in the mark-to-market on natural gas hedge positions contributed $5.2 million of decreased losses due to the closing of certain natural gas positions and the addition of future hedge positions. The decrease in the loss was partially offset by a $2.0 million increase in losses on closed natural gas hedge positions due to a decrease in natural gas prices since December 31, 2008. 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 June 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

	AT JUNE 30, 2009	AT DECEMBER 31, 2008

(THOUSANDS)	CARRYING VALUE	ESTIMATED FAIR VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
Financial instruments not marked-to-market				
Cash and cash equivalents	$ 41,996	$ 41,996	$ 97,483	$ 97,483
Restricted cash	$ 70,689	$ 70,689	$ 102,982	$ 102,982
Long-term debt, excluding debt issuance costs	$ 1,232,298	$ 1,214,714	$ 1,172,874	$ 1,110,171
Preferred stock not subject to mandatory redemption	$ 1,029	$ 679	$ 1,029	$ 699

	AT JUNE 30, 2009			AT DECEMBER 31, 2008		
(THOUSANDS)	ORIGINAL VALUE	OTHER UNREALIZED GAINS (LOSSES) DURING THE PERIOD	ESTIMATED FAIR VALUE	ORIGINAL VALUE	OTHER UNREALIZED GAINS (LOSSES) DURING THE PERIOD	ESTIMATED FAIR VALUE
Financial instruments marked-to-market						
Energy market positions						
Assets	$ 138,950	$ (35,155)	$ 103,441	$ 159,432	$ (47,293)	$ 117,851
Liabilities	$ 199,536	$ (17,916)	$ 181,620	$ 221,083	$ (10,315)	$ 210,768

Cleco Power

(THOUSANDS)	AT JUNE 30, 2009 CARRYING VALUE	AT JUNE 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	$ 31,875	$ 31,875	$91,542	$ 91,542
Restricted cash	$ 70,592	$ 70,592	$102,885	$ 102,885
Long-term debt, excluding debt issuance costs	$ 1,114,298	$ 1,096,714	$1,142,874	$ 1,080,171

(THOUSANDS)	AT JUNE 30, 2009 ORIGINAL VALUE	AT JUNE 30, 2009 OTHER UNREALIZED GAINS (LOSSES) DURING THE PERIOD	AT JUNE 30, 2009 ESTIMATED FAIR VALUE	AT DECEMBER 31, 2008 ORIGINAL VALUE	AT DECEMBER 31, 2008 OTHER UNREALIZED GAINS (LOSSES) DURING THE PERIOD	AT DECEMBER 31, 2008 ESTIMATED FAIR VALUE
Financial instruments marked-to-market						
Energy market positions						
Assets	$138,950	$ (35,155)	$ 103,441	$159,432	$(47,293)	$ 117,851
Liabilities	$199,536	$ (17,916)	$ 181,620	$221,083	$(10,315)	$ 210,768

The financial instruments not marked-to-market are reported on Cleco's and Cleco Power's Consolidated Balance Sheets at carrying value. The financial instruments marked-to-market represent market risk recorded in the financial statements because, to the extent Cleco and Cleco Power have an open position, they are exposed to the risk that fluctuating market prices may adversely affect their financial condition or results of operations upon settlement. Original value represents the fair value of the positions at the time originated.

At June 30, 2009, Cleco and Cleco Power were exposed to concentration of credit risk through their short-term investments classified as cash equivalents. Cleco had $10.0 million in short-term investments in an institutional money market fund. If the money market funds failed to perform under the terms of the investment, Cleco would be exposed to a loss of the invested amounts. Cleco Power had $28.0 million in short-term investments in several institutional money market funds. If the money market funds failed to perform under the terms of the investments, Cleco Power would be exposed to a loss of the invested amounts. Collateral on these types of investments is not required by either Cleco or Cleco Power. In order to mitigate potential credit risk, Cleco and Cleco Power have established guidelines for short-term investments. Money market funds must have at least $1.0 billion in assets under management; must have been in existence for not less than two years; must have portfolios not comprised of more than 50% of securities issued by foreign entities; and must be rated in the top two ratings' categories by at least one nationally recognized rating agency. Commercial paper must be issued by a company with headquarters in the U.S. which is rated not less than A1 by Standard & Poor's or P1 by Moody's. For split-rated issuers, the second rating must not be lower than either A2 or P2; the issuer's long-term debt must be rated not lower than A by Standard & Poor's or A2 by Moody's; and the issuer cannot be on negative credit watch. Investments in commercial paper rated A2 by Standard & Poor's or P2 by Moody's may be made if approved by the appropriate level of management.

Cleco Power was exposed to concentration of credit risk through its energy marketing assets. At June 30, 2009, Cleco Power had energy marketing assets with an estimated fair value of $103.4 million. These energy marketing assets represent open natural gas purchase positions, primarily financial hedge transactions. Cleco Power entered into these positions to mitigate the volatility in the cost of fuel purchased for utility generation and the risk associated with the fixed-price power that is being provided to a wholesale customer through December 2010. If the counterparties to these assets fail to perform under the terms of the investment, Cleco would be exposed to a loss of $103.4 million. For information about credit risk management and how these risks are mitigated on energy marketing assets, see Note 1 — "Summary of Significant Accounting Policies — Risk Management."

SFAS No. 157

SFAS No. 157 requires entities to classify assets and liabilities measured at their fair value according to three different levels depending on the inputs used in determining fair value.

§ Level 1 – unadjusted quoted prices in active, liquid markets for the identical asset or liability;

§ Level 2 – quoted prices for similar assets and liabilities in active markets or other inputs that are observable for the asset or liability, including inputs that can be corroborated by observable market data, observable interest rate yield curves and volatilities;

§ Level 3 – unobservable inputs based upon the entities' own assumptions.

The tables below disclose for Cleco and Cleco Power the fair value of financial assets and liabilities measured on a recurring basis and within the scope of SFAS No. 157.

