

CLECO POWER LLC
Form 10-Q
August 11, 2016

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

FORM 10-Q

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

For the quarterly period ended June 30, 2016

Or

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

Commission file number 1-15759

CLECO CORPORATE HOLDINGS LLC

(Exact name of registrant as specified in its charter)

Louisiana

(State or other jurisdiction of incorporation or organization) 72-1445282 (I.R.S. Employer Identification No.)

2030 Donahue Ferry Road, Pineville, Louisiana

(Address of principal executive offices)

71360-5226

(Zip Code)

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

Commission file number 1-05663

CLECO POWER LLC

(Exact name of registrant as specified in its charter)

Louisiana

(State or other jurisdiction of incorporation or organization) 72-0244480 (I.R.S. Employer Identification No.)

2030 Donahue Ferry Road, Pineville, Louisiana

(Address of principal executive offices)

71360-5226

(Zip Code)

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

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

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

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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 Corporate Holdings LLC is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of August 11, 2016, Cleco Corporate Holdings LLC has no common stock outstanding. All of the outstanding interest of Cleco Corporate Holdings LLC is held by Cleco Group LLC, a wholly owned subsidiary of Cleco Partners L.P.

Cleco Power LLC, a wholly owned subsidiary of Cleco Corporate Holdings LLC, 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 HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

This Combined Quarterly Report on Form 10-Q is separately filed by Cleco Corporate Holdings LLC and Cleco Power LLC. Information in this filing relating to Cleco Power LLC is filed by Cleco Corporate Holdings LLC and separately by Cleco Power LLC on its own behalf. Cleco Power LLC makes no representation as to information relating to Cleco Corporate Holdings LLC (except as it may relate to Cleco Power LLC) or any other affiliate or subsidiary of Cleco Corporate Holdings LLC.

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.

TABLE OF CONTENTS

| | PAGE |
|---|-----------|
| <u>GLOSSARY OF TERMS</u> | <u>3</u> |
| <u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u> | <u>5</u> |
| | |
| <u>PART I</u> <u>Financial Information</u> | |
| <u>ITEM 1.</u> <u>Cleco Holdings — Condensed Consolidated Financial Statements (Unaudited)</u> | <u>7</u> |
| <u>Cleco Power — Condensed Consolidated Financial Statements (Unaudited)</u> | <u>17</u> |
| <u>Notes to the Unaudited Condensed Consolidated Financial Statements</u> | <u>26</u> |
| <u>ITEM 2.</u> <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>48</u> |
| <u>ITEM 3.</u> <u>Quantitative and Qualitative Disclosures about Market Risk</u> | <u>62</u> |
| <u>ITEM 4.</u> <u>Controls and Procedures</u> | <u>64</u> |
| | |
| <u>PART II</u> <u>Other Information</u> | |
| <u>ITEM 1.</u> <u>Legal Proceedings</u> | <u>65</u> |
| <u>ITEM 1A.</u> <u>Risk Factors</u> | <u>65</u> |
| <u>ITEM 4.</u> <u>Mine Safety Disclosures</u> | <u>65</u> |
| <u>ITEM 6.</u> <u>Exhibits</u> | <u>66</u> |
| <u>Signatures</u> | <u>67</u> |

CLECO HOLDINGS

CLECO POWER 2016 2ND QUARTER FORM 10-Q

GLOSSARY OF TERMS

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

| ABBREVIATION OR ACRONYM | DEFINITION |
|----------------------------------|---|
| 401(k) Plan | Cleco Power 401(k) Savings and Investment Plan |
| ABR | Alternate Base Rate which is the greater of the prime rate, the federal funds effective rate plus 0.50%, or the LIBOR plus 1.0% |
| Acadia | Acadia Power Partners, LLC, previously a wholly owned subsidiary of Midstream. Acadia Power Partners, LLC was dissolved effective August 29, 2014. |
| Acadia Unit 1 | Cleco Power’s 580-MW, combined cycle power plant located at the Acadia Power Station in Eunice, Louisiana |
| Acadia Unit 2 | Entergy Louisiana’s 580-MW, combined cycle power plant located at the Acadia Power Station in Eunice, Louisiana, which is operated by Cleco Power |
| AFUDC | Allowance for Funds Used During Construction |
| ALJ | Administrative Law Judge |
| Amended Lignite Mining Agreement | Amended and restated lignite mining agreement effective December 29, 2009 |
| AMI | Advanced Metering Infrastructure |
| AOCI | Accumulated Other Comprehensive Income (Loss) |
| ARO | Asset Retirement Obligation |
| ARRA | American Recovery and Reinvestment Act of 2009 |
| Attala | Attala Transmission LLC, a wholly owned subsidiary of Cleco Holdings |
| CCR | Coal combustion by-products or residual |
| CERCLA | Comprehensive Environmental Response, Compensation, and Liability Act of 1980 |
| CPP | Clean Power Plan |
| Cleco Group | Cleco Group LLC, a wholly owned subsidiary of Cleco Partners |
| Cleco Katrina/Rita | Cleco Katrina/Rita Hurricane Recovery Funding LLC, a wholly owned subsidiary of Cleco Power |
| Cleco Partners | Cleco Partners L.P., a Delaware limited partnership that is owned by a consortium of investors, including funds or investment vehicles managed by Macquarie Infrastructure and Real Assets, British Columbia Investment Management Corporation, John Hancock Financial, and other infrastructure investors. |
| CO ₂ | Carbon dioxide |
| Coughlin | Cleco Power’s 775-MW, combined-cycle power plant located in St. Landry, Louisiana |
| CSAPR | Cross-State Air Pollution Rule |
| DHLC | Dolet Hills Lignite Company, LLC, a wholly owned subsidiary of SWEPCO |
| Diversified Lands | Diversified Lands LLC, a wholly owned subsidiary of Cleco Holdings |
| Dodd-Frank Act | Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 |
| Dolet Hills | A 650-MW generating unit at Cleco Power’s plant site in Mansfield, Louisiana. Cleco Power has a 50% ownership interest in the capacity of Dolet Hills. |
| EAC | Environmental Adjustment Clause |
| EGU | Electric Generating Unit |
| Entergy Gulf States | Entergy Gulf States Louisiana, L.L.C. |
| Entergy Louisiana | Entergy Louisiana, LLC |

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| | |
|----------------|--|
| EPA | U.S. Environmental Protection Agency |
| ERO | Electric Reliability Organization |
| ESPP | Employee Stock Purchase Plan |
| Evangeline | Cleco Evangeline LLC, a wholly owned subsidiary of Midstream |
| FAC | Fuel Adjustment Clause |
| FASB | Financial Accounting Standards Board |
| FERC | Federal Energy Regulatory Commission |
| FTR | Financial Transmission Right |
| FRP | Formula Rate Plan |
| GAAP | Generally Accepted Accounting Principles in the U.S. |
| IRP | Integrated Resource Plan |
| IRS | Internal Revenue Service |
| kWh | Kilowatt-hour(s) |
| LDEQ | Louisiana Department of Environmental Quality |
| LED | Louisiana Economic Development |
| LIBOR | London Interbank Offered Rate |
| LPSC | Louisiana Public Service Commission |
| LTIP | Long-Term Incentive Compensation Plan |
| Madison Unit 3 | A 641-MW generating unit at Cleco Power's plant site in Boyce, Louisiana |

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

| ABBREVIATION OR ACRONYM | DEFINITION |
|-------------------------|--|
| MATS | Mercury and Air Toxics Standards |
| Merger | Merger of Merger Sub with and into Cleco Corporation pursuant to the terms of the Merger Agreement which was completed on April 13, 2016 |
| Merger Agreement | Agreement and Plan of Merger, dated as of October 17, 2014, by and among Cleco Partners, Merger Sub, and Cleco Corporation |
| Merger Commitments | Cleco Partners', Cleco Holdings', and Cleco Power's 77 commitments to the LPSC as defined in Docket No. U-33434 of which a performance report must be filed annually by October 31 for the 12 months ending June 30 |
| Merger Sub | Cleco MergerSub Inc., previously an indirect wholly owned subsidiary of Cleco Partners that was merged with and into Cleco Corporation, with Cleco Corporation surviving the Merger, and Cleco Corporation converting to a limited liability company and changing its name to Cleco Holdings |
| Midstream | Cleco Midstream Resources LLC, a wholly owned subsidiary of Cleco Holdings |
| MISO | Midcontinent Independent System Operator, Inc. |
| Moody's | Moody's Investors Service, a credit rating agency |
| MW | Megawatt(s) |
| MWh | Megawatt-hour(s) |
| NAAQS | National Ambient Air Quality Standards |
| NERC | North American Electric Reliability Corporation |
| NMTC | New Markets Tax Credit |
| NMTC Fund | USB NMTC Fund 2008-1 LLC was formed to invest in projects qualifying for New Markets Tax Credits and Solar Projects |
| Not Meaningful | A percentage comparison of these items is not statistically meaningful because the percentage difference is greater than 1,000% |
| NO _x | Nitrogen oxides |
| Oxbow | Oxbow Lignite Company, LLC, 50% owned by Cleco Power and 50% owned by SWEPCO |
| Perryville | Perryville Energy Partners, L.L.C., a wholly owned subsidiary of Cleco Holdings |
| PPA | Power purchase agreement |
| PRP | Potentially Responsible Party |
| Registrant(s) | Cleco Holdings and/or Cleco Power |
| Rodemacher Unit 2 | A 523-MW generating unit at Cleco Power's plant site in Boyce, Louisiana. Cleco Power has a 30% ownership interest in the capacity of Rodemacher Unit 2. |
| ROE | Return on equity |
| RTO | Regional Transmission Organization |
| S&P | Standard & Poor's Ratings Services, a credit rating agency |
| SEC | U.S. Securities and Exchange Commission |
| SERP | Supplemental Executive Retirement Plan |
| SO ₂ | Sulfur dioxide |
| Support Group | Cleco Support Group LLC, a wholly owned subsidiary of Cleco Holdings |
| SWEPCO | Southwestern Electric Power Company, an electric utility subsidiary of American Electric Power Company, Inc. |
| VaR | Value-at-Risk |

CLECO HOLDINGS

CLECO POWER 2016 2ND QUARTER FORM 10-Q

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

the effects of the Merger on Cleco Holdings’ and Cleco Power’s business relationships, operating results, and business generally,

- regulatory factors such as changes in rate-setting practices or policies; the unpredictability in political actions of governmental regulatory bodies; adverse regulatory ratemaking actions; recovery of investments made under traditional regulation; recovery of storm restoration costs; the frequency, timing, and amount of rate increases or decreases; the impact that rate cases or requests for FRP extensions may have on operating decisions of Cleco Power; the results of periodic NERC and LPSC audits; participation in MISO and the related operating challenges and uncertainties, including increased wholesale competition relative to more suppliers; and compliance with the ERO reliability standards for bulk power systems by Cleco Power,

the ability to recover fuel costs through the FAC,

factors affecting utility operations, such as unusual weather conditions or other natural phenomena; catastrophic weather-related damage caused by hurricanes and other storms or severe drought conditions; unscheduled generation outages; unanticipated maintenance or repairs; unanticipated changes to fuel costs or fuel supply costs, fuel shortages, transportation problems, or other developments; fuel mix of Cleco’s generating facilities; decreased customer load; environmental incidents and compliance costs; and power transmission system constraints,

reliance on third parties for determination of Cleco Power’s commitments and obligations to markets for generation resources and reliance on third-party transmission services,

global and domestic economic conditions, including the ability of customers to continue paying utility bills, related growth and/or down-sizing of businesses in Cleco’s service area, monetary fluctuations, changes in commodity prices, and inflation rates,

the ability of the lignite reserves at Dolet Hills to provide sufficient fuel to the Dolet Hills Power Station until at least 2036,

Cleco Power’s ability to maintain its right to sell wholesale power at market-based rates within its control area,

Cleco Power’s dependence on energy from sources other than its facilities and future sources of such additional energy,

reliability of Cleco Power’s generating facilities,

the imposition of energy efficiency requirements or increased conservation efforts of customers,

the impact of current or future environmental laws and regulations, including those related to CCRs, greenhouse gases, and energy efficiency that could limit or terminate the operation of certain generating units, increase costs, or reduce customer demand for electricity,

the ability to recover costs of compliance with environmental laws and regulations, including those through the EAC, financial or regulatory accounting principles or policies imposed by FASB, the SEC, FERC, the LPSC, or similar entities with regulatory or accounting oversight, changing market conditions and a variety of other factors associated with physical energy, financial transactions, and energy service activities, including, but not limited to, price, basis, credit, liquidity, volatility, capacity, transmission, interest rates, and warranty risks, legal, environmental, and regulatory delays and other obstacles associated with acquisitions, reorganizations, investments in joint ventures, or other capital projects, costs and other effects of legal and administrative proceedings, settlements, investigations, claims, and other matters, the availability and use of alternative sources of energy and technologies, such as wind, solar, battery storage, and distributed generation, changes in federal, state, or local laws (including tax laws), changes in tax rates, disallowances of tax positions, or changes in other regulating policies that may result in a change to tax benefits or expenses, the restriction on the ability of Cleco Power to make distributions to Cleco Holdings in certain instances, as a result of the Merger Commitments, Cleco Holdings' dependence on the earnings, dividends, or distributions from its subsidiaries to meet its debt obligations,

CLECO HOLDINGS

CLECO POWER 2016 2ND QUARTER FORM 10-Q

- acts of terrorism, cyber attacks, data security breaches or other attempts to disrupt Cleco's business or the business of third parties, or other man-made disasters,
- nonperformance by and creditworthiness of the guarantor counterparty of the NMTC Fund,
- credit ratings of Cleco Holdings and Cleco Power,
- ability to remain in compliance with debt covenants,
- availability or cost of capital resulting from changes in global markets, Cleco's business or financial condition, interest rates, or market perceptions of the electric utility industry and energy-related industries, and
- employee work force factors, including aging workforce and changes in management.

For more discussion of these factors and other factors that could cause actual results to differ materially from those contemplated in the Registrants' forward-looking statements, please see "Risk Factors" in the Registrants' Combined Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

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.

CLECO HOLDINGS
CLECO POWER 2016 2ND QUARTER FORM 10-Q

PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Cleco Holdings

These unaudited Condensed Consolidated Financial Statements should be read in conjunction with Cleco Holdings' Consolidated Financial Statements and Notes included in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2015. 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."

