

CLECO CORP
Form 10-Q
November 09, 2006

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 September 30, 2006

Or

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

Commission file number 1-15759

CLECO CORPORATION

(Exact name of registrant as specified in its charter)

Louisiana

*(State or other jurisdiction of incorporation or
organization)*

72-1445282

(I.R.S. Employer Identification No.)

2030 Donahue Ferry Road, Pineville, Louisiana

(Address of principal executive offices)

71360-5226

(Zip Code)

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

Commission file number 1-05663

CLECO POWER LLC

(Exact name of registrant as specified in its charter)

Louisiana

*(State or other jurisdiction of incorporation or
organization)*

72-0244480

(I.R.S. Employer Identification No.)

2030 Donahue Ferry Road, Pineville, Louisiana

(Address of principal executive offices)

71360-5226

(Zip Code)

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

Indicate by check mark whether the Registrants: (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports) and (2) have been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether Cleco Corporation is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act)

Yes No

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

<u>Registrant</u>	<u>Description of Class</u>	<u>Shares Outstanding at October 31,</u> <u>2006</u>
Cleco Corporation	Common Stock, \$1.00 Par Value	57,488,574

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

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

This report should be read in its entirety as it pertains to each respective Registrant. The Notes to the Unaudited Condensed Financial Statements are combined.

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GLOSSARY OF TERMS

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

ABBREVIATION OR ACRONYM	DEFINITION
401(k) Plan	Cleco Power 401(k) Savings and Investment Plan
Acadia	Acadia Power Partners, LLC and its 1,160-MW combined-cycle, natural gas-fired power plant near Eunice, Louisiana, 50% owned by APH and 50% owned by a subsidiary of Calpine
Amended EPC Contract	Amended and Restated EPC Contract between Cleco Power and Shaw Constructors, Inc., executed on May 12, 2006, to engineer, design, and construct Rodemacher Unit 3.
APB	Accounting Principles Board
APB Opinion No. 12	Omnibus Opinion-1967
APB Opinion No. 18	The Equity Method of Accounting for Investments in Common Stock
APB Opinion No. 25	Accounting for Stock Issued to Employees
APB Opinion No. 29	Accounting for Nonmonetary Transactions
APH	Acadia Power Holdings LLC, a wholly owned subsidiary of Midstream
Attala	Attala Transmission LLC, a wholly owned subsidiary of Midstream
Calpine	Calpine Corporation
Calpine Debtors	Calpine, CES, and certain other Calpine subsidiaries
Calpine Debtors Bankruptcy Court	U.S. Bankruptcy Court for the Southern District of New York
Calpine Tolling Agreements	Capacity Sale and Tolling Agreements between Acadia and CES which expires in 2022
CCN	Certificate of Public Convenience and Necessity
CES	Calpine Energy Services, L.P.
Cleco Energy	Cleco Energy LLC, a wholly owned subsidiary of Midstream
Diversified Lands	Diversified Lands LLC, a wholly owned subsidiary of Cleco Innovations LLC, a wholly owned subsidiary of Cleco Corporation
EITF	Emerging Issues Task Force of the FASB
EITF No. 04-13	Accounting for Purchases and Sales of Inventory with the Same Counterparty
EITF No. 06-3	How Sales Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement (That Is, Gross Versus Net Presentation)
EITF No. 06-4	Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements
EITF No. 06-5	Accounting for Purchases of Life Insurance - Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4
Entergy	Entergy Corporation
Entergy Gulf States	Entergy Gulf States, Inc.
Entergy Louisiana	Entergy Louisiana, Inc.

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Entergy Mississippi	Entergy Mississippi, Inc.
Entergy Services	Entergy Services, Inc., as agent for Entergy Louisiana and Entergy Gulf States
EPC	Engineering, Procurement, and Construction
ERO	Electric Reliability Organization
ESOP	Cleco Corporation Employee Stock Ownership Plan
ESPP	Cleco Corporation Employee Stock Purchase Plan
Evangeline	Cleco Evangeline LLC, a wholly owned subsidiary of Midstream, and its 775-MW combined-cycle, natural gas-fired power plant located in Evangeline Parish, Louisiana
Evangeline Tolling Agreement	Capacity Sale and Tolling Agreement between Evangeline and Williams which expires in 2020
FASB	Financial Accounting Standards Board
FASB Technical Bulletin No. 85-4	Accounting for Purchases of Life Insurance
FERC	Federal Energy Regulatory Commission
FIN	FASB Interpretation No.
FIN 45	Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others
FIN 46R	Consolidation of Variable Interest Entities - an Interpretation of Accounting Research Bulletin No. 51 (revised December 2003)
FIN 48	Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109
FSP	FASB Staff Position
FSP No. FIN 46R-6	Determining the Variability to Be Considered in Applying FASB Interpretation No. 46R
GDP-IPD	Gross Domestic Product - Implicit Price Deflator
ICT	Independent Coordinator of Transmission
Interconnection Agreement	Interconnection Agreement and Real Estate Agreement between Attala and Entergy Mississippi
IRP	Integrated Resource Planning
kWh	Kilowatt-hour(s) as applicable