Cleco

	CLECO CONSOLIDATED FAIR VALUE MEASUREMENTS AT REPORTING DATE USING:							
(THOUSANDS)	AT JUNE 30, 2009	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	AT DECEMBER 31, 2008	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Asset Description								
Derivatives	$305	$ 9	$ 296	$ -	$ 3,687	$ -	$ 3,687	$ -
Institutional money market funds	108,548	-	108,548	-	204,789	-	204,789	-
Total	$108,853	$ 9	$ 108,844	$ -	$ 208,476	$ -	$ 208,476	$ -

	CLECO CONSOLIDATED FAIR VALUE MEASUREMENTS AT REPORTING DATE USING:							
(THOUSANDS)	AT JUNE 30, 2009	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL LIABILITIES (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	AT DECEMBER 31, 2008	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL LIABILITIES (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Liability Description								
Derivatives	$53,376	$ 16,132	$ 37,244	$ -	$ 61,295	$ 13,757	$ 47,538	$ -

Cleco Power

	CLECO POWER FAIR VALUE MEASUREMENTS AT REPORTING DATE USING:							
(THOUSANDS)	AT JUNE 30, 2009	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	AT DECEMBER 31, 2008	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Asset Description								
Derivatives	$305	$ 9	$ 296	$ -	$ 3,687	$ -	$ 3,687	$ -
Institutional money market funds	98,548	-	98,548	-	198,989	-	198,989	-
Total	$98,853	$ 9	$ 98,844	$ -	$ 202,676	$ -	$ 202,676	$ -

	CLECO POWER FAIR VALUE MEASUREMENTS AT REPORTING DATE USING:							
(THOUSANDS)	AT JUNE 30, 2009	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL LIABILITIES (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	AT DECEMBER 31, 2008	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL LIABILITIES (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Liability Description								
Derivatives	$53,376	$ 16,132	$ 37,244	$ -	$ 61,295	$ 13,757	$ 47,538	$ -

The derivative assets and liabilities are classified as either current or non-current depending on when the positions close. All derivative current assets and current liabilities are reported as a net current risk management asset or liability. All derivative non-current assets and non-current liabilities are reported net in other deferred charges or other deferred credits. Net presentation is appropriate due to the right of offset included in the master netting agreements. In accordance with FSP No. FIN 39-1, the net current and net non-current derivative positions are netted with the applicable margin deposits. At June 30, 2009, a net current risk management asset of $7.9 million represented current deferred options. At June 30, 2009, a net current risk management liability of $29.9 million represented the current derivative positions of $47.5 million reduced by current margin deposits of $17.6 million. The non-current liability derivative positions of $5.6 million, reduced by non-current margin deposits of $2.0 million were recorded in other deferred charges. The $108.5 million in institutional money market funds was reported on the Cleco Consolidated balance sheet in cash and cash equivalents, current restricted cash, and non-current restricted cash in the amounts of $37.8 million, $31.9 million, and $38.8 million, respectively. At Cleco Power, cash and cash equivalents, current restricted cash, and restricted non-current cash were $27.9 million, $31.9 million, and $38.7 million, respectively, as of June 30, 2009.

Cleco utilizes different valuation techniques for fair value calculations. In order to measure the fair value for Level 1 assets and liabilities, Cleco obtains the closing price from published indices in active markets for the various instruments and multiplies by the appropriate number of instruments held. Level 2 fair values for assets and liabilities are determined by obtaining the closing price from published indices in active markets for instruments that are similar to Cleco’s assets and liabilities. The fair value obtained is then discounted to the current period using a U.S. Treasury published interest rate as a proxy for a risk-free rate of return. For some options, Cleco uses the Black-Scholes model using observable and available inputs to calculate the fair value, consistent with the income approach. These techniques have been applied consistently from fiscal period to fiscal period. Level 3 fair values allow for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Cleco had no Level 3 assets or liabilities at June 30, 2009, or December 31, 2008.

SFAS No. 161

SFAS No. 161 became effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. SFAS No. 161 requires enhanced disclosures about a company's derivative activities and how the related hedged items affect a company's financial position, financial performance and cash flows. To meet the disclosure requirements, SFAS No. 161 requires qualitative disclosures about Cleco's fair value amounts of gains and losses associated with derivative instruments, as well as disclosures about credit-risk-related contingent features in derivative agreements.

The following table presents the fair values of derivative instruments and their respective line item as recorded on the Condensed Consolidated Balance Sheets of Cleco and Cleco Power at June 30, 2009:

	DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS LIABILITY DERIVATIVES	
(THOUSANDS) AT JUNE 30, 2009	BALANCE SHEET LINE ITEM	FAIR VALUE
Commodity contracts		
Economic hedges:		
Current	Risk management liability, net	$ 803
Long-term	Other deferred credits	66
Fuel cost hedges:		
Current	Risk management liability, net	46,663
Long-term	Other deferred credits	5,539
Total		$ 53,071

The following table presents the effect of derivatives not designated as hedging instruments on Cleco and Cleco Power's Condensed Consolidated Statements of Income for the three and six months ended June 30, 2009:

(THOUSANDS)	LOSS IN INCOME OF DERIVATIVES LINE ITEM	AMOUNT OF LOSS RECOGNIZED IN INCOME ON DERIVATIVES THREE MONTHS ENDED JUNE 30, 2009		AMOUNT OF LOSS RECOGNIZED IN INCOME ON DERIVATIVES SIX MONTHS ENDED JUNE 30, 2009	
Commodity contracts					
Economic hedges		$ 22	(1)	$ 1,513	(2)

	Other operations revenue		
Fuel cost hedges(3)	Fuel used for electric generation	22,511	46,380
Total		$ 22,533	$ 47,893

(1)For the three months ended June 30, 2009, Cleco recognized $0.5 million of mark-to-market gains related to economic hedges.