7

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO HOLDINGS

Condensed Consolidated Statements of Income (Unaudited)

| (THOUSANDS) | SUCCESSOR APR. 13, 2016 - JUNE 30, 2016 | PREDECESSOR FOR APR. 1, 2016 - APR. 12, 2016 | THE THREE MONTHS ENDED JUNE 30, 2015 |
|---|---|---|---|
| Operating revenue | | | |
| Electric operations | \$ 229,927 | \$ 30,997 | \$ 276,661 |
| Other operations | 14,133 | 1,949 | 15,803 |
| Gross operating revenue | 244,060 | 32,946 | 292,464 |
| Electric customer credits | (558 |) (43 |) (3,390 |
| Operating revenue, net | 243,502 | 32,903 | 289,074 |
| Operating expenses | | | |
| Fuel used for electric generation | 66,251 | 8,934 | 84,011 |
| Power purchased for utility customers | 24,382 | 4,144 | 34,132 |
| Other operations | 24,270 | 4,244 | 31,436 |
| Maintenance | 22,905 | 5,182 | 21,436 |
| Depreciation and amortization | 34,160 | 5,137 | 36,468 |
| Taxes other than income taxes | 10,379 | 1,704 | 12,117 |
| Merger transaction and commitment costs | 171,303 | 33,390 | (410 |
| Total operating expenses | 353,650 | 62,735 | 219,190 |
| Operating (loss) income | (110,148 |) (29,832 |) 69,884 |
| Interest income | 197 | 41 | 90 |
| Allowance for equity funds used during construction | 749 | 72 | 460 |
| Other income | 1,738 | 364 | 764 |
| Other expense | (187 |) (73 |) (695 |
| Interest charges | | | |
| Interest charges, including amortization of debt issuance costs, premiums, and discounts, net | 26,693 | 2,592 | 20,040 |
| Allowance for borrowed funds used during construction | (228 |) (23 |) (130 |
| Total interest charges | 26,465 | 2,569 | 19,910 |
| (Loss) income before income taxes | (134,116 |) (31,997 |) 50,593 |
| Federal and state income tax (benefit) expense | (52,202 |) (8,669 |) 20,359 |
| Net (loss) income | \$ (81,914 |) \$(23,328) | \$ 30,234 |

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

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO HOLDINGS

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

| (THOUSANDS) | SUCCESSOR PREDECESSOR | | |
|---|--|---------------------------------------|---|
| | APR. 13, 2016 - JUNE 30, 2016 | APR. 1, 2016 - APR. 12, 2016 | FOR THE THREE MONTHS ENDED JUNE 30, 2015 |
| Net (loss) income | \$ (81,914) | \$ (23,328) | \$ 30,234 |
| Other comprehensive income, net of tax | | | |
| Postretirement benefits gain (net of tax expense of \$0, \$37, and \$411, respectively) | — | 59 | 656 |
| Net gain on cash flow hedges (net of tax expense of \$0, \$4, and \$33, respectively) | — | 7 | 53 |
| Total other comprehensive income, net of tax | — | 66 | 709 |
| Comprehensive (loss) income, net of tax | \$ (81,914) | \$ (23,262) | \$ 30,943 |

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

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO HOLDINGS

Condensed Consolidated Statements of Income (Unaudited)

| (THOUSANDS) | SUCCESSOR PREDECESSOR | | |
|---|--|---------------------------------------|---|
| | APR. 13, 2016 - JUNE 30, 2016 | JAN. 1, 2016 - APR. 12, 2016 | FOR THE SIX MONTHS ENDED JUNE 30, 2015 |
| Operating revenue | | | |
| Electric operations | \$ 229,927 | \$ 281,154 | \$ 554,175 |
| Other operations | 14,133 | 19,080 | 33,535 |
| Gross operating revenue | 244,060 | 300,234 | 587,710 |
| Electric customer credits | (558) | (364) | (3,179) |
| Operating revenue, net | 243,502 | 299,870 | 584,531 |
| Operating expenses | | | |
| Fuel used for electric generation | 66,251 | 96,378 | 172,136 |
| Power purchased for utility customers | 24,382 | 27,249 | 78,213 |
| Other operations | 24,270 | 33,563 | 59,995 |
| Maintenance | 22,905 | 29,813 | 40,518 |
| Depreciation and amortization | 34,160 | 44,076 | 73,746 |
| Taxes other than income taxes | 10,379 | 14,611 | 25,589 |
| Merger transaction and commitment costs | 171,303 | 34,912 | 1,730 |
| Gain on sale of asset | — | (1,095) | — |
| Total operating expenses | 353,650 | 279,507 | 451,927 |
| Operating (loss) income | (110,148) | 20,363 | 132,604 |
| Interest income | 197 | 265 | 388 |
| Allowance for equity funds used during construction | 749 | 723 | 1,537 |
| Other income | 1,738 | 870 | 1,409 |
| Other expense | (187) | (590) | (1,063) |
| Interest charges | | | |
| Interest charges, including amortization of debt issuance costs, premiums, and discounts, net | 26,693 | 22,330 | 40,483 |
| Allowance for borrowed funds used during construction | (228) | (207) | (451) |
| Total interest charges | 26,465 | 22,123 | 40,032 |
| (Loss) income before income taxes | (134,116) | (492) | 94,843 |
| Federal and state income tax (benefit) expense | (52,202) | 3,468 | 37,687 |
| Net (loss) income | \$ (81,914) | \$ (3,960) | \$ 57,156 |

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

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO HOLDINGS

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

| (THOUSANDS) | SUCCESSOR PREDECESSOR | | |
|--|--|--|---|
| | APR. 13, 2016 - JUNE 30, 2016 | JAN. 1, 2016 - APR. 12, 2016 | FOR THE SIX MONTHS ENDED JUNE 30, 2015 |
| Net (loss) income | \$ (81,914) | \$ (3,960) | \$ 57,156 |
| Other comprehensive income, net of tax | | | |
| Postretirement benefits gain (net of tax expense of \$0, \$367, and \$792, respectively) | — | 587 | 1,265 |
| Net gain on cash flow hedges (net of tax expense of \$0, \$37, and \$66, respectively) | — | 60 | 106 |
| Total other comprehensive income, net of tax | — | 647 | 1,371 |
| Comprehensive (loss) income, net of tax | \$ (81,914) | \$ (3,313) | \$ 58,527 |

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

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO HOLDINGS

Condensed Consolidated Balance Sheets (Unaudited)

| (THOUSANDS) | SUCCESSOR AT JUNE 30, 2016 | PREDECESSOR AT DEC. 31, 2015 |
|--|----------------------------------|------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 16,912 | \$ 68,246 |
| Restricted cash and cash equivalents | 144,150 | 9,263 |
| Customer accounts receivable (less allowance for doubtful accounts of \$3,957 in 2016 and \$2,674 in 2015) | 46,503 | 43,255 |
| Accounts receivable - affiliate | 3,786 | — |
| Other accounts receivable | 25,681 | 27,677 |
| Unbilled revenue | 46,419 | 33,995 |
| Fuel inventory, at average cost | 38,023 | 72,838 |
| Material and supplies, at average cost | 79,469 | 76,731 |
| Energy risk management assets | 13,989 | 7,673 |
| Accumulated deferred fuel | 19,543 | 12,910 |
| Cash surrender value of company-/trust-owned life insurance policies | 76,424 | 73,823 |
| Prepayments | 7,798 | 7,883 |
| Regulatory assets | 40,929 | 14,117 |
| Other current assets | 841 | 448 |
| Total current assets | 560,467 | 448,859 |
| Property, plant, and equipment | | |
| Property, plant, and equipment | 3,376,333 | 4,661,212 |
| Accumulated depreciation | (20,990) | (1,536,158) |
| Net property, plant, and equipment | 3,355,343 | 3,125,054 |
| Construction work in progress | 97,194 | 66,509 |
| Total property, plant, and equipment, net | 3,452,537 | 3,191,563 |
| Equity investment in investee | 19,272 | 16,822 |
| Goodwill | 1,490,402 | — |
| Prepayments | 4,656 | 4,542 |
| Restricted cash and cash equivalents | 24,291 | 16,195 |
| Regulatory assets - deferred taxes, net | 230,523 | 236,941 |
| Regulatory assets | 471,389 | 284,689 |
| Net investment in direct financing lease | 13,442 | 13,464 |
| Intangible asset | 157,731 | 74,963 |
| Tax credit fund investment, net | 12,072 | 13,741 |
| Other deferred charges | 17,072 | 22,299 |
| Total assets | \$ 6,453,854 | \$ 4,324,078 |

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

(Continued on next page)

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO HOLDINGS

Condensed Consolidated Balance Sheets (Unaudited)

| (THOUSANDS) | SUCCESSOR AT JUNE 30, 2016 | PREDECESSOR AT DEC. 31, 2015 |
|--|----------------------------------|------------------------------------|
| Liabilities and member's equity/shareholders' equity | | |
| Liabilities | | |
| Current liabilities | | |
| Long-term debt due within one year | \$ 20,007 | \$ 19,421 |
| Accounts payable | 100,802 | 93,822 |
| Accounts payable, affiliate | 146 | — |
| Customer deposits | 56,328 | 55,233 |
| Provision for rate refund | 3,618 | 2,696 |
| Provision for merger commitments | 142,003 | — |
| Taxes payable | 16,246 | 2,573 |
| Interest accrued | 14,041 | 7,814 |
| Energy risk management liabilities | 371 | 275 |
| Regulatory liabilities - other | — | 312 |
| Deferred compensation | 10,933 | 10,156 |
| Other current liabilities | 17,776 | 14,277 |
| Total current liabilities | 382,271 | 206,579 |
| Long-term liabilities and deferred credits | | |
| Accumulated deferred federal and state income taxes, net | 1,002,784 | 925,103 |
| Accumulated deferred investment tax credits | 2,998 | 3,245 |
| Postretirement benefit obligations | 213,638 | 205,036 |
| Restricted storm reserve | 16,775 | 16,177 |
| Other deferred credits | 27,935 | 24,670 |
| Total long-term liabilities and deferred credits | 1,264,130 | 1,174,231 |
| Long-term debt, net | 2,759,226 | 1,268,427 |
| Total liabilities | 4,405,627 | 2,649,237 |
| Commitments and Contingencies (Note 12) | | |
| Member's equity/Shareholders' equity | | |
| Member's equity/Common shareholders' equity | | |
| Membership interest/Common stock ⁽¹⁾ | 2,130,141 | 456,412 |
| (Accumulated deficit)/Retained earnings | (81,914) |) 1,245,014 |
| Accumulated other comprehensive loss | — | (26,585) |
| Total member's equity/common shareholders' equity | 2,048,227 | 1,674,841 |
| Total liabilities and member's equity/shareholders' equity | \$ 6,453,854 | \$ 4,324,078 |

⁽¹⁾At December 31, 2015, shareholders' equity included \$418.5 million of premium on common stock, \$61.1 million of common stock, and \$23.2 million of treasury stock. At December 31, 2015, Cleco Holdings had 100,000,000 shares of common stock authorized, 61,058,918 shares of common stock issued, and 60,482,468 shares of common stock outstanding, par value \$1 per share. At December 31, 2015, Cleco Holdings had 576,450 shares of treasury stock.

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

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO HOLDINGS

Condensed Consolidated Statements of Cash Flows (Unaudited)

| (THOUSANDS) | APR. 13, 2016 - JUNE 30, 2016 | JAN. 1, 2016 - APR. 12, 2016 | FOR THE SIX MONTHS ENDED JUNE 30, 2015 |
|--|--|--|---|
| Operating activities | | | |
| Net (loss) income | \$ (81,914) | \$ (3,960) | \$ 57,156 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Depreciation and amortization | 57,718 | 45,869 | 76,951 |
| Gain on sale of asset | — | (1,095) | — |
| Unearned compensation expense | 361 | 3,276 | 3,341 |
| Allowance for equity funds used during construction | (748) | (724) | (1,537) |
| Net deferred income taxes | (47,264) | 2,219 | 33,367 |
| Deferred fuel costs | (7,717) | 977 | 7,251 |
| Cash surrender value of company-/trust-owned life insurance | (1,761) | (840) | (366) |
| Provision for merger commitments | 150,840 | — | — |
| Changes in assets and liabilities | | | |
| Accounts receivable | (5,360) | (1,865) | (8,062) |
| Accounts and notes receivable, affiliate | (3,786) | — | — |
| Unbilled revenue | (12,988) | 563 | (4,866) |
| Fuel inventory and materials and supplies | 12,765 | 19,312 | 4,973 |
| Prepayments | (2,425) | 2,395 | 1,295 |
| Accounts payable | (19,143) | 8,348 | (27,652) |
| Accounts and notes payable, affiliate | 146 | — | — |
| Customer deposits | 2,787 | 3,342 | 6,104 |
| Postretirement benefit obligations | 936 | 9,746 | 6,878 |
| Regulatory assets and liabilities, net | 4,104 | 5,178 | 8,764 |
| Other deferred accounts | (7,109) | 6,878 | (7,872) |
| Taxes accrued | (8,161) | 10,820 | 16,959 |
| Interest accrued | (11,760) | 17,909 | 1,112 |
| Deferred compensation | (1,436) | (793) | (908) |
| Other operating | 2,705 | 2,224 | 1,579 |
| Net cash provided by operating activities | 20,790 | 129,779 | 174,467 |
| Investing activities | | | |
| Additions to property, plant, and equipment | (43,623) | (42,392) | (78,180) |
| Allowance for equity funds used during construction | 748 | 724 | 1,537 |
| Proceeds from sale of property | 159 | 1,932 | — |
| Premiums paid on trust-owned life insurance | — | — | (1,375) |
| Contributions to equity investment in investee | — | (2,450) | (840) |
| Return of equity investment in tax credit fund | 475 | 476 | 1,172 |
| Contributions to tax credit fund | — | — | (923) |
| Transfer of cash (to) from restricted accounts, net | (147,830) | 4,847 | (41) |

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| | | | |
|---------------------------------------|----------|------------|-----------|
| Other investing | 104 | 53 | 459 |
| Net cash used in investing activities | (189,967 |) (36,810) | (78,191) |

14

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO HOLDINGS

Condensed Consolidated Statements of Cash Flows (Unaudited)

| (THOUSANDS) | SUCCESSOR PREDECESSOR | | |
|---|--|---------------------------------------|---|
| | APR. 13, 2016 - JUNE 30, 2016 | JAN. 1, 2016 - APR. 12, 2016 | FOR THE SIX MONTHS ENDED JUNE 30, 2015 |
| Financing activities | | | |
| Draws on credit facilities | 15,000 | 3,000 | 62,000 |
| Payments on credit facilities | (15,000) | (10,000) | (87,000) |
| Issuance of long-term debt | 1,350,000 | — | — |
| Repayment of long-term debt | (1,350,000) | (8,546) | (43,053) |
| Payment of financing costs | (5,830) | (43) | (154) |
| Dividends paid | (572) | (24,579) | (48,869) |
| Contribution from member | 100,720 | — | — |
| Distribution to member | (28,000) | — | — |
| Other financing | (559) | (717) | (1,194) |
| Net cash provided by (used in) financing activities | 65,759 | (40,885) | (118,270) |
| Net (decrease) increase in cash and cash equivalents | (103,418) | 52,084 | (21,994) |
| Cash and cash equivalents at beginning of period | 120,330 | 68,246 | 44,423 |
| Cash and cash equivalents at end of period | \$ 16,912 | \$ 120,330 | \$ 22,429 |
| Supplementary cash flow information | | | |
| Interest paid, net of amount capitalized | \$ 37,466 | \$ 2,478 | \$ 36,751 |
| Income taxes paid (refunded), net | \$ 256 | \$(481) | \$ 306 |
| Supplementary non-cash investing and financing activities | | | |
| Accrued additions to property, plant, and equipment | \$ 19,668 | \$ 10,619 | \$ 7,674 |
| Additions to property, plant, and equipment - ARO | \$ — | \$ 961 | \$ — |

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

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO HOLDINGS

Condensed Consolidated Statements of Changes in Equity (Unaudited)

| (THOUSANDS) | COMMON STOCK/MEMBER INTEREST ⁽¹⁾ | RETAINED EARNINGS/(ACCUMULATED DEFICIT) | ACCUMULATED OTHER COMPREHENSIVE INCOME | TOTAL SHAREHOLDERS'/ MEMBER'S EQUITY |
|---|---|---|---|---|
| PREDECESSOR | | | | |
| Balances, Dec. 31, 2015 | \$ 456,412 | \$ 1,245,014 | \$(26,585) | \$ 1,674,841 |
| Common stock issued for compensatory plans | (1,277 |) — | — | (1,277) |
| Dividends on common stock, \$0.40 per share | — | (24,190 |) — | (24,190) |
| Net loss | — | (3,960 |) — | (3,960) |
| Other comprehensive income, net of tax | — | — | 647 | 647 |
| Balances, Apr. 12, 2016 | \$ 455,135 | \$ 1,216,864 | \$(25,938) | \$ 1,646,061 |
| SUCCESSOR | | | | |
| Balances, Apr. 13, 2016 ⁽²⁾ | \$ 2,158,141 | \$ — | \$— | \$ 2,158,141 |
| Distribution to member | (28,000 |) — | — | (28,000) |
| Net loss | — | (81,914 |) — | (81,914) |
| Balances, June 30, 2016 | \$ 2,130,141 | \$ (81,914 |) \$— | \$ 2,048,227 |

⁽¹⁾At April 12, 2016, and December 31, 2015, shareholders' equity of the predecessor company included \$61.1 million of common stock. At April 12, 2016, and December 31, 2015, shareholders' equity of the predecessor company included \$414.6 million and \$418.5 million of premium on common stock, and \$20.5 million and \$23.2 million of treasury stock, respectively.