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ABBREVIATION OR ACRONYM	DEFINITION
LDEQ	Louisiana Department of Environmental Quality
LIBOR	London Inter-Bank Offer Rate
Lignite Mining Agreement	Dolet Hills Mine Lignite Mining Agreement, dated as of May 31, 2001
LPSC	Louisiana Public Service Commission
LTICP	Cleco Corporation Long-Term Incentive Compensation Plan
MAI	Mirant Americas, Inc., a wholly owned subsidiary of Mirant Corporation
Midstream	Cleco Midstream Resources LLC, a wholly owned subsidiary of Cleco Corporation
Moody's	Moody's Investors Service
MW	Megawatt(s) as applicable
NOPR	Notice of Proposed Rulemaking
OATT	Open access transmission tariff
PEH	Perryville Energy Holdings LLC, a wholly owned subsidiary of Midstream
Perryville	Perryville Energy Partners, L.L.C., a wholly owned subsidiary of PEH, which retained ownership of the plant-related transmission assets following the sale of its 718-MW, natural gas-fired power plant (sold to Entergy Louisiana on June 30, 2005) near Perryville, Louisiana
Power Purchase Agreement	Power Purchase Agreement, dated as of January 28, 2004, between Perryville and Entergy Services
Registrant(s)	Cleco Corporation and Cleco Power
RFP	Request for Proposal
Rodemacher Unit 3	A 600-MW solid fuel generating unit under construction by Cleco Power at its existing Rodemacher plant site in Boyce, Louisiana. The unit will utilize circulating fluidized bed combustion technology, with petroleum coke as the unit's planned primary fuel source.
RSP	Rate Stabilization Plan
RTO	Regional Transmission Organization
Sale Agreement	Purchase and Sale Agreement, dated as of January 28, 2004, between Perryville and Entergy Louisiana
SEC	U.S. Securities and Exchange Commission
Senior Loan Agreement	Construction and Term Loan Agreement, dated as of June 7, 2001, between Perryville and KBC Bank N.V., as Agent Bank
SERP	Cleco Corporation Supplemental Executive Retirement Plan
SFAS	Statement of Financial Accounting Standards
SFAS No. 71	Accounting for the Effects of Certain Types of Regulation
SFAS No. 106	Employers' Accounting for Postretirement Benefits Other Than Pensions
SFAS No. 123	Accounting for Stock-Based Compensation
SFAS No. 123R	Share-Based Payment
SFAS No. 131	

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	Disclosures about Segments of an Enterprise and Related Information
SFAS No. 133	Accounting for Derivative Instruments and Hedging Activities
SFAS No. 140	Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities
SFAS No. 149	Amendment of Statement 133 on Derivative Instruments and Hedging Activities
SFAS No. 155	Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140
SFAS No. 156	Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140
SFAS No. 157	Fair Value Measurements
SFAS No. 158	Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)
Shaw	Shaw Constructors, Inc., a subsidiary of The Shaw Group Inc.
Subordinated Loan Agreement	Subordinated Loan Agreement, dated as of August 23, 2002, between Perryville and MAI
Support Group	Cleco Support Group LLC, a wholly owned subsidiary of Cleco Corporation
SWEPCO	Southwestern Electric Power Company
VaR	Value-at-risk
Williams	Williams Power Company, Inc.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes “forward-looking statements” about future events, circumstances, and results. All statements other than statements of historical fact included in this report are forward-looking statements, including, without limitation, statements regarding the construction, timing and cost of Rodemacher Unit 3, future capital expenditures, and future environmental regulations. Although the Registrants believe that the expectations reflected in such forward-looking statements are reasonable, such forward-looking statements are based on numerous assumptions (some of which may prove to be incorrect) and are subject to risks and uncertainties that could cause the actual results to differ materially from the Registrants’ expectations. In addition to any assumptions and other factors referred to specifically in connection with these forward-looking statements, the following list identifies some of the factors that could cause the Registrants’ actual results to differ materially from those contemplated in any of the Registrants’ forward-looking statements:

- § Factors affecting utility operations, such as unusual weather conditions or other natural phenomena; catastrophic weather-related damage (such as hurricanes and other storms); unscheduled generation outages; unusual maintenance or repairs; unanticipated changes to fuel costs, cost of and reliance on natural gas as a component of Cleco’s generation fuel mix and their impact on competition and franchises, fuel supply costs or availability constraints due to higher demand, shortages, transportation problems or other developments; environmental incidents; or power transmission system constraints;
- § Cleco Corporation’s holding company structure and its dependence on the earnings, dividends, or distributions from its subsidiaries to meet its debt obligations and pay dividends on its common stock;
- § Cleco Power’s ability to construct, operate, and maintain, within its projected costs (including financing) and timeframe, Rodemacher Unit 3, in addition to any other self-build projects identified in future IRP and RFP processes;
- § Dependence of Cleco Power for energy from sources other than its facilities and the uncertainty of future long-term sources of such additional energy;
- § Nonperformance by and creditworthiness of counterparties under tolling, power purchase, and energy service agreements, or the restructuring of those agreements, including possible termination;
 - § Outcome of the Calpine Debtors bankruptcy filing and its effect on agreements with Acadia;
 - § The final amount of storm restoration costs and storm reserve, if any, approved by the LPSC and the method through which such amounts can be recovered from Cleco Power’s customers;
- § Regulatory factors such as changes in rate-setting policies, recovery of investments made under traditional regulation, the frequency and timing of rate increases or decreases, the results of periodic fuel audits, the results of IRP and RFP processes, the formation of RTOs and ICTs, and the establishment by an ERO of reliability standards for bulk power systems and compliance with these standards by Cleco Power, Acadia, Attala, Evangeline, and Perryville;
- § Financial or regulatory accounting principles or policies imposed by the FASB, the SEC, the Public Company Accounting Oversight Board, the FERC, the LPSC or similar entities with regulatory or accounting oversight;

§ Economic conditions, including the ability of customers to continue paying for high energy costs, related growth and/or down-sizing of businesses in Cleco's service area, monetary fluctuations, increase in commodity prices, and inflation rates;

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

§ Changing market conditions and a variety of other factors associated with physical energy, financial transactions, and energy service activities, including, but not limited to, price, basis, credit, liquidity, volatility, capacity, transmission, interest rates, and warranty risks;

§ Acts of terrorism;

§ Availability or cost of capital resulting from changes in Cleco's business or financial condition, interest rates, or market perceptions of the electric utility industry and energy-related industries;

§ Employee work force factors, including work stoppages and changes in key executives;

§ Legal, environmental, and regulatory delays and other obstacles associated with mergers, acquisitions, capital projects, reorganizations, or investments in joint ventures;

§ Costs and other effects of legal and administrative proceedings, settlements, investigations, claims and other matters; and

§ Changes in federal, state, or local legislative requirements, such as the adoption of the Energy Policy Act of 2005, and changes in tax laws or rates, regulating policies or environmental laws and regulations.

For additional discussion of these factors and other factors that could cause actual results to differ materially from those contemplated in the Registrants' forward-looking statements, please read "Risk Factors" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2005, the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, and June 30, 2006, and in this Quarterly Report.

All subsequent written and oral forward-looking statements attributable to the Registrants or persons acting on their behalf are expressly qualified in their entirety by the factors identified above.

The Registrants undertake no obligation to update any forward-looking statements, whether as a result of changes in actual results, changes in assumptions, or other factors affecting such statements.

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PART I— FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Cleco Corporation

These unaudited condensed consolidated financial statements should be read in conjunction with Cleco Corporation's Consolidated Financial Statements and Notes included in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2005. For more information on the basis of presentation, see "Notes to the Unaudited Condensed Financial Statements — Note 1 — Summary of Significant Accounting Policies — Basis of Presentation."