(2)For the six months ended June 30, 2009, Cleco recognized $0.6 million of mark-to-market losses related to economic hedges.

(3)In accordance with SFAS No. 71, an additional $52.2 million of unrealized losses and $8.4 million of deferred losses associated with fuel cost hedges are reported in Accumulated Deferred Fuel on the balance sheet. As gains and losses are realized in future periods, they will be recorded as Fuel Used for Electric Generation on the Income Statement. For more information, see Note 3 — "Regulatory Assets and Liabilities — Deferred Fuel and Purchased Power Costs."

At June 30, 2009, Cleco had 2,106 MMBtus of natural gas fuel cost hedge contracts, which is approximately 31% of the natural gas requirements for a two-year period. Cleco had an additional 68 MMBtus hedged through 2010, resulting from economic hedges, which is approximately 89% of the estimated daily peak-hour sales to a wholesale customer.

Note 5 — Debt

Long-term Debt

Cleco had no short-term debt outstanding at June 30, 2009, or December 31, 2008. At June 30, 2009, Cleco's long-term debt outstanding was $1.2 billion, of which $11.1 million was due within one year, compared to $1.2 billion outstanding at December 31, 2008, which included $63.5 million due within one year. The long-term debt due within one year at June 30, 2009, represents $11.1 million of principal payments for the Cleco Katrina/Rita storm recovery bonds scheduled to be paid in the next twelve months. For Cleco, long-term debt increased $79.5 million primarily due to an $88.0 million increase in Cleco's credit facility draws, a $30.0 million increase in Cleco Power's credit facility draws and a $20.0 million increase in long-term capital leases. These increases were partially offset by the $50.0 million repayment of medium-term notes at maturity in May 2009 and $8.4 million related to a scheduled Cleco Katrina/Rita storm recovery bond principal payment made in March 2009. During January 2009, Cleco Power entered into a lease agreement for barges to be used for fuel transportation for Rodemacher Unit 3. For additional information, see Note 10 — "Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Other Contingencies — Fuel Transportation Agreement."

Cleco Power had no short-term debt outstanding at June 30, 2009, or December 31, 2008. At June 30, 2009, Cleco Power's long-term debt outstanding was $1.1 billion, of which $11.1 million was due within one year, compared to $1.1 billion outstanding at December 31, 2008, of which $63.5 million was due within one year. The long-term debt due within one year at June 30, 2009, represents principal payments for the Cleco Katrina/Rita storm recovery bonds scheduled to be paid in the next twelve months. For Cleco Power, long-term debt decreased $8.5 million primarily due to the $50.0 million repayment of medium-term notes at maturity in May 2009 and $8.4 million related to a scheduled Cleco Katrina/Rita storm recovery bond principal payment made in March 2009. These decreases were partially offset by an increase of $30.0 million in Cleco Power's credit facility draws and a $20.0 million increase in long-term capital leases. During January 2009, Cleco Power entered into a lease agreement for barges to be used for fuel transportation for Rodemacher Unit 3. For additional information, see Note 10 — "Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Other Contingencies — Fuel Transportation Agreement."

During July 2009, Cleco Power elected to redeem $49.5 million principal amount of its outstanding 6.05% insured quarterly notes due June 2012. For additional information regarding the redemption, see Note 13 — "Subsequent Event."

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Note 6 — Pension Plan and Employee Benefits

Pension Plan and Other Benefits Plan

Most employees hired before August 1, 2007 are covered by a non-contributory, defined benefit pension plan. Benefits under the plan reflect an employee's years of service, age at retirement, and highest total average compensation for any consecutive five calendar years during the last 10 years of employment with Cleco Corporation. Cleco Corporation's policy is to base its contributions to the employee pension plan upon actuarial computations utilizing the projected unit credit method, subject to the IRS's full funding limitation. During the six months ended June 30, 2009, a discretionary contribution in the amount of $3.7 million was made to the pension plan for the 2008 plan year. Currently, Cleco Power anticipates making additional discretionary contributions totaling $15.1 million to the pension plan on or before September 15, 2009 for the 2008 plan year. Cleco Power expects to be required to make an additional $80.0 million in contributions to the pension plan over the next five years. The required contributions are driven by liability funding target percentages set by law which could cause the required contributions to be uneven among the years. 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. Cleco Power is considered the plan sponsor, and Support Group is considered the plan administrator.

Cleco Corporation's retirees and their dependents are eligible to receive medical, dental, vision, and life insurance benefits (other benefits). Cleco Corporation recognizes the expected cost of these other benefits during the periods in which the benefits are earned.

The components of net periodic pension and other benefit cost for the three and six months ended June 30, 2009, and 2008, are as follows:

	PENSION BENEFITS		OTHER BENEFITS	
	FOR THE THREE MONTHS ENDED JUNE 30,			
(THOUSANDS)	2009	2008	2009	2008
Components of periodic benefit costs				
Service cost	$1,729	$1,470	$353	$350
Interest cost	4,095	3,964	495	458
Expected return on plan assets	(5,073)	(5,044)	-	-
Transition obligation	-	-	5	5
Prior period service credit (cost)	481	(18)	(516)	(534)
Net loss	-	-	231	250
Net periodic benefit cost	$1,232	$372	$568	$529

	PENSION BENEFITS		OTHER BENEFITS	
	FOR THE SIX MONTHS ENDED JUNE 30,			
(THOUSANDS)	2009	2008	2009	2008
Components of periodic benefit costs				
Service cost	$3,459	$2,939	$706	$699
Interest cost	8,190	7,928	990	916
Expected return on plan assets	(10,147)	(10,089)	-	-
Transition obligation	-	-	10	10
Prior period service credit (cost)	962	(35)	(1,032)	(1,068)
Net loss	-	-	463	500
Net periodic benefit cost	$2,464	$743	$1,137	$1,057