⁽²⁾The April 13, 2016, beginning balance of the successor company differs from the April 12, 2016, ending balances of the predecessor company due to acquisition accounting adjustments related to the Merger.

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

CLECO HOLDINGS

CLECO POWER 2016 2ND QUARTER FORM 10-Q

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Cleco Power

These unaudited Condensed Consolidated Financial Statements should be read in conjunction with Cleco Power's Consolidated Financial Statements and Notes included in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2015. 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."

17

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO POWER

Condensed Consolidated Statements of Income (Unaudited)

| (THOUSANDS) | FOR THE THREE MONTHS ENDED JUNE 30, | |
|---|---|-----------|
| | 2016 | 2015 |
| Operating revenue | | |
| Electric operations | \$263,155 | \$276,661 |
| Other operations | 15,564 | 15,283 |
| Affiliate revenue | 225 | 331 |
| Gross operating revenue | 278,944 | 292,275 |
| Electric customer credits | (601) | (3,390) |
| Operating revenue, net | 278,343 | 288,885 |
| Operating expenses | | |
| Fuel used for electric generation | 75,185 | 84,011 |
| Power purchased for utility customers | 28,526 | 34,132 |
| Other operations | 29,287 | 31,650 |
| Maintenance | 27,954 | 21,230 |
| Depreciation and amortization | 36,240 | 36,126 |
| Taxes other than income taxes | 11,491 | 11,493 |
| Merger commitment costs | 151,501 | — |
| Total operating expenses | 360,184 | 218,642 |
| Operating (loss) income | (81,841) | 70,243 |
| Interest income | 146 | 48 |
| Allowance for equity funds used during construction | 821 | 460 |
| Other income | 204 | 846 |
| Other expense | (272) | (474) |
| Interest charges | | |
| Interest charges, including amortization of debt issuance costs, premiums, and discounts, net | 19,564 | 19,531 |
| Allowance for borrowed funds used during construction | (251) | (130) |
| Total interest charges | 19,313 | 19,401 |
| (Loss) income before income taxes | (100,255) | 51,722 |
| Federal and state income tax (benefit) expense | (39,026) | 19,909 |
| Net (loss) income | \$(61,229) | \$31,813 |

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

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO POWER

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

| | FOR THE THREE MONTHS ENDED JUNE 30, | |
|--|---|-----------|
| (THOUSANDS) | 2016 | 2015 |
| Net (loss) income | \$ (61,229) | \$ 31,813 |
| Other comprehensive income, net of tax | | |
| Postretirement benefits gain (net of tax expense of \$113 in 2016 and \$180 in 2015) | 181 | 288 |
| Net gain on cash flow hedges (net of tax expense of \$33 in 2016 and 2015) | 53 | 53 |
| Total other comprehensive income, net of tax | 234 | 341 |
| Comprehensive (loss) income, net of tax | \$ (60,995) | \$ 32,154 |

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

19

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO POWER

Condensed Consolidated Statements of Income (Unaudited)

| (THOUSANDS) | FOR THE SIX MONTHS ENDED JUNE 30, | |
|---|---|-----------|
| | 2016 | 2015 |
| Operating revenue | | |
| Electric operations | \$513,312 | \$554,175 |
| Other operations | 32,178 | 32,495 |
| Affiliate revenue | 457 | 665 |
| Gross operating revenue | 545,947 | 587,335 |
| Electric customer credits | (922) | (3,179) |
| Operating revenue, net | 545,025 | 584,156 |
| Operating expenses | | |
| Fuel used for electric generation | 162,629 | 172,136 |
| Power purchased for utility customers | 51,631 | 78,213 |
| Other operations | 58,681 | 60,130 |
| Maintenance | 52,492 | 40,175 |
| Depreciation and amortization | 74,843 | 73,109 |
| Taxes other than income taxes | 23,916 | 24,479 |
| Merger commitment costs | 151,501 | — |
| Gain on sale of asset | (1,095) | — |
| Total operating expenses | 574,598 | 448,242 |
| Operating (loss) income | (29,573) | 135,914 |
| Interest income | 325 | 304 |
| Allowance for equity funds used during construction | 1,472 | 1,537 |
| Other income | 351 | 1,297 |
| Other expense | (789) | (1,062) |
| Interest charges | | |
| Interest charges, including amortization of debt issuance costs, premiums, and discounts, net | 39,034 | 39,755 |
| Allowance for borrowed funds used during construction | (435) | (451) |
| Total interest charges | 38,599 | 39,304 |
| (Loss) income before income taxes | (66,813) | 98,686 |
| Federal and state income tax (benefit) expense | (26,463) | 38,268 |
| Net (loss) income | \$(40,350) | \$60,418 |

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

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO POWER

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

| | FOR THE SIX MONTHS ENDED JUNE 30, | |
|--|---|-----------|
| (THOUSANDS) | 2016 | 2015 |
| Net (loss) income | \$ (40,350) | \$ 60,418 |
| Other comprehensive income, net of tax | | |
| Postretirement benefits gain (net of tax expense of \$239 in 2016 and \$126 in 2015) | 381 | 201 |
| Net gain on cash flow hedges (net of tax expense of \$66 in 2016 and 2015) | 106 | 106 |
| Total other comprehensive income, net of tax | 487 | 307 |
| Comprehensive (loss) income, net of tax | \$ (39,863) | \$ 60,725 |

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

21

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO POWER

Condensed Consolidated Balance Sheets (Unaudited)

| (THOUSANDS) | AT JUNE 30, 2016 | AT DEC. 31, 2015 |
|--|---------------------|---------------------|
| Assets | | |
| Utility plant and equipment | | |
| Property, plant, and equipment | \$4,694,517 | \$4,645,698 |
| Accumulated depreciation | (1,571,433) | (1,525,298) |
| Net property, plant, and equipment | 3,123,084 | 3,120,400 |
| Construction work in progress | 96,725 | 66,069 |
| Total utility plant, net | 3,219,809 | 3,186,469 |
| Current assets | | |
| Cash and cash equivalents | 7,310 | 65,705 |
| Restricted cash and cash equivalents | 144,150 | 9,263 |
| Customer accounts receivable (less allowance for doubtful accounts of \$3,957 in 2016 and \$2,674 in 2015) | 46,503 | 43,255 |
| Accounts receivable - affiliate | 3,812 | 1,908 |
| Other accounts receivable | 25,245 | 27,553 |
| Unbilled revenue | 46,419 | 33,995 |
| Fuel inventory, at average cost | 38,023 | 72,838 |
| Material and supplies, at average cost | 79,469 | 76,731 |
| Energy risk management assets | 13,989 | 7,673 |
| Accumulated deferred fuel | 19,543 | 12,910 |
| Cash surrender value of company-owned life insurance policies | 20,155 | 20,003 |
| Prepayments | 6,707 | 6,309 |
| Regulatory assets | 19,362 | 14,117 |
| Other current assets | — | 337 |
| Total current assets | 470,687 | 392,597 |
| Equity investment in investee | 19,272 | 16,822 |
| Prepayments | 4,656 | 4,542 |
| Restricted cash and cash equivalents | 24,270 | 16,174 |
| Regulatory assets - deferred taxes, net | 230,523 | 236,941 |
| Regulatory assets | 269,397 | 284,689 |
| Intangible asset | 66,711 | 74,963 |
| Other deferred charges | 14,133 | 20,534 |
| Total assets | \$4,319,458 | \$4,233,731 |

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

(Continued on next page)

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO POWER

Condensed Consolidated Balance Sheets (Unaudited)

| (THOUSANDS) | AT JUNE 30, 2016 | AT DEC. 31, 2015 |
|--|---------------------|---------------------|
| Liabilities and member's equity | | |
| Member's equity | \$1,527,541 | \$1,552,404 |
| Long-term debt, net | 1,224,624 | 1,234,433 |
| Total capitalization | 2,752,165 | 2,786,837 |
| Current liabilities | | |
| Long-term debt due within one year | 20,007 | 19,421 |
| Accounts payable | 92,595 | 88,235 |
| Accounts payable - affiliate | 6,432 | 6,598 |
| Customer deposits | 56,328 | 55,233 |
| Provision for rate refund | 3,618 | 2,696 |
| Provision for merger commitments | 142,003 | — |
| Taxes payable | 5,916 | 17,045 |
| Interest accrued | 8,915 | 7,813 |
| Energy risk management liabilities | 371 | 275 |
| Regulatory liabilities - other | — | 312 |
| Other current liabilities | 12,159 | 10,078 |
| Total current liabilities | 348,344 | 207,706 |
| Commitments and Contingencies (Note 12) | | |
| Long-term liabilities and deferred credits | | |
| Accumulated deferred federal and state income taxes, net | 1,016,256 | 1,043,531 |
| Accumulated deferred investment tax credits | 2,998 | 3,245 |
| Postretirement benefit obligations | 154,985 | 152,152 |
| Restricted storm reserve | 16,775 | 16,177 |
| Other deferred credits | 27,935 | 24,083 |
| Total long-term liabilities and deferred credits | 1,218,949 | 1,239,188 |
| Total liabilities and member's equity | \$4,319,458 | \$4,233,731 |

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

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO POWER

Condensed Consolidated Statements of Cash Flows (Unaudited)

| | FOR THE SIX MONTHS ENDED JUNE 30, | |
|--|---|-----------|
| (THOUSANDS) | 2016 | 2015 |
| Operating activities | | |
| Net (loss) income | \$(40,350) | \$60,418 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 79,059 | 75,591 |
| Gain on sale of asset | (1,095) | — |
| Allowance for equity funds used during construction | (1,472) | (1,537) |
| Net deferred income taxes | (22,438) | 34,583 |
| Deferred fuel costs | (6,740) | 7,251 |
| Provision for merger commitments | 150,840 | — |
| Changes in assets and liabilities | | |
| Accounts receivable | (6,914) | (8,204) |
| Accounts and notes receivable, affiliate | (680) | 5,857 |
| Unbilled revenue | (12,425) | (4,866) |
| Fuel inventory and materials and supplies | 32,077 | 4,973 |
| Prepayments | (512) | (867) |
| Accounts payable | (13,238) | (22,311) |
| Accounts and notes payable, affiliate | (4,129) | (2,619) |
| Customer deposits | 6,129 | 6,104 |
| Postretirement benefit obligations | 2,426 | 3,533 |
| Regulatory assets and liabilities, net | 8,854 | 8,764 |
| Other deferred accounts | (231) | (6,409) |
| Taxes accrued | (11,129) | 18,949 |
| Interest accrued | 1,102 | 1,099 |
| Other operating | 5,056 | 1,888 |
| Net cash provided by operating activities | 164,190 | 182,197 |
| Investing activities | | |
| Additions to property, plant, and equipment | (85,936) | (78,010) |
| Allowance for equity funds used during construction | 1,472 | 1,537 |
| Proceeds from sale of property | 2,091 | — |
| Contributions to equity investment in investee | (2,450) | (840) |
| Transfer of cash to restricted accounts, net | (142,983) | (41) |
| Other investing | 157 | 459 |
| Net cash used in investing activities | (227,649) | (76,895) |
| Financing activities | | |
| Draws on credit facility | 15,000 | 20,000 |
| Payments on credit facility | (15,000) | (40,000) |
| Repayment of long-term debt | (8,546) | (43,053) |
| Contributions from parent | 50,000 | — |
| Distributions to parent | (35,000) | (60,000) |
| Other financing | (1,390) | (1,348) |

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| | | |
|---|-----------|-----------|
| Net cash provided by (used in) financing activities | 5,064 | (124,401) |
| Net decrease in cash and cash equivalents | (58,395) | (19,099) |
| Cash and cash equivalents at beginning of period | 65,705 | 39,162 |
| Cash and cash equivalents at end of period | \$7,310 | \$20,063 |
| Supplementary cash flow information | | |
| Interest paid, net of amount capitalized | \$35,746 | \$36,394 |
| Income taxes (refunded) paid, net | \$(485) | \$565 |
| Supplementary non-cash investing and financing activities | | |
| Accrued additions to property, plant, and equipment | \$19,571 | \$7,639 |
| Additions to property, plant, and equipment - ARO | \$961 | \$— |

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

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

CLECO POWER

Condensed Consolidated Statements of Changes in Member's Equity (Unaudited)

| (THOUSANDS) | MEMBER'S EQUITY | AOCI | TOTAL MEMBER'S EQUITY |
|--|--------------------|------------|-----------------------------|
| Balances, Dec. 31, 2015 | \$ 1,569,496 | \$(17,092) | \$ 1,552,404 |
| Other comprehensive income, net of tax | — | 487 | 487 |
| Contributions from parent | 50,000 | — | 50,000 |
| Distributions to parent | (35,000) | — | (35,000) |
| Net loss | (40,350) | — | (40,350) |
| Balances, June 30, 2016 | \$ 1,544,146 | \$(16,605) | \$ 1,527,541 |

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

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

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

| | |
|---|--------------------------------|
| Note 1 Summary of Significant Accounting Policies | Cleco Holdings and Cleco Power |
| Note 2 Business Combinations | Cleco Holdings |
| Note 3 Recent Authoritative Guidance | Cleco Holdings and Cleco Power |
| Note 4 Regulatory Assets and Liabilities | Cleco Holdings and Cleco Power |
| Note 5 Fair Value Accounting | Cleco Holdings and Cleco Power |
| Note 6 Debt | Cleco Holdings and Cleco Power |
| Note 7 Pension Plan and Employee Benefits | Cleco Holdings and Cleco Power |
| Note 8 Income Taxes | Cleco Holdings and Cleco Power |
| Note 9 Disclosures about Segments | Cleco Holdings |
| Note 10 Regulation and Rates | Cleco Holdings and Cleco Power |
| Note 11 Variable Interest Entities | Cleco Holdings and Cleco Power |
| Note 12 Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees | Cleco Holdings and Cleco Power |
| Note 13 Affiliate Transactions | Cleco Holdings and Cleco Power |
| Note 14 Accumulated Other Comprehensive Loss | Cleco Holdings and Cleco Power |
| Note 15 Intangible Assets and Goodwill | Cleco Holdings and Cleco Power |

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.

Basis of Presentation

On April 13, 2016, Cleco Holdings completed its merger with Merger Sub whereby Merger Sub merged with and into Cleco Corporation, with Cleco Corporation surviving the Merger, and Cleco Corporation converting to a limited liability company and changing its name to Cleco Holdings, as a direct, wholly owned subsidiary of Cleco Group and an indirect, wholly owned subsidiary of Cleco Partners. At the effective time of the Merger each outstanding share of Cleco Corporation common stock, par value \$1.00 per share (other than shares that were owned by Cleco Corporation, Cleco Partners, Merger Sub, or any other direct or indirect wholly owned subsidiary of Cleco Partners or Cleco Corporation), were cancelled and were converted into the right to receive \$55.37 per share in cash, without interest,

with all dividends payable before the effective time of the Merger.