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CLECO CORPORATION

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	FOR THE THREE MONTHS ENDED	
	2006	SEPTEMBER 30, 2005 ADJUSTED (NOTE 2)
Operating revenue		
Electric operations	\$ 284,490	\$ 267,958
Other operations	7,644	14,240
Affiliate revenue	1,969	1,758
Gross operating revenue	294,103	283,956
Electric customer credits	-	(300)
Operating revenue, net	294,103	283,656
Operating expenses		
Fuel used for electric generation	80,627	54,665
Power purchased for utility customers	106,940	124,261
Other operations	25,670	23,647
Maintenance	8,850	9,723
Depreciation	23,750	15,182
Taxes other than income taxes	11,066	10,938
Total operating expenses	256,903	238,416
Operating income	37,200	45,240
Interest income	2,782	1,136
Allowance for other funds used during construction	2,190	325
Equity income from investees	15,197	200,986
Other income	702	2,626
Other expense	(463)	(861)
Interest charges		
Interest charges, including amortization of debt expenses, premium and discount, net of capitalized interest	11,094	9,535
Allowance for borrowed funds used during construction	(816)	(108)
Total interest charges	10,278	9,427
Income from continuing operations before income taxes	47,330	240,025
Federal and state income tax expense	19,350	89,569
Income from continuing operations	27,980	150,456
Discontinued operations		
Income (loss) from discontinued operations, net of tax	36	(25)
Net income	28,016	150,431
Preferred dividends requirements, net	424	451
Net income applicable to common stock	\$ 27,592	\$ 149,980
Average shares of common stock outstanding		
Basic	53,630,494	49,548,835
Diluted	55,938,995	51,714,320
Basic earnings per share		
From continuing operations	\$ 0.50	\$ 2.92

Net income applicable to common stock	\$	0.50	\$	2.92
Diluted earnings per share				
From continuing operations	\$	0.50	\$	2.91
Net income applicable to common stock	\$	0.50	\$	2.91
Cash dividends paid per share of common stock	\$	0.225	\$	0.225

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

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CLECO CORPORATION

Condensed Consolidated Statements of Comprehensive Income
 (Unaudited)

(THOUSANDS)	FOR THE THREE MONTHS ENDED	
	2006	SEPTEMBER 30, 2005 ADJUSTED (NOTE 2)
Net income	\$ 28,016	\$ 150,431
Other comprehensive (loss) income, net of tax:		
Net unrealized loss from limited partnership (net of tax benefit of \$47 in 2005)	-	(76)
Net unrealized (loss) income from available-for-sale securities (net of tax (benefit) expense of \$(23) in 2006 and \$23 in 2005)	(37)	37
Other comprehensive loss, net of tax	(37)	(39)
Comprehensive income, net of tax	\$ 27,979	\$ 150,392

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

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CLECO CORPORATION

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	FOR THE NINE MONTHS ENDED	
	2006	SEPTEMBER 30, 2005 ADJUSTED (NOTE 2)
Operating revenue		
Electric operations	\$ 736,765	\$ 614,670
Other operations	22,167	29,493
Affiliate revenue	5,157	6,488
Gross operating revenue	764,089	650,651
Electric customer credits	4,382	(771)
Operating revenue, net	768,471	649,880
Operating expenses		
Fuel used for electric generation	186,980	117,139
Power purchased for utility customers	306,426	265,441
Other operations	66,776	68,974
Maintenance	29,003	32,848
Depreciation	55,108	45,059
Taxes other than income taxes	31,655	30,646
Gain on sales of assets	(71)	(2,207)
Total operating expenses	675,877	557,900
Operating income	92,594	91,980
Interest income	7,217	2,987
Allowance for other funds used during construction	4,231	2,104
Equity income from investees	30,802	221,859
Other income	929	3,445
Other expense	(1,177)	(1,652)
Interest charges		
Interest charges, including amortization of debt expenses, premium and discount, net of capitalized interest	33,673	32,584
Allowance for borrowed funds used during construction	(1,535)	(702)
Total interest charges	32,138	31,882
Income from continuing operations before income taxes	102,458	288,841
Federal and state income tax expense	38,923	108,112
Income from continuing operations	63,535	180,729
Discontinued operations		
Loss from discontinued operations, net of tax	(154)	(230)
Net income	63,381	180,499
Preferred dividends requirements, net	1,310	1,374
Net income applicable to common stock	\$ 62,071	\$ 179,125
Average shares of common stock outstanding		
Basic	51,408,708	49,443,912
Diluted	53,621,679	51,625,000
Basic earnings per share		

From continuing operations	\$	1.19	\$	3.50
Net income applicable to common stock	\$	1.19	\$	3.50
Diluted earnings per share				
From continuing operations	\$	1.18	\$	3.50
Net income applicable to common stock	\$	1.18	\$	3.50
Cash dividends paid per share of common stock	\$	0.675	\$	0.675