Since Cleco Power is the pension plan sponsor and the related trust holds the assets, the prepaid benefit cost of the pension plan is reflected at Cleco Power. The liability of Cleco Corporation's other subsidiaries is transferred, with a like amount of assets, to Cleco Power monthly. The expense of the pension plan related to Cleco Corporation's other subsidiaries for the three and six months ended June 30, 2009, was $0.4 million and $0.9 million, respectively, compared to $0.4 million and $0.7 million for the same periods in 2008.
Cleco Corporation is the plan sponsor for the other benefit plans. There are no assets set aside in a trust, and the liabilities are reported on the individual subsidiaries' financial statements. The expense related to other benefits reflected in Cleco Power's Condensed Consolidated Statements of Income for the three and six months ended June 30, 2009, was $0.5 million and $1.0 million, respectively, net of Medicare Part D subsidy of $0.1 million and $0.1 million, respectively. For the same periods in 2008, Cleco Power recognized $0.5 million and $0.9 million of expense, respectively, net of Medicare Part D subsidy of $0.1 million and $0.2 million, respectively.

SERP
Certain Cleco executive officers are covered by the SERP. The SERP is a non-qualified, non-contributory, defined benefit pension plan. Benefits under the plan reflect an employee's years of service, age at retirement, and the sum of the highest base salary paid out of the last five calendar years and the average of the three highest annual bonuses paid during the 60 months prior to retirement, reduced by benefits received from any other defined benefit pension plan, SERP Plan or Cleco contributions under the enhanced 401(k) Plan to the extent such contributions exceed the limits of the 401(k) Plan. Cleco Corporation does not fund the SERP liability, but instead pays for current benefits out of the general funds available. Cleco Power has formed a Rabbi Trust designated as the beneficiary for life insurance policies issued on the SERP participants. Proceeds from the life insurance policies are expected to be used to pay the SERP participants' life insurance benefits, as well as future SERP benefit payments. However, since SERP is a non-qualified plan, the assets of the trust could be used to satisfy general creditors of Cleco Power in the event of insolvency. All SERP benefits are paid out of the general cash available of the respective companies from which the officer retired. No contributions to the SERP were made during the six months ended June 30, 2009, and 2008. Cleco Power is considered the plan sponsor, and Support Group is considered the plan administrator.

The components of the net SERP cost are as follows:

(THOUSANDS)	FOR THE THREE MONTHS ENDED JUNE 30, 2009	2008	FOR THE SIX MONTHS ENDED JUNE 30, 2009	2008
Components of periodic benefit costs				
Service cost	$375	$359	$750	$717
Interest cost	700	445	1,400	889
Prior period service cost	14	13	27	27
Net loss	254	254	508	508
Net periodic benefit cost	$1,343	$1,071	$2,685	$2,141

The SERP liabilities are reported on the individual subsidiaries' financial statements. The expense related to the SERP reflected on Cleco Power's Consolidated Statements of Income was $0.3 million and $0.7 million for the three and six months ended June 30, 2009, respectively, compared to $0.3 million and $0.5 million for the same periods in 2008.

401(k) Plan
Most employees are eligible to participate in the 401(k) Plan. In August 2007, Cleco Corporation's Board of Directors approved an amendment to the 401(k) Plan to provide an enhanced 401(k) benefit for employees not otherwise eligible to participate in Cleco's pension plan. Beginning January 2008, Cleco Corporation made matching contributions and funded dividend reinvestments related to Cleco Corporation common stock with cash.
The table below contains information about the 401(k) Plan.

(THOUSANDS)	FOR THE THREE MONTHS ENDED JUNE 30, 2009	2008	FOR THE SIX MONTHS ENDED JUNE 30, 2009	2008
401(k) Plan expense	$811	$681	$1,950	$1,692

Cleco Power is the plan sponsor for the 401(k) Plan. The expense of the 401(k) Plan related to Cleco Corporation's other subsidiaries for the three and six months ended June 30, 2009, was $0.2 million and $0.5 million, respectively, compared to $0.2 million and $0.5 million for the same periods in 2008.

Note 7 — Income Taxes

The following tables summarize the effective income tax rates for Cleco Corporation and Cleco Power for the three- and six-month periods ended June 30, 2009, and 2008.

	FOR THE THREE MONTHS ENDED JUNE 30, 2009		2008	
Cleco Corporation	20.5	%	19.2	%
Cleco Power	22.8	%	22.7	%

	FOR THE SIX MONTHS ENDED JUNE 30,	
	2009	2008
Cleco Corporation	19.7 %	19.0 %
Cleco Power	21.9 %	21.6 %

For the three- and six-month periods ended June 30, 2009 and 2008, the effective income tax rate for Cleco Corporation and Cleco Power was less than the federal statutory rate primarily due to the flow-through of tax benefits associated with AFUDC equity recorded as a result of the construction of Rodemacher Unit 3. Cleco Corporation accounts for income taxes under SFAS No. 109 and records uncertain tax positions under FIN 48. During the second quarter of 2009, the IRS completed its field work for tax years 2001 through 2003. The settlement of issues arising from this audit were recorded during the second quarter of 2009 as a discrete item. Additional issues from this audit were appealed by Cleco and are appropriately included in tax reserves in the financial statements. Cleco is appealing issues from the 2001 through 2003 audit and is under federal and state audits for fiscal years 2004 through 2007; therefore, it is reasonably possible that unrecognized tax benefits could change significantly over the next twelve months. Cleco does not expect that any such change would have a material impact on its annual effective tax rate.

Note 8 — Disclosures about Segments

Cleco's reportable segments are based on its method of internal reporting, which disaggregates business units by first-tier subsidiary. Reportable segments were determined by applying SFAS No. 131. Cleco's reportable segments are Cleco Power and Midstream. The reconciling items in the following tables consist of the holding company, a shared services subsidiary, two transmission interconnection facilities, and an investment subsidiary.