Cleco Holdings has accounted for the merger transaction by applying the acquisition method of accounting. The objective of the acquisition method is to establish a new accounting basis for the acquiree, Cleco Holdings and its subsidiaries, and requires the acquirer, Cleco Group, to recognize and measure the acquiree's assets and liabilities at fair value as of the acquisition date. Cleco Power's assets and liabilities were recorded at historical cost since Cleco did not elect pushdown accounting at the Cleco Power level. The financial statements and accompanying footnotes for Cleco have been segregated to present pre-merger activity as the "Predecessor" and post-merger activity as the "Successor." The predecessor period is not comparable to the successor period.

The Condensed Consolidated Financial Statements of Cleco Holdings and Cleco Power have been prepared in accordance with GAAP for interim financial information and with the instructions to the Form 10-Q and Regulation S-X. Accordingly, these Condensed Consolidated Financial Statements do not include all of the information and notes required by GAAP for annual financial statements. The year-end Condensed Consolidated Balance Sheet data was derived from audited financial statements. Because the interim Condensed Consolidated Financial Statements and the accompanying notes do not include all of the information and notes required by GAAP for annual financial statements, the Condensed Consolidated Financial Statements and other information included in this quarterly report should be read in conjunction with the Consolidated Financial Statements and accompanying notes in the Registrants' Combined Annual Report on Form 10-K for the year ended December 31, 2015.

These Condensed Consolidated Financial Statements, in the opinion of management, reflect all normal recurring adjustments that are necessary to fairly present the financial position and results of operations of Cleco. Amounts reported in Cleco's interim financial statements are not necessarily indicative of amounts expected for the annual periods due to the effects of seasonal temperature variations on energy consumption, regulatory rulings, the timing of maintenance on electric generating units, changes in mark-to-market valuations, changing commodity prices, effects of the completion of the Merger, discrete income tax items, and other factors.

In preparing financial statements that conform to GAAP, management must make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. For information on recent authoritative guidance and its effect on financial results, see Note 3 — "Recent Authoritative Guidance."

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

Reclassifications

Reclassifications have been made to the 2015 financial statements to conform them to the presentation used in the 2016 financial statements. Cleco and Cleco Power's Condensed Consolidated Balance Sheets for the year ended December 31, 2015, have been adjusted to reflect credit facility debt issuance costs as Other deferred charges as compared to Long-term debt, net as presented in the prior year. The amount of the reclassification was \$0.7 million and \$0.4 million for Cleco and Cleco Power, respectively. These reclassifications had no effect on Cleco or Cleco Power's net income or equity.

Goodwill

Goodwill is the excess of the purchase price (consideration transferred and liabilities assumed) over the estimated fair value of net assets of the acquired business and is not subject to amortization. Goodwill will be tested annually in the third quarter and whenever an event occurs or circumstances change that would indicate the carrying amount may be impaired. If the fair value of Cleco is less than the carrying value, a full valuation of Cleco's assets and liabilities, conducted as though Cleco were a newly acquired business, would occur. For more information on goodwill, see Note 15 — "Intangible Assets and Goodwill."

Intangible assets

Intangible assets include Cleco Katrina/Rita's right to bill and collect storm recovery charges, fair value adjustments on wholesale power supply agreements, and the Cleco trade name. The fair value of the assets are being amortized over their estimated useful lives in a manner that best reflects the economic benefits derived from such assets. The intangible assets related to the power supply agreements have definite lives ranging from 2 years to 19 years. Impairment will be tested if there are events or circumstances that indicate that an impairment analysis should be performed. If such an event or circumstance occurs, intangible impairment testing will be performed prior to goodwill impairment testing. Impairment is calculated as the excess of the asset's carrying amount over its fair value. For more information on intangible assets, see Note 15 — "Intangible Assets and Goodwill."

Property, Plant, and Equipment

Property, plant, and equipment consist primarily of regulated utility generation and energy transmission and distribution assets. Regulated assets, utilized primarily for retail operations and electric transmission and distribution, are stated at the cost of construction, which includes certain materials, labor, payroll taxes and benefits, administrative and general costs, and the estimated cost of funds used during construction. Jointly owned assets are reflected in property, plant, and equipment at Cleco Power's share of the cost to construct or purchase the assets. Most of the carrying value of Cleco's assets were determined to be stated at fair value at the Merger date, considering that most of these assets are subject to regulation by the LPSC and FERC. A fair value adjustment was made to record the stepped-up basis for the Coughlin assets, since Cleco Power is able to earn a return on and recover these costs from customers. At the date of the Merger, the gross balance of fixed depreciable assets at Cleco was adjusted to be net of accumulated depreciation, as no accumulated depreciation existed on the date of the Merger. Since

pushdown accounting was not elected at the Cleco Power level, Cleco Power retained its accumulated depreciation. For more information about merger related adjustments to property, plant, and equipment, see Note 2 — "Business Combinations."

Cleco and Cleco Power's property, plant, and equipment consisted of:
 Cleco

| (THOUSANDS) | SUCCESSOR PREDECESSOR | |
|----------------|-----------------------|---------------------|
| | AT JUNE 30, 2016 | AT DEC. 31, 2015 |
| Utility plants | \$ 3,371,948 | \$ 4,645,698 |

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| | | |
|--------------------------------------|--------------|--------------|
| Other | 4,385 | 15,514 |
| Total property, plant, and equipment | 3,376,333 | 4,661,212 |
| Accumulated depreciation | (20,990) | (1,536,158) |
| Net property, plant, and equipment | \$ 3,355,343 | \$ 3,125,054 |

Cleco Power

| | | |
|------------------------------------|---------------------|---------------------|
| (THOUSANDS) | AT JUNE 30, 2016 | AT DEC. 31, 2015 |
| Regulated utility plants | \$4,694,517 | \$4,645,698 |
| Accumulated depreciation | (1,571,433) | (1,525,298) |
| Net property, plant, and equipment | \$3,123,084 | \$3,120,400 |

Restricted Cash and Cash Equivalents

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

Cleco and Cleco Power's restricted cash and cash equivalents consisted of:

Cleco

| | | |
|--|----------------------------------|------------------------------------|
| (THOUSANDS) | SUCCESSOR AT JUNE 30, 2016 | PREDECESSOR AT DEC. 31, 2015 |
| Current | | |
| Cleco Katrina/Rita's storm recovery bonds | \$ 8,348 | \$ 9,263 |
| Cleco Power's sale of property | 1,299 | — |
| Cleco Power's charitable contributions | 1,200 | — |
| Cleco Power's rate credit escrow | 133,303 | — |
| Total current | 144,150 | 9,263 |
| Non-current | | |
| Diversified Lands' mitigation escrow | 21 | 21 |
| Cleco Power's future storm restoration costs | 16,769 | 16,174 |
| Cleco Power's charitable contributions | 4,803 | — |
| Cleco Power's rate credit escrow | 2,698 | — |
| Total non-current | 24,291 | 16,195 |
| Total restricted cash and cash equivalents | \$ 168,441 | \$ 25,458 |

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

Cleco Power

| (THOUSANDS) | AT JUNE 30, 2016 | AT DEC. 31, 2015 |
|--|------------------------|---------------------------|
| Current | | |
| Cleco Katrina/Rita's storm recovery bonds | \$8,348 | \$9,263 |
| Sale of property | 1,299 | — |
| Charitable contributions | 1,200 | — |
| Rate credit escrow | 133,303 | — |
| Total current | 144,150 | 9,263 |
| Non-current | | |
| Future storm restoration costs | 16,769 | 16,174 |
| Charitable contributions | 4,803 | — |
| Rate credit escrow | 2,698 | — |
| Total non-current | 24,270 | 16,174 |
| Total restricted cash and cash equivalents | \$168,420 | \$25,437 |

Cleco Katrina/Rita has the right to bill and collect storm restoration costs from Cleco Power's customers. As cash is collected, it is restricted for payment of administration fees, interest, and principal on storm recovery bonds. During the six months ended June 30, 2016, Cleco Katrina/Rita collected \$9.9 million net of administration fees. In March 2016, Cleco Katrina/Rita used \$8.5 million for a scheduled storm recovery bond principal payment and \$2.3 million for a related interest payment.

On March 14, 2016, Cleco Power sold property for \$1.3 million. Cleco Power used the proceeds from the sale to purchase like-kind property; therefore, was required to deposit the proceeds with a third party intermediary. On July 29, 2016, Cleco Power completed the purchase of the like-kind property, and the funds were released to purchase the property.

Included in the Merger Commitments were \$6.0 million of charitable contributions to be disbursed over five years and \$136.0 million of rate credits to eligible customers. On April 25, 2016, in accordance with the Merger Commitments, Cleco Power established the charitable contribution fund and also deposited the rate credit funds into an escrow account. On April 28, 2016, the LPSC voted to issue the rate credits equally to customers with service as of June 30, 2016, beginning in July 2016.

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 on the date of acquisition or debt issuance. Cleco and Cleco Power disclose the fair value of certain assets and liabilities by one of three levels when required for recognition purposes. For more information about fair value levels, see Note 5 — "Fair Value Accounting."

Risk Management

Market risk inherent in Cleco's market risk-sensitive instruments and positions includes potential changes in value arising from changes in interest rates and the commodity market prices of power, FTRs, and natural gas in the industry 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, FTRs, and natural gas. Cleco evaluates derivatives and hedging

activities to determine whether the market risk-sensitive instruments and positions are required to be marked-to-market.

Cleco Power may also enter into risk mitigating positions that would not meet the requirements of a normal-purchase, normal-sale transaction in order to attempt to mitigate the volatility in customer fuel costs. These positions would be marked-to-market with the resulting gain or loss recorded on Cleco and Cleco Power's Condensed Consolidated Balance Sheets as a component of energy risk management assets or liabilities. Such gain or loss would be deferred as a component of deferred fuel assets or liabilities in accordance with regulatory policy. When these positions close, actual gains or losses would be included in the FAC and reflected on customers' bills as a component of the fuel cost adjustment. In June 2015, the LPSC approved a long-term natural gas hedging pilot program that requires Cleco Power to establish a proposal for a program that will be designed to provide gas price stability for a minimum of five years. This proposal is required to be submitted to the LPSC by June 30, 2018. There were no open natural gas positions at June 30, 2016, or December 31, 2015.

Cleco Power purchases the majority of its FTRs in annual auctions facilitated by MISO during the second quarter of each year and may also purchase additional FTRs in monthly auctions facilitated by MISO. FTRs are derivative instruments which represent economic hedges of future congestion charges that will be incurred in serving Cleco Power's customer load. FTRs are not designated as hedging instruments for accounting purposes. Cleco Power initially records FTRs at their estimated fair value and subsequently adjusts the carrying value to their estimated fair value at the end of each accounting period based on the most recent MISO FTR auction prices. Unrealized gains or losses on FTRs held by Cleco Power are included in Accumulated deferred fuel on Cleco and Cleco Power's Condensed Consolidated Balance Sheets. Realized gains or losses on settled FTRs are recorded in Electric operations or Power purchased for utility customers on Cleco and Cleco Power's Condensed Consolidated Statements of Income. At June 30, 2016, Cleco and Cleco Power's Condensed Consolidated Balance Sheets reflected the fair value of open FTR positions of \$14.0 million in Energy risk management assets and \$0.4 million in Energy risk management liabilities, compared to \$7.7 million in Energy risk management assets and \$0.3 million in Energy risk management liabilities at December 31, 2015. For more information on FTRs, see Note 5 — "Fair Value Accounting — Commodity Contracts." Cleco and Cleco Power maintain a master netting agreement policy and monitor credit risk exposure through review of counterparty credit quality, aggregate counterparty credit exposure, and aggregate counterparty concentration levels. Cleco manages these risks by establishing appropriate credit and concentration limits on transactions with counterparties and requiring contractual guarantees, cash deposits, or letters of credit from counterparties or their affiliates, as deemed necessary. Cleco Power has agreements in place with various counterparties that authorize the netting of financial buys and sells and contract payments to mitigate credit risk for transactions entered into for risk management purposes.

Cleco may enter into contracts to mitigate the volatility in interest rate risk. These contracts include, but are not limited to, interest rate swaps and treasury rate locks. For the six

CLECO HOLDINGS

CLECO POWER 2016 2ND QUARTER FORM 10-Q

months ended June 30, 2016, and the year ended December 31, 2015, Cleco did not enter into any contracts to mitigate the volatility in interest rate risk.

Accounting for MISO Transactions

Cleco Power participates in MISO's Energy and Operating Reserve market where sales and purchases are netted hourly. If the hourly activity nets to sales, the result is reported in Electric operations on Cleco and Cleco Power's Condensed Consolidated Statements of Income. If the hourly activity nets to purchases, the result is reported in Power purchased for utility customers on Cleco and Cleco Power's Condensed Consolidated Statements of Income.

Stock-Based Compensation

Prior to the completion of the Merger, Cleco had two stock-based compensation plans: the ESPP and the LTIP. As a result of the completion of the Merger, the ESPP and the LTIP were terminated.

Pursuant to the terms of the LTIP, certain officers, key employees, and directors of Cleco were eligible to be granted

stock options, restricted stock, also known as non-vested stock, common stock equivalents, and stock appreciation rights. For the predecessor period January 1, 2016, through April 12, 2016, Cleco granted no shares of non-vested stock pursuant to the LTIP. As a result of the completion of the Merger, all unvested shares outstanding under the LTIP that were granted prior to January 1, 2015, vested at target and were paid out in cash to plan participants. Unvested shares that were granted during 2015 were prorated to the target amount and paid out in cash to plan participants in accordance with the terms of the Merger Agreement. In April 2016, Cleco incurred \$2.3 million of merger expense due to the accelerated vesting of the LTIP shares for the predecessor period. For more information about the Merger, see Note 2 — "Business Combinations."

Cleco and Cleco Power reported pretax compensation expense for their share-based compensation plans as shown in the following tables:

Cleco

| | SUCCESSOR | | PREDECESSOR | | SUCCESSOR | | PREDECESSOR | |
|-----------------------|-----------|-----------|-------------|----------|-----------|----------|-------------|----------|
| | | | FOR THE | | | | FOR THE | |
| (THOUSANDS) | APR. 13, | APR. 1, | THREE | APR. 13, | JAN. 1, | SIX | APR. 13, | JAN. 1, |
| | 2016 - | 2016 - | MONTHS | 2016 - | 2016 - | MONTHS | 2016 - | 2016 - |
| | JUNE 30, | APR. | ENDED | JUNE 30, | APR. | ENDED | JUNE 30, | JUNE 30, |
| | 2016 | 12, 2016 | JUNE 30, | 2016 | 12, 2016 | JUNE 30, | 2016 | 2015 |
| | | | 2015 | | | | | |
| Equity classification | | | | | | | | |
| Non-vested stock | \$ | —\$ 2,273 | \$ 1,440 | \$ | —\$ 3,241 | \$ 3,225 | | |
| Tax benefit | \$ | —\$ 874 | \$ 554 | \$ | —\$ 1,247 | \$ 1,241 | | |

Cleco Power

| | FOR THE | | FOR THE | |
|-----------------------|----------|----------|----------|----------|
| | THREE | | SIX | |
| | MONTHS | | MONTHS | |
| | ENDED | | ENDED | |
| (THOUSANDS) | JUNE 30, | JUNE 30, | JUNE 30, | JUNE 30, |
| | 2016 | 2015 | 2016 | 2015 |
| Equity classification | | | | |
| Non-vested stock | \$645 | \$502 | \$997 | \$946 |
| Tax benefit | \$248 | \$193 | \$384 | \$364 |

Note 2 —

Business

Combinations

On April 13, 2016, Cleco Holdings completed its merger with Merger Sub whereby Merger Sub merged with and into Cleco Corporation, with Cleco Corporation surviving the Merger, and Cleco Corporation converting to a limited liability company and changing its name to Cleco Holdings, as a direct, wholly owned subsidiary of Cleco Group and an indirect, wholly owned subsidiary of Cleco Partners. At the effective time of the Merger each outstanding share of Cleco Corporation common stock, par value \$1.00 per share (other than shares that were owned by Cleco Corporation, Cleco Partners, Merger Sub, or any other direct or indirect wholly owned subsidiary of Cleco Partners or Cleco Corporation), were cancelled and were converted into the right to receive \$55.37 per share in cash, without interest, with all dividends payable before the effective time of the Merger.