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

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CLECO CORPORATION

Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(THOUSANDS)	FOR THE NINE MONTHS ENDED	
	2006	2005 ADJUSTED (NOTE 2)
Net income	\$ 63,381	\$ 180,499
Other comprehensive loss, net of tax:		
Net unrealized loss from limited partnership (net of tax benefit of \$27 in 2005)	-	(43)
Net unrealized loss from available-for-sale securities (net of tax benefit of \$35 in 2006 and \$14 in 2005)	(57)	(22)
Other comprehensive loss, net of tax	(57)	(65)
Comprehensive income, net of tax	\$ 63,324	\$ 180,434

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

Condensed Consolidated Statements of Changes in Common Shareholders' Equity (Unaudited)

(THOUSANDS, EXCEPT SHARE AMOUNTS)	COMMON STOCK SHARES	PREMIUM ON COMMON STOCK	UNEARNED COMMON STOCK	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS		TOTAL COMMON SHAREHOLDERS' EQUITY		
					TREASURY SHARES	COST			
BALANCE, DECEMBER 31, 2005	50,030,035	\$ 50,030	\$ (5,285)	\$ 202,416	\$ 443,912	(36,644)	\$ (714)	\$ (4,130)	\$ 686,229
Issuance of common stock	6,900,000	6,900		150,834					157,734
Common stock issued for compensatory plans	590,228	507		3,312					3,819
Issuance of treasury stock				6		3,480	73		79
Unearned compensation (LTICP)			5,285						5,285
Common stock issuance costs				(309)					(309)

Dividend requirements, preferred stock, net						(1,310)				(1,310)
Cash dividends, common stock, \$0.675 per share						(34,006)				(34,006)
Net income						63,381				63,381
Other comprehensive loss, net of tax									(57)	(57)
BALANCE, SEPTEMBER 30, 2006		57,520,263	\$ 57,437	\$ -	\$ 356,259	\$ 471,977	(33,164)	\$ (641)	\$ (4,187)	\$ 880,845

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

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CLECO CORPORATION

Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT SEPTEMBER 30, 2006	AT DECEMBER 31, 2005
Assets		
Current assets		
Cash and cash equivalents	\$ 196,022	\$ 219,153
Customer accounts receivable (less allowance for doubtful accounts of \$990 in 2006 and \$1,262 in 2005)	54,294	54,768
Accounts receivable - affiliate	7,012	1,071
Other accounts receivable	29,961	33,911
Unbilled revenue	19,945	17,878
Fuel inventory, at average cost	43,719	21,313
Material and supplies inventory, at average cost	31,940	24,289
Risk management assets	-	10,110
Accumulated deferred fuel	94,062	23,165
Cash surrender value of company-/trust-owned life insurance policies	25,072	22,888
Margin deposits	25,948	-
Prepayments	4,691	3,344
Other current assets	-	2,578
Total current assets	532,666	434,468
Property, plant and equipment		
Property, plant and equipment	1,867,724	1,836,973
Accumulated depreciation	(863,315)	(804,323)
Net property, plant and equipment	1,004,409	1,032,650
Construction work in progress	230,502	156,053
Total property, plant and equipment, net	1,234,911	1,188,703
Equity investment in investees	327,309	317,762
Prepayments	5,936	5,961
Restricted cash	89	87
Regulatory assets and liabilities - deferred taxes, net	91,775	90,960
Regulatory assets - other	173,654	53,439
Other deferred charges	38,754	58,108
Total assets	\$ 2,405,094	\$ 2,149,488

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

(Continued on next page)

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Condensed Consolidated Balance Sheets (Unaudited) (Continued)