Each reportable segment engages in business activities from which it earns revenue and incurs expenses. Segment managers report periodically to Cleco's Chief Executive Officer (the chief operating decision-maker) with discrete financial information and, at least quarterly, present discrete financial information to Cleco Corporation's Board of Directors. Each reportable segment prepared budgets for 2009 that were presented to and approved by Cleco Corporation's Board of Directors.

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

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SEGMENT INFORMATION FOR THE THREE MONTHS ENDED JUNE 30,

2009 (THOUSANDS)	CLECO POWER	MIDSTREAM	RECONCILING ITEMS	ELIMINATIONS	CONSOLIDATED
Revenue					
Electric operations	$ 195,651	$ -	$ -	$ -	$ 195,651
Other operations	8,688	-	28	(4)	8,712
Affiliate revenue	6	2,177	665	-	2,848
Intercompany revenue	343	-	10,530	(10,858)	15
Operating revenue	$ 204,688	$ 2,177	$ 11,223	$ (10,862)	$ 207,226
Depreciation expense	$ 19,184	$ 44	$ 251	$ -	$ 19,479
Interest charges	$ 11,505	$ 3,338	$ 239	$ (1,353)	$ 13,729
Interest income	$ 255	$ -	$ 1,369	$ (1,353)	$ 271
Equity (loss) income from investees	$ -	$ (3,741)	$ 616	$ -	$ (3,125)
Federal and state income tax expense (benefit)	$ 8,916	$ (2,975)	$ 1,008	$ -	$ 6,949
Segment profit (loss) (1)	$ 30,206	$ (4,757)	$ 1,577	$ -	$ 27,026
Additions to long-lived assets	$ 59,974	$ 48	$ 201	$ -	$ 60,223
Equity investment in investees	$ -	$ 232,605	$ 15,880	$ -	$ 248,485
Total segment assets	$ 3,097,877	$ 254,857	$ 398,653	$ (333,616)	$ 3,417,771
(1) Reconciliation of segment profit to consolidated profit:	Segment profit			$ 27,026	
	Unallocated items:				
	Preferred dividends requirements, net of tax			12	
	Net income applicable to common stock			$ 27,014	

2008 (THOUSANDS)	CLECO POWER	MIDSTREAM	RECONCILING ITEMS	ELIMINATIONS	CONSOLIDATED
Revenue					
Electric operations	$259,581	$ -	$ -	$ -	$ 259,581
Other operations	12,714	-	47	(3)	12,758
Affiliate revenue	8	1,831	609	-	2,448
Intercompany revenue	586	11	10,406	(11,003)	-
Operating revenue, net	$272,889	$ 1,842	$ 11,062	$ (11,006)	$ 274,787
Depreciation expense	$19,007	$ 76	$ 253	$ -	$ 19,336
Interest charges	$8,831	$ 1,522	$ 1,099	$ (1,531)	$ 9,921
Interest income	$999	$ -	$ 1,789	$ (1,530)	$ 1,258
Equity (loss) income from investees	$-	$ (2,549)	$ 184	$ -	$ (2,365)
Federal and state income tax expense (benefit)	$9,610	$ (1,879)	$ (732)	$ -	$ 6,999
Segment profit (loss) (1)	$32,662	$ (2,912)	$ (361)	$ -	$ 29,389
Additions to long-lived assets	$77,748	$ 37	$ 421	$ -	$ 78,206
Equity investment in investees (2)	$-	$ 234,273	$ 14,871	$ -	$ 249,144

Total segment assets (2)	$3,041,597	$ 250,882	$ 324,232	$ (275,507)	$ 3,341,204
(1) Reconciliation of segment profit to consolidated profit:	Segment profit			$ 29,389	
(2) Balances as of December 31, 2008	Unallocated items:				
	Preferred dividends requirements, net of tax			12	
	Net income applicable to common stock			$ 29,377	

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CLECO CORPORATION
CLECO POWER 2009 2ND QUARTER FORM 10-Q

SEGMENT INFORMATION FOR THE SIX MONTHS ENDED JUNE 30,

2009 (THOUSANDS)	CLECO POWER	MIDSTREAM	RECONCILING ITEMS	ELIMINATIONS	CONSOLIDATED
Revenue					
Electric operations	$ 398,517	$ -	$ -	$ -	$ 398,517
Other operations	15,774	-	52	(6)	15,820
Affiliate revenue	12	4,540	1,258	-	5,810
Intercompany revenue	685	-	20,631	(21,301)	15
Operating revenue	$ 414,988	$ 4,540	$ 21,941	$ (21,307)	$ 420,162
Depreciation expense	$ 38,029	$ 88	$ 496	$ -	$ 38,613
Interest charges	$ 26,641	$ 4,637	$ 204	$ (2,650)	$ 28,832
Interest income	$ 658	$ -	$ 2,674	$ (2,650)	$ 682
Equity (loss) income from investees	$ -	$ (15,891)	$ 1,015	$ -	$ (14,876)
Federal and state income tax expense (benefit)	$ 12,716	$ (8,392)	$ 3,951	$ -	$ 8,275
Segment profit (loss) (1)	$ 45,224	$ (13,409)	$ 1,860	$ -	$ 33,675
Additions to long-lived assets	$ 121,410	$ 52	$ 377	$ -	$ 121,839
Equity investment in investees	$ -	$ 232,605	$ 15,880	$ -	$ 248,485
Total segment assets	$ 3,097,877	$ 254,857	$ 398,653	$ (333,616)	$ 3,417,771
(1) Reconciliation of segment profit to consolidated profit:	Segment profit			$ 33,675	
	Unallocated items:				
	Preferred dividends requirements, net of tax			23	
	Net income applicable to common stock			$ 33,652	