Regulatory Matters

On March 28, 2016, the LPSC approved the Merger. The LPSC's written order approving the Merger was issued on April 7, 2016. Approval of the Merger was conditioned upon certain commitments, including \$136.0 million of customer rate credits, a \$7.0 million one-time contribution for economic development in Cleco Power's service territory to be administered by LED or other state agency, \$6.0 million of

charitable contributions to be disbursed over five years, and \$2.5 million of contributions for economic development for Louisiana state and local organizations to be disbursed over five years. These commitments were accrued on April 13, 2016, and are included in Merger transaction and commitment costs and Merger commitment costs on Cleco and Cleco Power's Condensed Consolidated Statements of Income, respectively. In addition, the Merger Commitments also included \$1.2 million of annual refunds to customers representing cost savings due to the Merger. For more information on the cost savings refunds due to the Merger, see Note 10 — "Regulation and Rates."

Accounting for the Merger Transaction

The total purchase price consideration was approximately \$3.36 billion, which consisted of cash paid to Cleco Corporation shareholders of \$3.35 billion and cash paid for Cleco LTIP equity awards of \$9.5 million. There were no remaining LTIP equity awards as of the close of the Merger.

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

Pushdown accounting was applied to Cleco Holdings, and accordingly, the Cleco Holdings consolidated assets acquired and liabilities assumed were recorded on April 13, 2016, at their estimated fair values as follows:

Preliminary Purchase Price Allocation

| (THOUSANDS) | AT APR. 13, 2016 |
|-------------------------------------|---------------------|
| Current assets | \$455,016 |
| Property, plant, and equipment, net | 3,432,144 |
| Goodwill | 1,490,402 |
| Other long-term assets | 1,003,255 |
| Less | |
| Current liabilities | 228,515 |
| Net deferred income tax liabilities | 1,060,487 |
| Other liabilities | 258,204 |
| Long-term debt, net | 1,470,126 |
| Total purchase price | \$3,363,485 |

Cleco Power's assets and liabilities were recorded at historical cost since Cleco did not elect pushdown accounting at the Cleco Power level.

The following tables present the preliminary fair value adjustments to Cleco Holdings' balance sheet and recognition of goodwill:

| (THOUSANDS) | AT APR. 13, 2016 |
|--------------------------------|---------------------|
| Property, plant, and equipment | \$(1,334,932) |
| Accumulated depreciation | 1,565,776 |
| Goodwill | 1,490,402 |
| Intangible assets | 93,251 |
| Regulatory assets | 228,752 |
| Deferred tax liabilities | 127,401 |
| Long-term debt | \$198,599 |

Most of the carrying values of Cleco's assets and liabilities were determined to be stated at fair value at the Merger date, considering that most of these assets are subject to regulation by the LPSC and FERC. Under such regulation, rates charged to customers are established by a regulator to provide for recovery of costs and a fair return on rate base and are generally measured at historical cost. As such, a market participant would not expect to recover any more or less than the carrying value of the assets. Prior to the Merger, the Coughlin step-up was not recorded on Cleco's Condensed Consolidated Balance Sheet due to the accounting treatment for the transfer of that asset in March 2014. However, the recovery of the step-up value of the Coughlin asset was approved by the LPSC for recovery in rate base, including a return on that rate base. On the date of the Merger, the step-up value for the Coughlin asset was recognized on Cleco's Condensed Consolidated Balance Sheet since Cleco Power is able to earn a return on and recover these costs from its customers. The beginning balance of fixed depreciable assets was shown net at the date of the Merger, as no accumulated depreciation existed on the date of the Merger.

The excess of the purchase price over the estimated fair value of assets acquired and the liabilities assumed was \$1.49 billion, which was recognized as goodwill by Cleco Holdings at the Merger date. The goodwill represents the potential long-term return of Cleco to its member.

On the date of the Merger, a fair value adjustment was recorded on Cleco's Condensed Consolidated Balance Sheet to reflect the valuation of the Cleco trade name. This

adjustment is classified as an Intangible asset on Cleco's Condensed Consolidated Balance Sheet. The valuation of the trade name was estimated by applying the relief-from-royalty method under the income approach. This valuation method is based on the premise that, in lieu of ownership of the asset, a company would be willing to pay a royalty to a third-party for the use of that asset. The owner of the asset is spared this cost, and the value of the asset is estimated by the cost savings. The projected revenue attributed to the trade name was based on projections of Cleco's wholesale customers. Management is currently evaluating the economic useful life of the trade name. When determined, the trade name intangible asset will be amortized over the useful life. The amortization of the Cleco trade name will be included in Depreciation and amortization on Cleco's Condensed Consolidated Statement of Income.

On the date of the Merger, fair value adjustments were recorded on Cleco's Condensed Consolidated Balance Sheet for the difference between the contract price and the market price of long-term wholesale power supply agreements. These adjustments are classified as Intangible assets on Cleco's Condensed Consolidated Balance Sheet. The valuation of the power supply agreements was estimated using the income approach. The income approach is based upon discounted projected future cash flows associated with the underlying contracts. The intangible assets for the power supply agreements will be amortized over the remaining term of the applicable contract. The amortization of the power supply agreements is included in Electric operations on Cleco's Condensed Consolidated Statement of Income. The net increase in deferred tax liabilities on Cleco's Condensed Consolidated Balance Sheet represents the differences between the assigned fair values of assets acquired and their related income tax basis, net of a deferred tax asset representing the net operating loss carryforward that will be utilized in future periods. As the underlying asset assigned fair values are amortized, the related deferred tax liabilities will be included in income tax expense. Goodwill is not deductible for income tax purposes; therefore, no deferred income tax assets or liabilities were recognized for goodwill.

On the date of the Merger, other fair value adjustments were recorded for long-term debt, SERP deferred losses, and interest rate derivative settlement gains/losses. These fair value adjustments are subject to rate regulation, but do not earn a return. In these instances, a corresponding regulatory asset was established, as the underlying utility asset or liability amounts are recoverable from or refundable to customers at historical cost through the rate setting process. These regulatory assets established to offset fair value adjustments are amortized in amounts and over time frames consistent with the realization or settlement of the fair value adjustments. For more information, see Note 4 — "Regulatory Assets and Liabilities."

The valuations performed in the second quarter of 2016 to estimate the fair value of assets acquired and liabilities assumed are considered preliminary as a result of the short time period between the closing of the Merger and the end of the second quarter of 2016. Accounting guidance provides that the allocation of the purchase price may be modified up to one year from the date of the Merger, as more information is obtained about the fair value of assets acquired and liabilities assumed. The preliminary amounts recognized are subject to revision until the valuations are completed and to the extent that additional information is obtained about the facts and

CLECO HOLDINGS
CLECO POWER 2016 2ND QUARTER FORM 10-Q

circumstances that existed as of the date of the Merger. Cleco has not yet completed its evaluation and determination of the fair value of certain assets and liabilities acquired, primarily the final valuation and assessment of postretirement benefit plans as of April 13, 2016, and the economic useful life of the Cleco trade name. Cleco expects these final valuations and assessments will be completed by the end of 2016, which may affect the purchase price allocation and could affect goodwill.

Note 3 — Recent Authoritative Guidance

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

In May 2014, FASB amended the accounting guidance for revenue recognition. The amended guidance affects entities that enter into contracts for the transfer of non-financial assets unless those contracts are within the scope of other standards. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the new guidance, an entity must identify the performance obligations in a contract and the transaction price, and allocate the price to specific performance obligations to recognize the revenue when the obligation is completed. The amendments in this update also require disclosure of sufficient information to allow users to understand the nature, amount, timing, and uncertainty of revenue and cash flow arising from contracts. In August 2015, FASB amended the revenue recognition guidance to provide for a one-year deferral of the effective date. The standard will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Cleco does not plan to early adopt the amended guidance. Reporting entities have the option of using either a full retrospective or a modified retrospective approach. Management will evaluate the advantages and disadvantages of each transition method before selecting the method of adoption. Management is assessing the potential areas of impact, including the identification of specific contracts that would fall under the scope of this guidance. Management will continue to evaluate the impact of this guidance, but the amended guidance could have a material impact on the results of operations, financial condition, or cash flows of the Registrants.

In July 2015, FASB issued the accounting guidance to simplify the measurement of inventory. This guidance requires entities to measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The adoption of this guidance is effective for annual periods beginning after December 15, 2016, including interim periods within that reporting period. These amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. Management does not expect this guidance to have a significant impact on the results of operations, financial condition, or cash flows of the Registrants.

In September 2015, FASB amended the business combinations guidance to simplify the accounting for measurement-period adjustments. This guidance eliminates

the requirement to retrospectively account for these adjustments. The adoption of this guidance is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. This amendment should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted. Cleco was subject to this guidance starting January 1, 2016. As a result of the Merger on April 13, 2016, Cleco adopted this guidance and does not expect it to have a material impact on the results of operations, financial condition, or cash flows of the Registrants as a result of provisional merger adjustments in future periods. In January 2016, FASB amended the guidance for recognition and measurement of financial assets and liabilities. These amendments address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The adoption of this guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those years. Early adoption of certain provisions of this guidance is permitted as of the beginning of the fiscal year of adoption. Entities should apply these amendments by means of a cumulative-effect

adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair value should be applied prospectively to equity investments that exist as of the date of adoption. Management does not expect this guidance to have a significant impact on the results of operations, financial condition, or cash flows of the Registrants.

In February 2016, FASB amended the guidance to account for leases. This guidance is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of this guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those years. Early adoption is permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes practical expedients that may be elected by entities. Management will continue to evaluate the impact of this guidance, but the amended guidance could have a material impact on the results of operations, financial condition, or cash flows of the Registrants.

In March 2016, FASB amended the derivatives and hedging accounting guidance to address the effect of derivative contract novations on existing hedge accounting relationships. The amended guidance clarifies that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument does not, in and of itself, require dedesignation of the hedging relationship provided that all other hedge accounting criteria continue to be met. The adoption of this guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those years. Entities have the option to apply these amendments on either a prospective basis or a modified retrospective basis. This guidance will not have an impact on the results of operations, financial condition, or cash flows of the Registrants.

In March 2016, FASB amended the derivatives and hedging accounting guidance related to contingent put and call options in debt instruments. This guidance clarifies the

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

requirements for assessing whether contingent put and call options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. Entities performing the assessment will be required to assess the embedded put and call options solely in accordance with the four-step decision sequence clarified in the amended guidance. The adoption of this guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those years. Entities should apply these amendments on a modified retrospective basis to existing debt instruments as of the beginning of the fiscal year for which the amendments are effective. Management is evaluating the impact that the adoption of this guidance will have on the results of operations, financial condition, or cash flows of the Registrants.

In March 2016, FASB amended the accounting guidance to simplify the transition to the equity method of accounting. This guidance impacts entities that have an investment that becomes qualified for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence. This amended guidance eliminates the requirement to retroactively adopt the equity method of accounting. The adoption of this guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those years. Early adoption is permitted. These amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that results in the adoption of the equity method. Management does not expect this guidance to have any impact on the results of operations, financial condition, or cash flows of the Registrants.

In March 2016, FASB amended the stock compensation guidance to provide for improvements to employee share-based payment accounting. The adoption of this guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those periods. Early adoption is permitted. On April 13, 2016, Cleco Holdings completed the Merger and no longer has common stock; as a result, this guidance will not have an impact on the results of operations, financial condition, or cash flows of the Registrants.

In June 2016, FASB amended the guidance for the measurement of credit losses on financial instruments. The guidance affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The guidance affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The adoption of this guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those years. Early adoption is permitted. Management does not expect this guidance to have any impact on the results of operations, financial condition, or cash flows of the Registrants.

Note 4 — Regulatory Assets and Liabilities

Cleco capitalizes or defers certain costs for recovery from customers and recognizes a liability for amounts expected to be returned to customers based on regulatory approval and management's ongoing assessment that it is probable these items will be recovered or refunded through the ratemaking process.

Under the current regulatory environment, Cleco believes these regulatory assets will be fully recoverable; however, if in

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

The following table summarizes Cleco Power's regulatory assets and liabilities:

| (THOUSANDS) | AT JUNE 30, 2016 | AT DEC. 31, 2015 |
|---|------------------------|---------------------|
| Regulatory assets – deferred taxes, net | \$230,523 | \$236,941 |

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| | | |
|--|-----------|-----------|
| Mining costs | 7,647 | 8,921 |
| Interest costs | 5,041 | 5,221 |
| AROs | 1,789 | 2,462 |
| Postretirement costs | 145,667 | 150,274 |
| Tree trimming costs | 4,960 | 6,318 |
| Training costs | 6,785 | 6,863 |
| Surcredits, net | 7,878 | 9,661 |
| Amended lignite mining agreement contingency | — | 3,781 |
| AMI deferred revenue requirement | 5,045 | 5,318 |
| Production operations and maintenance expenses | 9,741 | 12,436 |
| AFUDC equity gross-up | 70,690 | 71,444 |
| Acadia Unit 1 acquisition costs | 2,495 | 2,548 |
| Financing costs | 8,847 | 9,032 |
| Biomass costs | 34 | 50 |
| MISO integration costs | 1,872 | 2,340 |
| Coughlin transaction costs | 1,014 | 1,030 |
| Corporate franchise tax | 2,616 | 373 |
| Acadia FRP true-up | — | 377 |
| MATS costs | 5,694 | — |
| Other | 944 | 357 |
| Total regulatory assets | 288,759 | 298,806 |
| PPA true-up | — | (312) |
| Fuel and purchased power | 19,543 | 12,910 |
| Total regulatory assets, net | \$538,825 | \$548,345 |

The following table summarizes Cleco's net regulatory assets and liabilities:

| (THOUSANDS) | SUCCESSOR | PREDECESSOR |
|--|-------------|-------------|
| | (1) | |
| | AT JUNE 30, | AT DEC. 31, |
| | 2016 | 2015 |
| Total Cleco Power regulatory assets, net | \$ 538,825 | \$ 548,345 |
| Cleco Holdings' Merger adjustments | | |
| Fair value of long-term debt | 185,113 | — |
| Postretirement costs | 20,513 | — |
| Financing costs | 9,138 | — |
| Debt issuance costs | 8,795 | — |
| Total Cleco regulatory assets, net | \$ 762,384 | \$ 548,345 |

(1) Cleco Holdings' regulatory assets include acquisition accounting adjustments as a result of the Merger.

Amended Lignite Mining Agreement Contingency

The provisions of the Amended Lignite Mining Agreement between Cleco Power, SWEPCO and DHLC include a requirement that if DHLC is unable to pay for loans and lease payments when due, Cleco Power and SWEPCO each will pay 50% of the amounts due. Any payments under this provision will be considered a prepayment of lignite to be delivered in the future and will be credited to future invoices from DHLC.

CLECO HOLDINGS

CLECO POWER 2016 2ND QUARTER FORM 10-Q

Previously, Cleco Power recorded a liability of \$3.8 million related to the amended agreement with an offsetting regulatory asset due to Cleco Power's ability to recover prudent fuel costs from customers through the FAC. Management determined that it does not expect to be required to pay DHLC under this guarantee. As a result of this determination, the liability and the offsetting regulatory asset were remeasured to zero.

Corporate Franchise Tax

As part of the FRP extension approved by the LPSC in June 2014, Cleco Power was authorized to recover through a rider the retail portion of state corporate franchise taxes paid. The retail portion of state corporate franchise taxes paid each year is recovered over a 12-month period beginning on July 1. Cleco Power's retail portion of state corporate franchise taxes paid in April 2016 was \$2.5 million. Additionally, Cleco Power had a regulatory asset of \$0.3 million for amounts undercollected. The undercollection at June 30, 2016, and the 2016 retail portion of state corporate franchise taxes are being recovered from customers beginning July 1, 2016. These amounts were partially offset by \$0.6 million of amortization for the 2015 corporate franchise taxes regulatory asset.

MATS Costs

On February 1, 2016, the LPSC approved Cleco Power's request to recover the revenue requirements associated with the installation of MATS equipment. The MATS rule, finalized in February 2012, required affected EGUs to meet specific emission standards and work practice standards to address hazardous air pollutants by April 16, 2015. The LPSC approval also allowed Cleco Power to record a regulatory asset of \$7.1 million representing the unrecovered revenue requirements of the MATS equipment placed into service in the years prior to the LPSC review and approval. This amount is being amortized over three years beginning on January 1, 2016.

Other

Cleco Power's other regulatory assets increased during the six months ended June 30, 2016 as a result of the LPSC's approval for Cleco Power to recover costs associated with its IRP report filing and its most recently completed fuel audit. Cleco Power incurred \$0.6 million of costs related to the IRP report. In April 2016, the LPSC approved Cleco Power's IRP report filed under the IRP Order No. R-30021, which fostered a collaborative working process for the development of Cleco Power's long-term resource plan covering the planning period of 2015 through 2034. Cleco Power incurred \$0.1 million of costs during the audit of fuel and purchased power expenses for the years 2009 through 2013. In October 2015, the LPSC approved the audit report. Cleco Power is recovering both of

these regulatory assets over a three-year period beginning on July 1, 2016.

Fuel and Purchased Power

The cost of fuel used for electric generation and power purchased for utility customers are recovered through the LPSC-established FAC or related wholesale contract provisions, which enable Cleco Power to pass on to its customers substantially all such charges. For the three and six months ended June 30, 2016, approximately 77% and 76%, respectively, of Cleco Power's total fuel cost was regulated by the LPSC.

Fuel and purchased power increased \$6.6 million during the six months ended June 30, 2016. Of this amount, \$9.1 million was due to higher fuel costs and power purchases, the timing of collections, and customer usage, partially offset by a \$2.5 million decrease in the mark-to-market value on FTRs.

Cleco Holdings' Merger Adjustments

As a result of the Merger, Cleco implemented acquisition accounting, which eliminated AOCI at the Cleco Holdings consolidated level. Cleco will continue to recover expenses related to certain postretirement costs; therefore, Cleco recognized a regulatory asset based on its determination that these costs can continue to be collected from customers. These costs will be amortized to Other operations expense over the average remaining service period of participating

employees. Cleco will also continue to recover financing costs associated with the settlement of two treasury rate locks and a forward starting swap contract that were previously recognized in AOCI. Additionally, as a result of the Merger, a regulatory asset was recorded for debt issuance costs that were eliminated at Cleco Holdings and a regulatory asset was recorded for the difference between the carrying value and the fair value of long-term debt. These regulatory assets will be amortized over the terms of the related debt issuances.

Note 5 — Fair Value Accounting

The amounts reflected on Cleco and Cleco Power’s Condensed Consolidated Balance Sheets at June 30, 2016, and December 31, 2015, for cash equivalents, restricted cash equivalents, accounts receivable, other accounts receivable, and accounts payable approximate fair value because of their short-term nature.

The following tables summarize the carrying value and estimated market value of Cleco and Cleco Power’s financial instruments not measured at fair value on Cleco and Cleco Power’s Condensed Consolidated Balance Sheets:

Cleco

| | SUCCESSOR AT JUNE 30, 2016 | | PREDECESSOR AT DEC. 31, 2015 | |
|----------------|-------------------------------|----------------------------|---------------------------------|----------------------------|
| (THOUSANDS) | CARRYING VALUE | ESTIMATED FAIR VALUE | CARRYING VALUE | ESTIMATED FAIR VALUE |
| Long-term debt | \$2,785,416 | \$ 2,853,296 | \$1,299,529 | \$ 1,463,989 |

Cleco Power

| | AT JUNE 30, 2016 | | AT DEC. 31, 2015 | |
|----------------|-------------------|----------------------------|-------------------|----------------------------|
| (THOUSANDS) | CARRYING VALUE | ESTIMATED FAIR VALUE | CARRYING VALUE | ESTIMATED FAIR VALUE |
| Long-term debt | \$ 1,250,304 | \$ 1,470,962 | \$1,265,529 | \$ 1,429,989 |

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

Fair Value Measurements and Disclosures

Cleco classifies assets and liabilities that are either measured or disclosed at their fair value according to three different levels depending on the inputs used in determining fair value.

The following tables disclose for Cleco and Cleco Power the fair value of financial assets and liabilities measured or disclosed on a recurring basis:

Cleco

CLECO CONSOLIDATED FAIR VALUE MEASUREMENTS AT REPORTING DATE USING:

| (THOUSANDS) | AT JUNE 30, 2016 | SUCCESSOR | | | PREDECESSOR | | |
|----------------------------------|------------------|--|---|---|--|---|---|
| | | QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1) | SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2) | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) | QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1) | SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2) | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) |
| Asset description | | | | | | | |
| Institutional money market funds | \$ 180,973 | \$ — | \$ — | \$ — | \$ 89,584 | \$ — | \$ — |
| FTRs | 13,989 | — | — | 13,989 | 7,673 | — | 7,673 |
| Total assets | \$ 194,962 | \$ — | \$ — | \$ 13,989 | \$ 97,257 | \$ — | \$ 7,673 |
| Liability description | | | | | | | |
| Long-term debt | \$ 2,853,296 | \$ — | \$ — | \$ — | \$ 1,463,989 | \$ — | \$ — |
| FTRs | 371 | — | — | 371 | 275 | — | 275 |
| Total liabilities | \$ 2,853,667 | \$ — | \$ — | \$ 371 | \$ 1,464,264 | \$ — | \$ 275 |

CLECO POWER FAIR VALUE MEASUREMENTS AT REPORTING DATE USING:

| (THOUSANDS) | AT JUNE 30, 2016 | SUCCESSOR | | | PREDECESSOR | | |
|----------------------------------|------------------|--|---|---|--|---|---|
| | | QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1) | SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2) | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) | QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1) | SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2) | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) |
| Asset description | | | | | | | |
| Institutional money market funds | \$ 171,752 | \$ — | \$ — | \$ — | \$ 87,363 | \$ — | \$ — |
| FTRs | 13,989 | — | — | 13,989 | 7,673 | — | 7,673 |
| Total assets | \$ 185,741 | \$ — | \$ — | \$ 13,989 | \$ 95,036 | \$ — | \$ 7,673 |

| | | | | | | | |
|-----------------------|--------------|------|---------------|--------|--------------|------|---------------|
| Liability description | | | | | | | |
| Long-term debt | \$ 1,470,962 | \$ — | —\$ 1,470,962 | \$ — | \$ 1,429,989 | \$ — | —\$ 1,429,989 |
| FTRs | 371 | — | — | 371 | 275 | — | — 275 |
| Total liabilities | \$ 1,471,333 | \$ — | —\$ 1,470,962 | \$ 371 | \$ 1,430,264 | \$ — | —\$ 1,429,989 |

The following tables summarize the net changes in the net fair value of FTR assets and liabilities classified as Level 3 in the fair value hierarchy for Cleco and Cleco Power:

Cleco

| (THOUSANDS) | SUCCESSOR | | PREDECESSOR | | SUCCESSOR | | PREDECESSOR | |
|----------------------------|-------------------------------|------------------------------|--|-------------------------------|------------------------------|--|-------------------------------|------------------------------|
| | APR. 13, 2016 - JUNE 30, 2016 | APR. 1, 2016 - APR. 12, 2016 | FOR THE THREE MONTHS ENDED JUNE 30, 2015 | APR. 13, 2016 - JUNE 30, 2016 | JAN. 1, 2016 - APR. 12, 2016 | FOR THE SIX MONTHS ENDED JUNE 30, 2015 | APR. 13, 2016 - JUNE 30, 2016 | JAN. 1, 2016 - APR. 12, 2016 |
| Beginning balance | \$ 3,458 | \$ 1,866 | \$ 1,813 | \$ 3,458 | \$ 7,398 | \$ 9,949 | | |
| Unrealized gains (losses)* | 1,234 | (199) | 3,780 | 1,234 | (1,031) | 2,070 | | |
| Purchases | 12,608 | 2,024 | 20,087 | 12,608 | 2,070 | 20,151 | | |
| Settlements | (3,682) | (233) | (3,706) | (3,682) | (4,979) | (10,196) | | |
| Ending balance | \$ 13,618 | \$ 3,458 | \$ 21,974 | \$ 13,618 | \$ 3,458 | \$ 21,974 | | |

* Unrealized gains and losses are reported through Accumulated deferred fuel on the balance sheet.

Cleco Power

| (THOUSANDS) | FOR THE THREE MONTHS ENDED JUNE 30, | | FOR THE SIX MONTHS ENDED JUNE 30, | |
|-------------------|-------------------------------------|-----------|-----------------------------------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| Beginning balance | \$ 1,866 | \$ 1,813 | \$ 7,398 | \$ 9,949 |
| Unrealized gains* | 1,035 | 3,780 | 203 | 2,070 |
| Purchases | 14,632 | 20,087 | 14,678 | 20,151 |
| Settlements | (3,915) | (3,706) | (8,661) | (10,196) |
| Ending balance | \$ 13,618 | \$ 21,974 | \$ 13,618 | \$ 21,974 |

* Unrealized gains and losses are reported through Accumulated deferred fuel on the balance sheet.

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

The following tables quantify the significant unobservable inputs used in developing the fair value of Level 3 positions as of June 30, 2016, and December 31, 2015 for Cleco and Cleco Power:

Cleco

| | FAIR VALUE | | VALUATION TECHNIQUE | SIGNIFICANT UNOBSERVABLE INPUTS | FORWARD PRICE RANGE | |
|---|------------|-------------|------------------------|---------------------------------------|---------------------------|--------|
| | ASSETS | LIABILITIES | | | LOW | HIGH |
| (THOUSANDS, EXCEPT FORWARD PRICE RANGE) SUCCESSOR | | | | | | |
| FTRs at June 30, 2016 | \$13,989 | \$ 371 | RTO auction pricing | FTR price - per MWh | \$(2.25) | \$6.95 |
| PREDECESSOR | | | | | | |
| FTRs at Dec. 31, 2015 | \$7,673 | \$ 275 | RTO auction pricing | FTR price - per MWh | \$(3.63) | \$4.51 |
| Cleco Power | | | | | | |
| | FAIR VALUE | | VALUATION TECHNIQUE | SIGNIFICANT UNOBSERVABLE INPUTS | FORWARD PRICE RANGE | |
| | ASSETS | LIABILITIES | | | LOW | HIGH |
| (THOUSANDS, EXCEPT FORWARD PRICE RANGE) | | | | | | |
| FTRs at June 30, 2016 | \$13,989 | \$ 371 | RTO auction pricing | FTR price - per MWh | \$(2.25) | \$6.95 |
| FTRs at Dec. 31, 2015 | \$7,673 | \$ 275 | RTO auction pricing | FTR price - per MWh | \$(3.63) | \$4.51 |

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 this price by the appropriate number of instruments held. Level 2 fair values are determined by obtaining the closing price of similar assets and liabilities from published indices in active markets and then discounting the price to the current period using a U.S. Treasury published interest rate as a proxy for a risk-free rate of return. Cleco has consistently applied the Level 2 fair value technique from fiscal period to fiscal period. Level 3 fair values occur in situations in which there is little, if any, market activity for the asset or liability at the measurement date and therefore RTO auction prices are used. Significant increases or decreases in any of those inputs in isolation would result in a significantly different fair value measurement.

The assets and liabilities reported at fair value are grouped into classes based on the underlying nature and risks associated with the individual asset or liability.

At June 30, 2016, Cleco and Cleco Power were exposed to concentrations of credit risk through their short-term investments classified as cash equivalents and restricted cash equivalents. The institutional money market funds were reported on the Cleco Condensed Consolidated Balance Sheet in cash and cash equivalents, current restricted cash and cash equivalents, and non-current restricted cash and cash equivalents of \$12.7 million, \$144.2 million, and \$24.1 million, respectively, at June 30, 2016. At Cleco Power, the institutional money market funds were reported on the Condensed Consolidated Balance Sheet in cash and cash equivalents, current restricted cash and cash equivalents, and non-current restricted cash and cash equivalents of \$3.5 million, \$144.2 million, and \$24.1 million, respectively, at June 30, 2016. If the money market funds failed to perform under the terms of the investments, Cleco and Cleco Power

would be exposed to a loss of the invested amounts. Collateral on these types of investments is not required by Cleco or Cleco Power. The Level 2 institutional money market funds asset consists of a single class. In order to capture

interest income and minimize risk, cash is invested in money market funds that invest primarily in short-term securities issued by the U.S. Treasury to maintain liquidity and achieve the goal of a net asset value of a dollar. The risks associated with this class are counterparty risk of the fund manager and risk of price volatility associated with the underlying securities of the fund.

Cleco Power's FTRs were priced using MISO's monthly auction prices. Forward seasonal periods are not included in every monthly auction; therefore, the average of the most recent seasonal auction prices are used for monthly valuation. FTRs are categorized as Level 3 fair value measurements because the only relevant pricing available comes from MISO auctions, which occur monthly in the Multi-Period Monthly Auction.

The Level 2 long-term debt liability consists of a single class. In order to fund capital requirements, Cleco issues fixed and variable rate long-term debt with various tenors. The fair value of this class fluctuates as the market interest rates for fixed and variable rate debt with similar tenors and credit ratings change. The fair value of the debt could also change from period to period due to changes in the credit rating of the Cleco entity by which the debt was issued. During the six months ended June 30, 2016, and the year ended December 31, 2015, Cleco did not experience any transfers between levels within the fair value hierarchy.