2008 (THOUSANDS)	CLECO POWER	MIDSTREAM	RECONCILING ITEMS	ELIMINATIONS	CONSOLIDATED
Revenue					
Electric operations	$469,462	$ -	$ -	$ -	$ 469,462
Other operations	22,775	1	51	(6)	22,821
Affiliate revenue	14	3,749	1,291	-	5,054
Intercompany revenue	1,088	12	19,886	(20,986)	-
Operating revenue	$493,339	$ 3,762	$ 21,228	$ (20,992)	$ 497,337
Depreciation expense	$38,025	$ 152	$ 509	$ -	$ 38,686
Interest charges	$16,462	$ 3,491	$ 3,221	$ (3,512)	$ 19,662
Interest income	$1,576	$ -	$ 4,809	$ (3,510)	$ 2,875
Equity (loss) income from investees	$-	$ (7,563)	$ 624	$ -	$ (6,939)
Federal and state income tax expense (benefit)	$16,569	$ (4,681)	$ 172	$ -	$ 12,060
Segment profit (loss) (1)	$60,269	$ (7,528)	$ (1,281)	$ -	$ 51,460
Additions to long-lived assets (2)	$182,816	$ 39	$ 544	$ -	$ 183,399
Equity investment in investees (2)	$-	$ 234,273	$ 14,871	$ -	$ 249,144
Total segment assets	$3,041,597	$ 250,882	$ 324,232	$ (275,507)	$ 3,341,204

(1) Reconciliation of segment profit to consolidated profit:	Segment profit	$ 51,460
(2) Balances as of December 31, 2008	Unallocated items:	
	Preferred dividends requirements, net of tax	23
	Net income applicable to common stock	$ 51,437

Note 9 — Equity Investment in Investees

Cleco reports its investment in Acadia, Evangeline, and certain other subsidiaries on the equity method of accounting in accordance with APB Opinion No. 18, after consideration of FIN 46R. Under the equity method, the assets and liabilities of these entities are reported as equity investment in investees on Cleco Corporation's Condensed Consolidated Balance Sheets. The revenue and expenses (excluding income taxes) of these entities are netted and reported as equity income or loss from investees on Cleco Corporation's Condensed Consolidated Statements of Income.

Equity investment in investees at June 30, 2009, represents primarily Midstream's $181.7 million investment in Acadia, owned 50% by APH and 50% by Cajun, and its $50.9 million investment in Evangeline, owned 100% by Midstream. Equity investment in investees also represents a $7.7 million investment in Attala and an $8.2 million equity investment in Perryville, both owned 100% by Cleco Corporation. Equity investments which are less than 100% owned by Cleco Innovations LLC represent less than $0.1 million of the total balance.

The following table presents the equity (loss) income from each investment accounted for using the equity method.

	FOR THE THREE MONTHS ENDED JUNE 30,	
(THOUSANDS)	2009	2008
Acadia	$(5,672)	$(3,407)
Evangeline	1,931	858
Other subsidiaries 100% owned by Cleco Corporation	616	184
Total equity loss	$(3,125)	$(2,365)

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(THOUSANDS)	FOR THE SIX MONTHS ENDED JUNE 30, 2009	2008
Acadia	$(10,888)	$(6,778)
Evangeline	(5,003)	(785)
Other subsidiaries 100% owned by Cleco Corporation	1,015	624
Total equity loss	$(14,876)	$(6,939)

Acadia

Since Acadia is owned 50% by APH and 50% by Cajun, neither owner is the primary beneficiary, and Acadia is accounted for as an equity method investment. Cleco's current assessment of its maximum exposure to loss related to Acadia at June 30, 2009, consists of its equity investment of $181.7 million. The table below presents the components of Midstream's equity investment in Acadia.

INCEPTION TO DATE (THOUSANDS)	AT JUNE 30, 2009	AT DECEMBER 31, 2008
Contributed assets (cash and land)	$272,956	$ 259,019
Income before taxes	149,555	160,444
Impairment of investment	(45,847)	(45,847)
Capitalized interest and other	19,722	19,722
Less: non-cash distribution	78,200	78,200
Less: cash distributions	136,464	136,464
Total equity investment in investee	$181,722	$ 178,674

The $78.2 million non-cash distribution is the distribution of the CES claim from Acadia to APH. The cash distributions of $136.5 million were used to pay interest and repay principal on a loan from Cleco Corporation relating to this investment. Midstream's equity, as reported on the balance sheet of Acadia at June 30, 2009, was $207.8 million. The difference between the $207.8 million and the equity investment in investee of $181.7 million as shown in the previous table is $26.1 million, and consists of the $45.8 million other-than-temporary impairment of APH's investment in Acadia, partially offset by $19.7 million of interest capitalized on funds contributed by Acadia.
The following tables contain summarized financial information for Acadia.

(THOUSANDS)	AT JUNE 30, 2009	AT DECEMBER 31, 2008
Current assets	$19,851	$ 5,413
Property, plant and equipment, net	409,523	405,565
Total assets	$429,374	$ 410,978
Current liabilities	$13,679	$ 1,380
Partners' capital	415,695	409,598
Total liabilities and partners' capital	$429,374	$ 410,978

(THOUSANDS)	FOR THE THREE MONTHS ENDED JUNE 30, 2009	2008	FOR THE SIX MONTHS ENDED JUNE 30, 2009	2008
Operating revenue	$17,744	$17,169	$21,948	$24,937
Operating expenses	25,442	23,785	37,636	38,668
Other expense	(3,646)	(198)	(6,088)	(139)
Loss before taxes	$(11,344)	$(6,814)	$(21,776)	$(13,870)

Income taxes recorded on APH's financial statements related to Midstream's 50% ownership interest in Acadia were benefits of $3.3 million and $5.9 million for the three and six months ended June 30, 2009, respectively, compared to benefits of $2.0 million and $4.2 million for the three and six months ended June 30, 2008, respectively.
In 2009, Cleco Power announced Acadia was selected as the winning bidder in Cleco Power's 2007 long-term request for capacity beginning in 2010. Cleco Power will own and operate one of Acadia's two 580-MW units. Cleco Power will also operate the second unit on behalf of Acadia. Cleco Power has completed its due diligence and the parties have executed the definitive agreements. However, prior to closing the transaction, valued at approximately $300 million, Cleco Power must receive approvals from the LPSC and FERC. In a process that remains under the supervision of an independent monitor appointed by the LPSC, Cleco Power and Acadia plan to complete the transaction in the first quarter of 2010. Beginning in January 2010, the agreements provide that Acadia will continue to operate the plant and serve Cleco Power under a tolling agreement covering 50 percent of the Acadia power station until the transaction is closed. This tolling agreement must also be approved by the LPSC and FERC.

Evangeline
Since its inception, Cleco has had 100% ownership and voting interest of Evangeline. Through an analysis of variable interests, such as Cleco's investment, the long-term debt, the tolling counterparty, and the potential to absorb expected losses and gains, Cleco has determined that it is not the primary beneficiary. The determination is driven by several factors such as:

§ The tolling counterparty is at risk to absorb market losses and gains, which are primarily determined by the relative price of electricity and natural gas.
§ The debt is non-recourse to Cleco; therefore, the debt-holders main security is the underlying assets of Evangeline.
§ Cleco's risk of loss is limited to its investment plus the $15.0 million letter of credit issued on behalf of the tolling counterparty.
§ The size of Evangeline's debt compared to the size of Cleco's investment at risk.

Since Cleco is not the primary beneficiary, Evangeline is accounted for as an equity method investment.
Cleco's current assessment of its maximum exposure to loss related to Evangeline at June 30, 2009, consists of its equity investment of $50.9 million and $15.0 million of possible draws on the letter of credit Cleco has posted on Evangeline's behalf, for a total of $65.9 million. The following table presents the components of Midstream's equity investment in Evangeline.

INCEPTION TO DATE (THOUSANDS)	AT JUNE 30, 2009	AT DECEMBER 31, 2008
Contributed assets (cash)	$49,961	$ 49,961
Net income	146,596	151,599
Less: non-cash distributions	16,620	16,907
Less: cash distributions	129,054	129,054
Total equity investment in investee	$50,883	$ 55,599

The following tables contain summarized financial information for Evangeline.

(THOUSANDS)	AT JUNE 30, 2009	AT DECEMBER 31, 2008
Current assets	$17,760	$ 25,750
Accounts receivable - affiliate	1	1
Property, plant and equipment, net	184,947	180,051
Other assets	45,203	42,528
Total assets	$247,911	$ 248,330
Current liabilities	$30,523	$ 20,244
Accounts payable - affiliate	499	3,512
Long-term debt, net	157,663	161,762
Other liabilities	71,335	71,845
Member’s deficit	(12,109)	(9,033)
Total liabilities and member’s deficit	$247,911	$ 248,330

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
(THOUSANDS)	2009	2008	2009	2008
Operating revenue	$12,902	$12,984	$23,235	$23,413
Operating expenses	5,410	6,010	15,724	12,225
Depreciation	1,359	1,337	2,740	2,692
Interest charges	4,239	4,674	8,443	9,337
Interest income	-	95	-	258
Other income (expense)	37	(200)	(1,331)	(202)
Income (loss) before taxes	$1,931	$858	$(5,003)	$(785)

The difference between the equity investment in investee and member’s deficit shown in the tables above is due to income tax items being reported in the corresponding tax accounts on Midstream’s financial statements, rather than the equity investment account.

Cleco Corporation has posted a $15.0 million letter of credit on behalf of the Evangeline Tolling Agreement counterparty. The letter of credit can be drawn in the event Evangeline defaults on the tolling agreement.

Evangeline’s restricted cash at June 30, 2009, and December 31, 2008, was $19.0 million and $25.0 million, respectively. This cash is restricted under Evangeline’s senior secured bond indenture.

Income taxes recorded on Midstream’s financial statements related to Midstream’s 100% ownership interest in Evangeline were $0.7 million expense and $1.9 million benefit for the three and six months ended June 30, 2009, respectively, compared to $0.2 million expense and $0.3 million benefit for the three and six months ended June 30, 2008, respectively.

Prior to November 9, 2007, all of the capacity and output of the power plant had been tolled to Williams, which paid Evangeline certain fixed and variable amounts. In November 2007, The Williams Companies, Inc. assigned all of its rights and interests in its tolling agreement with Evangeline to Bear Energy. In May 2008, JPMorgan Chase & Co. completed the acquisition of Bear Stearns Companies Inc., the parent company of Bear Energy. In September 2008, Bear Energy was merged into JPMVEC. For more information regarding the Evangeline Tolling Agreement, see Note 10 — "Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Risks and Uncertainties."

Other Subsidiaries 100% owned by Cleco Corporation
The information about these entities is aggregated because their method of operation, size, and risk are materially similar. Both entities own transmission assets, provide transmission services to one customer under a long-term contract at a FERC-approved cost of service rate, and are capitalized with 100% equity.
Through an analysis of variable interests, such as Cleco's investment and the single counterparty that has a long-term lease of the facilities, Cleco has determined that it is not the primary beneficiary of either entity. The determination is driven by several factors such as:

- Each entity has only one customer under the long-term agreements accounted for as direct financing leases.
- Both entities can only charge FERC-approved tariffs.
- Both entities have the ability to change the tariff if actual expenses are materially different than expected expenses.
- The lease counterparty is required to make lease payments regardless of the use of the assets.
- Cleco's risk of loss is limited to its investment.

Since Cleco is not the primary beneficiary, the investments in Perryville and Attala are accounted for as equity method investments.
Cleco's current assessment of its maximum exposure to loss with respect to Perryville and Attala at June 30, 2009, consists of its equity investment of $15.9 million. The following table presents the components of Cleco Corporation's equity investment in Perryville and Attala.