Commodity Contracts

The following tables present the fair values of derivative instruments and their respective line items as recorded on Cleco and Cleco Power's Condensed Consolidated Balance Sheets at June 30, 2016, and December 31, 2015:

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

Cleco

DERIVATIVES NOT DESIGNATED AS HEDGING
 INSTRUMENTS

| (THOUSANDS) BALANCE SHEET LINE ITEM | SUCCESSOR PREDECESSOR | |
|--|-----------------------|---------------------|
| | AT JUNE 30, 2016 | AT DEC. 31, 2015 |
| Commodity-related contracts | | |
| FTRs | | |
| Current Energy risk management assets | \$ 13,989 | \$ 7,673 |
| Current Energy risk management liabilities | 371 | 275 |
| Commodity-related contracts, net | \$ 13,618 | \$ 7,398 |

Cleco Power

DERIVATIVES NOT DESIGNATED AS
 HEDGING INSTRUMENTS

| (THOUSANDS) BALANCE SHEET LINE ITEM | AT | AT |
|--|---------------------|---------------------|
| | JUNE 30, 2016 | DEC. 31, 2015 |
| Commodity-related contracts | | |
| FTRs | | |
| Current Energy risk management assets | \$13,989 | \$7,673 |
| Current Energy risk management liabilities | 371 | 275 |
| Commodity-related contracts, net | \$13,618 | \$7,398 |

Commodity-related contracts

FTRs

| | | |
|--|----------|---------|
| Current Energy risk management assets | \$13,989 | \$7,673 |
| Current Energy risk management liabilities | 371 | 275 |
| Commodity-related contracts, net | \$13,618 | \$7,398 |

The following tables present 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, 2016, and 2015:

Cleco

AMOUNT OF GAIN/(LOSS) RECOGNIZED IN INCOME
 ON DERIVATIVES

| (THOUSANDS) DERIVATIVES LINE ITEM | SUCCESSOR | | PREDECESSOR | | |
|---|--|---|--|---|--|
| | APR. 13, 2016 - JUNE 30, 2016 | APR. FOR THE THREE MONTHS ENDED JUNE 30, 2016 | APR. 13, 2016 - JUNE 30, 2016 | JAN. 1, 2016 - APR. 12, 2016 | FOR THE SIX MONTHS ENDED JUNE 30, 2015 |
| Commodity contracts | | | | | |
| FTRs ⁽¹⁾ Electric operations | \$6,879 | \$43 | \$18,098 | \$6,879 | \$8,563 |
| FTRs ⁽¹⁾ Power purchased for utility customers | (303) | (38) | (8,613) | (303) | (16,650) |
| Total | \$6,576 | \$5 | \$9,485 | \$6,576 | \$2,802 |

Commodity contracts

| | | | | | |
|---|---------|------|----------|---------|----------|
| FTRs ⁽¹⁾ Electric operations | \$6,879 | \$43 | \$18,098 | \$6,879 | \$8,563 |
| FTRs ⁽¹⁾ Power purchased for utility customers | (303) | (38) | (8,613) | (303) | (16,650) |
| Total | \$6,576 | \$5 | \$9,485 | \$6,576 | \$2,802 |

⁽¹⁾For the periods April 1, 2016 - April 12, 2016, January 1, 2016 - April 12, 2016, and April 13, 2016 - June 30, 2016, unrealized (losses) gains associated with FTRs of (\$0.2 million), (\$1.0 million), and \$1.2 million, respectively, were reported through Accumulated deferred fuel on the balance sheet. For the three and six months ended June 30, 2015,

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unrealized gains associated with FTRs of \$3.8 million and \$2.1 million, respectively, were reported through Accumulated deferred fuel on the balance sheet.

Cleco Power

| (THOUSANDS) | DERIVATIVES LINE ITEM | FOR THE THREE MONTHS ENDED JUNE 30, | | FOR THE SIX MONTHS ENDED JUNE 30, | |
|-------------|---|---|----------|--|-----------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | AMOUNT OF GAIN/(LOSS) RECOGNIZED IN INCOME ON DERIVATIVES | | | |
| | Commodity contracts | | | | |
| | FTRs ⁽¹⁾ Electric operations | \$6,922 | \$18,098 | \$15,442 | \$33,606 |
| | FTRs ⁽¹⁾ Power purchased for utility customers | (341) | (8,613) | (6,064) | (16,650) |
| | Total | \$6,581 | \$9,485 | \$9,378 | \$16,956 |

⁽¹⁾For the three and six months ended June 30, 2016, unrealized gains associated with FTRs of \$1.0 million and \$0.2 million, respectively, were reported through Accumulated deferred fuel on the balance sheet. For the three and six months ended June 30, 2015, unrealized gains associated with FTRs of \$3.8 million and \$2.1 million, respectively, were reported through Accumulated deferred fuel on the balance sheet

At June 30, 2016, and December 31, 2015, Cleco Power had no open positions hedged for natural gas. In June 2015, the LPSC approved a long-term natural gas hedging pilot program that requires Cleco Power to establish a proposal for a program that will be designed to provide gas price stability for a minimum of five years. This proposal is required to be submitted to the LPSC by June 30, 2018.

Cleco Power purchases the majority of its FTRs in annual auctions facilitated by MISO during the second quarter of each year and may also purchase additional FTRs in monthly auctions facilitated by MISO. FTRs are derivative instruments which represent economic hedges of future congestion charges that will be incurred in serving Cleco Power's customer load. FTRs represent rights to congestion credits or charges along a path during a given time frame for a certain MW quantity. FTRs are not designated as hedging instruments

for accounting purposes. The total volume of FTRs that Cleco Power had outstanding at June 30, 2016, and December 31, 2015, was 18.3 million MWh and 8.4 million MWh, respectively.

Note 6 — Debt

Short-term Debt

At June 30, 2016, and December 31, 2015, Cleco and Cleco Power had no short-term debt outstanding.

Long-term Debt

At June 30, 2016, Cleco's long-term debt outstanding was \$2.78 billion, of which \$20.0 million was due within one year. The long-term debt due within one year at June 30, 2016, represents \$17.3 million of principal payments for the Cleco

CLECO HOLDINGS

CLECO POWER 2016 2ND QUARTER FORM 10-Q

Katrina/Rita storm recovery bonds and \$2.7 million of capital lease payments.

In connection with the completion of the Merger, on April 13, 2016, Cleco Holdings entered into a \$1.35 billion Acquisition Loan Facility. The Acquisition Loan Facility had a three-year term and a rate of LIBOR plus 1.75% or ABR plus 0.75%. In May and June 2016, Cleco Holdings refinanced the Acquisition Loan Facility with a series of other long-term financing described below.

On May 17, 2016, Cleco Holdings completed the public sale of \$535.0 million of 3.743% senior notes due May 1, 2026, and \$350.0 million of 4.973% senior notes due May 1, 2046. On May 24, 2016, Cleco Holdings completed the private sale of \$165.0 million of 3.250% senior notes due May 1, 2023. On June 28, 2016, Cleco Holdings entered into a \$300.0 million variable rate bank term loan due June 28, 2021. Amounts outstanding under the bank term loan bear interest, at Cleco's option, at a base rate plus 0.625% or an adjusted LIBOR rate plus 1.625%. The interest rate on the bank term loan was 4.125% at June 30, 2016. On July 1, 2016, the bank term loan was converted to a LIBOR based rate of 2.095%. The proceeds from the issuance and sale of these notes and term loan were used to repay the \$1.35 billion Acquisition Loan Facility, as well as fees and expenses related to the offering. Debt issuance costs of \$17.7 million were recorded in connection with the repayment of the Acquisition Loan Facility.

At June 30, 2016, Cleco Power's long-term debt outstanding was \$1.24 billion, of which \$20.0 million was due within one year. The long-term debt due within one year at June 30, 2016, represents \$17.3 million of principal payments for the Cleco Katrina/Rita storm recovery bonds and \$2.7 million of capital lease payments. For Cleco Power, long-term debt decreased \$9.2 million from December 31, 2015, primarily due to an \$8.5 million scheduled Cleco Katrina/Rita storm recovery bond principal payment made in March 2016 and a \$1.3 million decrease in capital lease obligations. These decreases were partially offset by \$0.4 million of debt issuance cost amortizations and \$0.2 million of debt discount amortizations.

Credit Facilities

On April 13, 2016, in connection with the completion of the Merger, Cleco Holdings replaced its existing \$250.0 million credit facility with a \$100.0 million credit facility. At the time of the credit facility replacement, the \$27.0 million draw that was outstanding was repaid. The new credit facility has similar terms as the previous facility, including restricted financial covenants, and expires in 2021. At June 30, 2016, Cleco Holdings was in compliance with the covenants of its credit facility. The borrowing costs under Cleco Holdings' new credit

facility are equal to LIBOR plus 1.75% or ABR plus 0.75%, plus commitment fees of 0.275%. At June 30, 2016, Cleco Holdings had no borrowings outstanding under its \$100.0 million credit facility.

On April 13, 2016, in connection with the completion of the Merger, Cleco Power replaced its existing \$300.0 million credit facility with a new \$300.0 million credit facility. The new credit facility has similar terms as the previous facility, including restricted financial covenants, and expires in 2021. At June 30, 2016, Cleco Power was in compliance with the covenants of its credit facility. The borrowing costs under Cleco Power's new credit facility are equal to LIBOR plus 1.125% or ABR plus 0.125%, plus commitment fees of 0.125%. At June 30, 2016, Cleco Power had no borrowings outstanding under its \$300.0 million credit facility. The \$2.0 million letter of credit issued to MISO is covered under a standing letter of credit outside of Cleco Power's credit facility; therefore, it does not reduce the borrowing capacity of Cleco Power's new credit facility.

Note 7 — Pension Plan and Employee Benefits

Pension Plan and Other Benefits Plan

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 ten years of employment with Cleco. Cleco'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. Cleco did not make any required or discretionary contributions to the

pension plan in 2015 and does not expect to make any in 2016. 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 may 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's retirees and their dependents may be eligible to receive medical, dental, vision, and life insurance benefits (other benefits). Cleco 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, 2016, and 2015 are as follows:

| | PENSION BENEFITS | | | OTHER BENEFITS | | |
|--------------------------------------|-------------------------------|------------------------------|--|-------------------------------|------------------------------|--|
| | SUCCESSOR | PREDECESSOR | SUCCESSOR | PREDECESSOR | SUCCESSOR | PREDECESSOR |
| (THOUSANDS) | APR. 13, 2016 - JUNE 30, 2016 | APR. 1, 2016 - APR. 12, 2016 | FOR THE THREE MONTHS ENDED JUNE 30, 2015 | APR. 13, 2016 - JUNE 30, 2016 | APR. 1, 2016 - APR. 12, 2016 | FOR THE THREE MONTHS ENDED JUNE 30, 2015 |
| Components of periodic benefit costs | | | | | | |
| Service cost | \$ 1,893 | \$ 301 | \$ 2,683 | \$ 329 | \$ 51 | \$ 392 |
| Interest cost | 4,669 | 734 | 5,271 | 364 | 56 | 372 |
| Expected return on plan assets | (5,193) | (801) | (5,856) | — | — | — |
| Amortizations | | | | | | |
| Prior period service (credit) cost | (15) | (2) | (18) | — | 4 | 34 |
| Net loss | 1,845 | 329 | 3,568 | — | 21 | 238 |
| Net periodic benefit cost | \$ 3,199 | \$ 561 | \$ 5,648 | \$ 693 | \$ 132 | \$ 1,036 |

CLECO HOLDINGS

CLECO POWER 2016 2ND QUARTER FORM 10-Q

| (THOUSANDS) | PENSION BENEFITS SUCCESSOR PREDECESSOR | | | OTHER BENEFITS SUCCESSOR PREDECESSOR | | |
|--------------------------------------|--|---|---|--|--|---|
| | APR. 13, 2016 - JUNE 30, 2016 | JAN. 1, 2016 - APR. 12, 2016 | FOR THE SIX MONTHS ENDED JUNE 30, 2015 | APR. 13, 2016 - JUNE 30, 2016 | JAN. 1, 2016 - APR. 12, 2016 | FOR THE SIX MONTHS ENDED JUNE 30, 2015 |
| Components of periodic benefit costs | | | | | | |
| Service cost | \$ 1,893 | \$ 2,563 | \$ 5,209 | \$ 329 | \$ 431 | \$ 784 |
| Interest cost | 4,669 | 6,242 | 10,398 | 364 | 476 | 744 |
| Expected return on plan assets | (5,193) | (6,812) | (11,690) | — | — | — |
| Amortizations | | | | | | |
| Prior period service (credit) cost | (15) | (20) | (36) | — | 34 | 68 |
| Net loss | 1,845 | 2,798 | 6,914 | — | 181 | 476 |
| Net periodic benefit cost | \$ 3,199 | \$ 4,771 | \$ 10,795 | \$ 693 | \$ 1,122 | \$ 2,072 |

Because Cleco Power is the pension plan sponsor and the related trust holds the assets, the net unfunded status of the pension plan is reflected at Cleco Power. The liability of Cleco's other subsidiaries is transferred with a like amount of assets to Cleco Power monthly. The expense of the pension plan related to Cleco's other subsidiaries for the predecessor periods April 1, 2016, through April 12, 2016, and January 1, 2016, through April 12, 2016, was \$0.1 million and \$0.5 million, respectively. The expense of the pension plan related to Cleco's other subsidiaries for the successor period April 13, 2016, through June 30, 2016, was \$0.4 million. The amounts for the predecessor periods for the three and six months ended June 30, 2015, were \$0.6 million and \$1.0 million, respectively.

Cleco Holdings 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, 2016, was \$0.8 million and \$1.7 million, respectively. The amounts for the same periods in 2015 were \$0.9 million and \$1.8 million, respectively. The current and non-current portions of the other benefits liability for Cleco and Cleco Power at June 30, 2016, and December 31, 2015, are as follows:

Cleco

| (THOUSANDS) | SUCCESSOR PREDECESSOR | |
|-------------|-----------------------|---------------------|
| | AT JUNE 30, 2016 | AT DEC. 31, 2015 |
| Current | \$ 3,613 | \$ 3,613 |
| Non-current | \$ 38,651 | \$ 39,457 |

Cleco Power

| (THOUSANDS) | AT | AT |
|-------------|---------------------|---------------------|
| | JUNE 30, 2016 | DEC. 31, 2015 |
| Current | \$ 3,140 | \$ 3,140 |
| Non-current | \$ 33,589 | \$ 34,300 |

SERP

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Certain Cleco officers are covered by SERP. 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 (a) the highest base salary paid out over the last five calendar years and (b) the average of the three highest cash bonuses paid during the 60 months prior to retirement. SERP benefits are reduced by retirement benefits received from any other defined benefit pension plan, supplemental executive retirement plan, or Cleco contributions under the enhanced 401(k) Plan to the extent such contributions exceed the limits of the 401(k) Plan. In connection with the completion of the Merger, one executive officer's SERP benefits will be capped as of January 1, 2018,

with regard to salary; however, adjustments will continue with regard to age and tenure with Cleco. In 2014, SERP was closed to new participants; however, with regard to current SERP participants, including former employees or their beneficiaries, all terms of SERP will continue, other than as described above. In accordance with the SERP plan document and the Merger Agreement, four executive officers received enhanced benefits, and upon termination of employment, two of these executive officers received accelerated vesting. Management will review current market trends as it evaluates Cleco's future compensation strategy. Cleco 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 SERP participants. Market conditions could have a significant impact on the cash surrender value of the life insurance policies. Proceeds from the life insurance policies are expected to be used to pay the SERP participants' death benefits, as well as future SERP payments. However, because 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 that employed the officer. Cleco Power is considered the plan sponsor and Support Group is considered the plan administrator.

The components of net periodic benefit cost related to SERP for the three and six months ended June 30, 2016, and 2015 are as follows:

| (THOUSANDS) | SUCCESSOR PREDECESSOR | | |
|--|-------------------------------------|--|---|
| | APR. 13, 2016 - JUNE 30, 2016 | APR. 1, 2016 - APR. 12, 2016 | FOR THE THREE MONTHS ENDED JUNE 30, 2015 |
| Components of periodic benefit costs | | | |
| Service cost | \$ 589 | \$ 119 | \$ 728 |
| Interest cost | 755 | 169 | 744 |
| Amortizations | | | |
| Prior period service cost | — | 3 | 13 |
| Net (gain) loss | — | (81) | 782 |
| Net periodic benefit cost | 1,344 | 210 | 2,267 |
| Curtailments | — | 3,602 | — |
| Special/contractual termination benefits | — | 3,222 | — |
| Total benefit cost | \$ 1,344 | \$ 7,034 | \$ 2,267 |

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

| (THOUSANDS) | SUCCESSOR | | PREDECESSOR |
|--|-------------------------------------|--|---|
| | APR. 13, 2016 - JUNE 30, 2016 | JAN. 1, 2016 - APR. 12, 2016 | FOR THE SIX MONTHS ENDED JUNE 30, 2015 |
| Components of periodic benefit costs | | | |
| Service cost | \$ 589 | \$ 702 | \$ 1,353 |
| Interest cost | 755 | 900 | 1,528 |
| Amortizations | | | |
| Prior period service cost | — | 17 | 26 |
| Net loss | — | 574 | 1,487 |
| Net periodic benefit cost | 1,344 | 2,193 | 4,394 |
| Curtailment charge | — | 3,602 | — |
| Special/contractual termination benefits | — | 3,222 | — |
| Total benefit cost | \$ 1,344 | \$ 9,017 | \$ 4,394 |

There was a remeasurement of SERP at April 13, 2016, to reflect change in control benefits as a result of the Merger. On the date of the remeasurement, the discount rate decreased from 4.60% to 4.15%. This remeasurement resulted in a \$3.6 million curtailment charge and \$3.2 million of special/contractual termination benefits. The curtailments and special/contractual termination benefits are included in Merger transaction and commitment costs on Cleco's Condensed Consolidated Statements of Income.