INCEPTION TO DATE (THOUSANDS)	AT JUNE 30, 2009	AT DECEMBER 31, 2008
Contributed assets (cash)	$132,962	$ 132,960
Net income	55,181	54,166
Less: non-cash distributions	20,874	20,869
Less: cash distributions	151,389	151,389
Total equity investment in investee	$15,880	$ 14,868

The following tables contain summarized financial information for Perryville and Attala.

(THOUSANDS)	AT JUNE 30, 2009	AT DECEMBER 31, 2008
Current assets	$5,671	$ 4,905
Other assets	14,210	14,166
Total assets	$19,881	$ 19,071
Current liabilities	$284	$ 9
Accounts payable - affiliate	2	2
Other liabilities	395	484
Member's equity	19,200	18,576
Total liabilities and member's equity	$19,881	$ 19,071

	FOR THE THREE MONTHS ENDED JUNE	FOR THE SIX MONTHS ENDED JUNE 30,

(THOUSANDS)	30, 2009	2008	2009	2008
Operating revenue	$492	$496	$983	$992
Operating expense	301	312	393	367
Interest income (expense)	425	-	425	(1)
Income before taxes	$616	$184	$1,015	$624

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The difference between the equity investment in investee and member's equity shown in the tables above is due to income tax items being reported in the corresponding tax accounts on Cleco Corporation's financial statements, rather than the equity investment account.

The transmission assets utilized by Perryville and Attala are accounted for as direct financing leases and are included in other assets in the summarized financial information above.

Income tax expense recorded on Cleco's financial statements related to Cleco Corporation's 100% interest in Perryville and Attala was $0.2 million and $0.4 million for the three and six months ended June 30, 2009, respectively, compared to $0.1 million and $0.2 million for the three and six months ended June 30, 2008, respectively.

Note 10 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees

Litigation

On June 22, 2005, the City of Alexandria, Louisiana (the City), a current wholesale municipal customer of Cleco Power, filed a lawsuit in Ninth Judicial District Court against Cleco Corporation, Cleco Power, and certain other subsidiaries. The lawsuit alleges unspecified damages as a result of certain sales made to the City, revenue derived by Cleco using the City's power generating facilities under contracts with the City, and other alleged improper conduct, including, without limitation, allegations that Cleco fraudulently mishandled the management of the City's power requirements under the contracts. The lawsuit was moved to and currently is pending in the U.S. District Court for the Western District of Louisiana. Effective December 30, 2008, the City Council of Alexandria passed an ordinance authorizing the mayor to settle the litigation by executing a new 13-year power supply agreement with Cleco. Cleco expects to complete final negotiations and satisfaction of conditions precedent for the agreement to commence later in 2009. Pending execution of this new supply agreement, the presiding judge has agreed to dismiss the claims asserted in the litigation without prejudice. In the event the new supply agreement is not executed by August 29, 2009, the litigation will be resolved by trial, which has been scheduled to commence on February 22, 2010. Management believes the dispute will not have a material adverse effect on the Registrants' financial condition, results of operations, or cash flows.

On October 8, 2007, Cleco received a Special Notice for Remedial Investigation and Feasibility Study from the EPA. The special notice requested that Cleco Corporation and Cleco Power, along with many other listed potentially responsible parties, enter into negotiations with the EPA for the performance of a Remedial Investigation and Feasibility Study at an area known as the Devil's Swamp Lake 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 to the NPL. The EPA and a number of PRPs met on January 31, 2008, for an organizational meeting to discuss the background of the site. The PRPs began discussing a potential proposal to the EPA on February 19, 2008. Negotiations among the PRPs and the EPA are ongoing in regard to the remedial investigation and feasibility study at the Devil's Swamp site, with little progress having been made since the January 2008 meeting. The PRPs alleged to have disposed PCBs at the site have proposed a tentative cost sharing formula with the facility owner to fund the remedial investigation. The response to the proposal has been pending for months. Since this investigation is in the preliminary stages, management is unable to determine whether the costs associated with possible remediation of the facility site will have a material adverse effect on the Registrants' results of operations, financial condition, and cash flows.

Cleco is involved in regulatory, environmental, and legal proceedings before various courts, regulatory commissions, and governmental agencies regarding matters arising in the ordinary course of business. Some of these proceedings, such as fuel review and environmental issues, could involve substantial amounts. Management regularly analyzes current information and, as necessary, provides accruals for probable liabilities on the eventual disposition of these matters. Management believes the disposition of these matters will not have a material adverse effect on the Registrants' financial condition, results of operations, or cash flows.

Off-Balance Sheet Commitments and Disclosures about Guarantees

Cleco Corporation and Cleco Power have entered into various off-balance sheet commitments, in the form of guarantees and standby letters of credit, in order to facilitate their activities and the activities of Cleco Corporation's subsidiaries and equity investees (affiliates). Cleco Corporation and Cleco Power also have agreed to contractual terms that require them to pay third parties if certain triggering events occur. These contractual terms generally are defined as guarantees in FIN 45.

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

The off-balance sheet commitments are not recognized on Cleco's Condensed Consolidated Balance Sheets, because it has been 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. Some of these commitments reduce borrowings available to Cleco Corporation under its credit facility pursuant to the terms of the credit facility. Cleco's off-balance sheet commitments as of June 30, 2009, 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.

(THOUSANDS)	FACE AMOUNT	REDUCTIONS	NET AMOUNT	AT JUNE 30, 2009 REDUCTIONS TO THE AMOUNT AVAILABLE TO BE DRAWN ON CLECO CORPORATION'S CREDIT FACILITY
Cleco Corporation				
Guarantee issued to Entergy companies for performance obligations of Perryville	$177,400	$ 135,000	$42,400	$ 328
Guarantees issued to purchasers of the assets of Cleco Energy	1,400	-	1,400	1,400
Obligations under standby letter of credit issued to the Evangeline Tolling Agreement counterparty	15,000			