The expense related to SERP reflected on Cleco Power's Condensed Consolidated Statements of Income was \$0.3 million and \$0.8 million for the three and six months ended June 30, 2016, respectively, compared to \$0.6 million and \$1.1 million for the same periods in 2015.

Liabilities relating to SERP are reported on the individual subsidiaries' financial statements. The current and non-current portions of the SERP liability for Cleco and Cleco Power at June 30, 2016, and December 31, 2015, are as follows:

Cleco

| (THOUSANDS) | SUCCESSOR | | PREDECESSOR |
|-------------|---------------------|---------------------|-------------|
| | AT JUNE 30, 2016 | AT DEC. 31, 2015 | |
| Current | \$ 4,363 | \$ 3,238 | |
| Non-current | \$ 75,094 | \$ 69,049 | |

Cleco Power

| (THOUSANDS) | AT | AT |
|-------------|---------------------|---------------------|
| | JUNE 30, 2016 | DEC. 31, 2015 |
| Current | \$864 | \$1,000 |
| Non-current | \$21,503 | \$21,321 |

401(k) Plan

Cleco's 401(k) Plan is intended to provide active, eligible employees with voluntary, long-term savings and investment opportunities. The 401(k) Plan is a defined contribution plan and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974. In accordance with the 401(k) Plan, employer contributions are

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made in the form of cash. Cash contributions are invested in proportion to the participant's voluntary contribution investment choices. Prior to the close of the Merger on April 13, 2016, employer contributions could also be in the form of Cleco Corporation common stock. Participation in the 401(k) Plan is voluntary, and all active Cleco employees are eligible to participate. Cleco's 401(k) Plan expense for the three and six months ended June 30, 2016, and 2015 is as follows:

| | SUCCESSOR | PREDECESSOR | |
|---------------------|-------------------------------------|------------------------------------|---|
| (THOUSANDS) | APR. 13, 2016 - JUNE 30, 2016 | APR. 1, 2016 - APR. 12, 2016 | FOR THE THREE MONTHS ENDED JUNE 30, 2015 |
| 401(k) Plan expense | \$ 1,110 | \$ 219 | \$ 1,268 |

| | SUCCESSOR | PREDECESSOR | |
|---------------------|-------------------------------------|------------------------------------|---|
| (THOUSANDS) | APR. 13, 2016 - JUNE 30, 2016 | JAN. 1, 2016 - APR. 12, 2016 | FOR THE SIX MONTHS ENDED JUNE 30, 2015 |
| 401(k) Plan expense | \$ 1,110 | \$ 1,593 | \$ 2,693 |

Cleco Power is the plan sponsor for the 401(k) Plan. The expense of the 401(k) Plan related to Cleco's other subsidiaries for the predecessor periods April 1, 2016, through April 12, 2016, and January 1, 2016, through April 12, 2016, was less than \$0.1 million and \$0.3 million, respectively. The expense of the 401(k) Plan related to Cleco's other subsidiaries for the successor period April 13, 2016, through June 30, 2016, was \$0.2 million. The expense for the predecessor periods for the three and six months ended June 30, 2015, was \$0.2 million and \$0.5 million, respectively.

Note 8 — Income Taxes

Effective Tax Rates

The following tables summarize the effective income tax rates for Cleco and Cleco Power for the three and six months ended June 30, 2016, and 2015:

Cleco

| | SUCCESSOR | PREDECESSOR | | SUCCESSOR | PREDECESSOR | |
|--------------------|-------------------------------|------------------------------|--|-------------------------------|------------------------------|--|
| Effective tax rate | APR. 13, 2016 - JUNE 30, 2016 | APR. 1, 2016 - APR. 12, 2016 | FOR THE THREE MONTHS ENDED JUNE 30, 2015 | APR. 13, 2016 - JUNE 30, 2016 | JAN. 1, 2016 - APR. 12, 2016 | FOR THE SIX MONTHS ENDED JUNE 30, 2015 |
| | 38.9 | % 27.1 | % 40.2 | % 38.9 | % (704.9 |)% 39.7 |

Cleco Power

| | FOR THE THREE MONTHS ENDED JUNE 30, 2016 | FOR THE SIX MONTHS ENDED JUNE 30, 2016 | FOR THE THREE MONTHS ENDED JUNE 30, 2015 | FOR THE SIX MONTHS ENDED JUNE 30, 2015 |
|--------------------|--|--|--|--|
| Effective tax rate | 38.9 % | 38.5 % | 39.6 % | 38.8 % |

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For the successor period, the effective income tax rate for Cleco was different than the federal statutory rate primarily due to permanent tax differences, the flowthrough of state tax benefits, including AFUDC equity, benefits delivered from Cleco's investment in the NMTC Fund, and state tax expense.

For the predecessor period, the effective income tax rate for Cleco was different than the federal statutory rate primarily due to a significant portion of the merger costs not being deductible, the flowthrough of state tax benefits, including

CLECO HOLDINGS
CLECO POWER 2016 2ND QUARTER FORM 10-Q

AFUDC equity, benefits delivered from Cleco's investment in the NMTC Fund, and state tax expense. For the three and six months ended June 30, 2016, and 2015, the effective income tax rate for Cleco Power was different than the federal statutory rate primarily due to permanent tax differences, the flowthrough of state tax benefits, including AFUDC equity, and state tax expense.

Valuation Allowance

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. As of June 30, 2016, and December 31, 2015, Cleco had a deferred tax asset resulting from NMTC carryforwards of \$97.0 million and \$96.5 million, respectively. If the NMTC carryforwards are not utilized, they will begin to expire in 2029. Management considers it more likely than not that all deferred tax assets related to NMTC carryforwards will be realized; therefore, no valuation allowance has been recorded.

Net Operating Losses

As of June 30, 2016, Cleco has a federal net operating loss carryforward of \$124.7 million and a state net operating loss carryforward of \$244.1 million. The federal and state net operating loss carryforwards will begin to expire in 2031. Cleco considers it more likely than not that these income tax losses will be utilized to reduce future income tax payments and Cleco expects to utilize the entire net operating loss carryforward within the statutory deadlines.

Uncertain Tax Positions

Cleco classifies all interest related to uncertain tax positions as a component of interest payable and interest expense. At June 30, 2016, and December 31, 2015, Cleco and Cleco Power had no interest payable related to uncertain tax positions. For the six months ended June 30, 2016, Cleco and Cleco Power had no interest expense related to uncertain tax positions.

At June 30, 2016, Cleco had no liability for uncertain tax positions. Cleco estimates that it is reasonably possible that the balance of unrecognized tax benefits as of June 30, 2016, for Cleco and Cleco Power would be unchanged in the next 12 months. The settlement of open tax years could involve the payment of additional taxes, and/or the recognition of tax benefits, which may have an effect on Cleco's effective tax rate.

The federal income tax years that remain subject to examination by the IRS are 2012, 2013, 2014, and 2015. The IRS has concluded its audit for the years 2010 through 2014.

Beginning with the 2013 tax year, Cleco entered into the IRS's Compliance Assurance Process which allows taxpayers to work collaboratively with an IRS team to identify and resolve potential tax issues before the federal tax return is filed each year. Cleco must apply for admission to the program each year. Cleco has been approved for the Compliance Assurance Process through the 2016 tax year.

The state income tax year that remains subject to examination by the Louisiana Department of Revenue is 2014. In August 2014, Cleco reached a settlement for tax years 2001 through 2010. In August 2015, Cleco reached a settlement for tax years 2011 through 2013. The favorable impact from the settlements was reflected in various line items in the financial statements.

Cleco classifies income tax penalties as a component of other expense. For the six months ended June 30, 2016, and 2015, no penalties were recognized.

Note 9 — Disclosures about Segments

Cleco's reportable segments are based on its method of internal reporting, which disaggregates business units by its first-tier subsidiary.

Cleco Power, the 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 and Cleco Power's Boards of Managers. The reportable segment prepares budgets that are presented to and approved by Cleco and Cleco

Power's Boards of Managers. The column shown as Other in the chart below includes the holding company, a shared services subsidiary, two transmission interconnection facility subsidiaries, and an investment subsidiary. The financial results of Cleco's segments are presented on an accrual basis. Management evaluates the performance of its segment and allocates resources to it 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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CLECO HOLDINGS

CLECO POWER 2016 2ND QUARTER FORM 10-Q

SEGMENT INFORMATION FOR THE THREE MONTHS ENDED
JUNE 30,

| 2016 (THOUSANDS) | SUCCESSOR APR. 13, 2016 - JUNE 30, 2016 | | | PREDECESSOR APR. 1, 2016 - APR. 12, 2016 | | | |
|--|--|------------|--------------|---|----------|--------------|------------|
| | CLECO POWER | OTHER | ELIMINATIONS | CLECO POWER | OTHER | ELIMINATIONS | |
| Revenue | | | | | | | |
| Electric operations | \$232,158 | \$(2,231) | \$ — | \$ 229,927 | \$30,997 | \$ — | \$ 30,997 |
| Other operations | 13,685 | 448 | — | 14,133 | 1,879 | 70 | 1,949 |
| Electric customer credits | (558) | — | — | (558) | (43) | — | (43) |
| Affiliate revenue | 194 | 10,763 | (10,957) | — | 31 | 2,000 | (2,031) |
| Operating revenue, net | \$245,479 | \$8,980 | \$(10,957) | \$ 243,502 | \$32,864 | \$2,070 | \$(2,031) |
| Depreciation and amortization | \$31,145 | \$3,016 | \$(1) | \$ 34,160 | \$5,095 | \$42 | \$ — |
| Merger transaction and commitment costs | \$151,501 | \$19,802 | \$ — | \$ 171,303 | \$ — | \$33,390 | \$ — |
| Interest charges | \$16,759 | \$9,721 | \$(15) | \$ 26,465 | \$2,554 | \$17 | \$(2) |
| Interest income | \$117 | \$95 | \$(15) | \$ 197 | \$29 | \$14 | \$(2) |
| Federal and state income tax (benefit) expense | \$(39,456) | \$(12,746) | \$ — | \$(52,202) | \$430 | \$(9,099) | \$ — |
| Net (loss) income | \$(61,898) | \$(20,016) | \$ — | \$(81,914) | \$669 | \$(23,997) | \$ — |

| 2015 (THOUSANDS) | PREDECESSOR FOR THE THREE MONTHS ENDED JUNE 30, 2015 | | |
|--------------------------------------|---|------------|--------------|
| | CLECO POWER | OTHER | ELIMINATIONS |
| Revenue | | | |
| Electric operations | \$276,661 | \$ — | \$ — |
| Other operations | 15,283 | 520 | — |
| Electric customer credits | (3,390) | — | — |
| Affiliate revenue | 331 | 14,950 | (15,281) |
| Operating revenue, net | \$288,885 | \$15,470 | \$(15,281) |
| Depreciation and amortization | \$36,126 | \$342 | \$ — |
| Merger transaction costs | \$ — | \$(410) | \$ — |
| Interest charges | \$19,401 | \$411 | \$ 98 |
| Interest income (expense) | \$48 | \$(56) | \$ 98 |
| Federal and state income tax expense | \$19,909 | \$449 | \$ 1 |
| Net income (loss) | \$31,813 | \$(1,579) | \$ — |

SEGMENT INFORMATION FOR THE SIX MONTHS
ENDED JUNE 30,

| | SUCCESSOR APR. 13, 2016 - JUNE 30, 2016 | | PREDECESSOR JAN. 1, 2016 - APR. 12, 2016 | |
|--|--|--------------|---|--------------|
| | OTHER | ELIMINATIONS | OTHER | ELIMINATIONS |
| | | | | |

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| 2016 (THOUSANDS) | CLECO POWER | | | CLECO POWER | | | | | |
|--|----------------|--------------|------------|----------------|------------|------------|------------|-------------|---|
| Revenue | | | | | | | | | |
| Electric operations | \$232,158 | \$(2,231) |) \$— | \$229,927 | \$281,154 | \$— | \$— | \$281,154 | |
| Other operations | 13,685 | 448 | — | 14,133 | 18,493 | 587 | — | 19,080 | |
| Electric customer credits | (558) |) — | — | (558) |) (364) |) — | — | (364) |) |
| Affiliate revenue | 194 | 10,763 | (10,957) |) — | 263 | 15,024 | (15,287) |) — | |
| Operating revenue, net | \$245,479 | \$8,980 | \$(10,957) |) \$243,502 | \$299,546 | \$15,611 | \$(15,287) |) \$299,870 | |
| Depreciation and amortization | \$31,145 | \$3,016 | \$(1) |) \$34,160 | \$43,698 | \$377 | \$1 | \$44,076 | |
| Merger transaction and commitment costs | | | | | | | | | |
| Interest charges | \$16,759 | \$9,721 | \$(15) |) \$26,465 | \$21,840 | \$295 | \$(12) |) \$22,123 | |
| Interest income | \$117 | \$95 | \$(15) |) \$197 | \$208 | \$69 | \$(12) |) \$265 | |
| Federal and state income tax (benefit) expense | \$(39,456) |) \$(12,746) |) \$— | \$(52,202) |) \$12,993 | \$(9,525) |) \$— | \$3,468 | |
| Net (loss) income | \$(61,898) |) \$(20,016) |) \$— | \$(81,914) |) \$21,548 | \$(25,508) |) \$— | \$(3,960) |) |
| Additions to property, plant, and equipment | \$43,583 | \$40 | \$— | \$43,623 | \$42,353 | \$39 | \$— | \$42,392 | |
| Equity investment in investees ⁽¹⁾ | | | | | | | | | |
| Goodwill ⁽¹⁾ | \$— | \$1,490,402 | \$— | \$1,490,402 | | | | | |
| Total segment assets ⁽¹⁾ | \$4,319,458 | \$1,959,403 | \$174,993 | \$6,453,854 | | | | | |

⁽¹⁾ Balances as of June 30, 2016

CLECO HOLDINGS
 CLECO POWER 2016 2ND QUARTER FORM 10-Q

| 2015 (THOUSANDS) | PREDECESSOR FOR THE SIX MONTHS ENDED JUNE 30, 2015 | | | CONSOLIDATED |
|--|---|------------|--------------|--------------|
| | CLECO POWER | OTHER | ELIMINATIONS | |
| Revenue | | | | |
| Electric operations | \$554,175 | \$— | \$ — | \$ 554,175 |
| Other operations | 32,495 | 1,040 | — | 33,535 |
| Electric customer credits | (3,179) | — | — | (3,179) |
| Affiliate revenue | 665 | 27,754 | (28,419) | — |
| Operating revenue, net | \$584,156 | \$28,794 | \$ (28,419) | \$ 584,531 |
| Depreciation and amortization | \$73,109 | \$637 | \$ — | \$ 73,746 |
| Merger transaction costs | \$— | \$1,730 | \$ — | \$ 1,730 |
| Interest charges | \$39,304 | \$526 | \$ 202 | \$ 40,032 |
| Interest income (expense) | \$304 | \$(119) | \$ 203 | \$ 388 |
| Federal and state income tax expense (benefit) | \$38,268 | \$(581) | \$ — | \$ 37,687 |
| Net income (loss) | \$60,418 | \$(3,262) | \$ | |