(THOUSANDS)	AT SEPTEMBER 30, 2006	AT DECEMBER 31, 2005
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Short-term debt	\$ 20,000	\$ -
Long-term debt due within one year	25,000	40,000
Accounts payable	110,663	143,692
Retainage	7,817	768
Accounts payable - affiliate	7,204	3,439
Customer deposits	25,020	23,436
Provision for rate refund	2,371	7,927
Taxes accrued	51,615	35,475
Interest accrued	9,950	9,167
Accumulated current deferred taxes, net	32,611	17,402
Margin deposits	-	4,316
Risk management liability	62,971	-
Regulatory liabilities - other	3,113	635
Other current liabilities	10,253	7,847
Total current liabilities	368,588	294,104
Deferred credits		
Accumulated deferred federal and state income taxes, net	456,638	449,129
Accumulated deferred investment tax credits	14,483	15,632
Other deferred credits	79,849	74,717
Total deferred credits	550,970	539,478
Long-term debt, net	584,428	609,643
Total liabilities	1,503,986	1,443,225
Commitments and Contingencies (Note 9)		
Shareholders' equity		
Preferred stock		
Not subject to mandatory redemption, \$100 par value, authorized 1,491,900 shares, issued 201,386 and 218,170 shares at September 30, 2006, and December 31, 2005, respectively	20,139	21,817
Deferred compensation related to preferred stock held by ESOP	124	(1,783)
Total preferred stock not subject to mandatory redemption	20,263	20,034
Common shareholders' equity		
Common stock, \$1 par value, authorized 100,000,000 shares, issued 57,520,263 and 50,030,035 shares at September 30, 2006, and December 31, 2005, respectively	57,437	50,030
Premium on common stock	356,259	202,416
Retained earnings	471,977	443,912
Unearned compensation	-	(5,285)
Treasury stock, at cost, 33,164 and 36,644 shares at September 30, 2006, and December 31, 2005, respectively	(641)	(714)

Accumulated other comprehensive loss	(4,187)	(4,130)
Total common shareholders' equity	880,845	686,229
Total shareholders' equity	901,108	706,263
Total liabilities and shareholders' equity	\$ 2,405,094	\$ 2,149,488

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

CLECO CORPORATION
 CLECO POWER
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CLECO CORPORATION

Condensed Consolidated Statements of Cash Flows (Unaudited)

(THOUSANDS)	FOR THE NINE MONTHS ENDED	
	2006	SEPTEMBER 30, 2005 ADJUSTED (NOTE 2)
Operating activities		
Net income	\$ 63,381	\$ 180,499
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	57,722	47,091
Gain on sales of property, plant and equipment	(71)	(2,207)
Provision for doubtful accounts	2,049	1,342
Return on equity investment in investee	15,997	24,451
Income from equity investments	(30,802)	(221,859)
Unearned/deferred compensation expense	3,189	5,158
ESOP expense	1,309	693
Allowance for other funds used during construction	(4,231)	(2,104)
Amortization of investment tax credits	(1,148)	(1,253)
Net deferred income taxes	5,880	92,493
Deferred fuel costs	13,229	(42,621)
Loss (gain) on economic hedges	4,256	(4,376)
Cash surrender value of company-/trust-owned life insurance	(1,074)	(531)
Changes in assets and liabilities:		
Accounts receivable	(2,509)	(42,362)
Accounts and notes receivable, affiliate	(5,941)	(37,936)
Unbilled revenue	(2,067)	(1,886)
Fuel, materials and supplies inventory	(30,058)	6,730
Accounts payable	(53,714)	43,495
Prepayments	(852)	(5,317)
Accounts and notes payable, affiliate	3,766	9,745
Retainage payable	7,048	231
Customer deposits	5,283	4,064
Regulatory assets and liabilities	(46,547)	(5,160)
Other deferred accounts	4,298	5,937
Taxes accrued	37,835	69,171
Interest accrued	1,471	(1,342)
Margin deposits	(30,264)	22,832
Other	4,928	(75)
Net cash provided by operating activities	22,363	144,903
Investing activities		
Additions to property, plant and equipment	(155,532)	(92,315)
Allowance for other funds used during construction	4,231	2,104
Proceeds from sale of property, plant and equipment	869	2,792
Return of equity investment in investee	7,154	2,891

Investment in cost method investments	-	(1,385)
Equity investment in investee	(7,026)	(20)
Other investing activities	(1,894)	(1,538)
Net cash used in investing activities	(152,198)	(87,471)
Financing activities		
Sale of common stock, net	157,530	-
Exercise of options to common stock	2,855	2,157
Issuance of common stock under the ESOP	1,206	-
Stock based compensation tax benefit	252	-
Change in short-term debt	20,000	-
Retirement of long-term obligations	(40,275)	(200,070)
Issuance of long-term debt	-	90,000
Deferred financing costs	(822)	(2,026)
Change in ESOP trust	1,668	1,636
Dividends paid on preferred stock	(1,760)	(1,904)
Dividends paid on common stock	(33,950)	(33,632)
Net cash provided by (used in) financing activities	106,704	(143,839)
Net decrease in cash and cash equivalents	(23,131)	(86,407)
Cash and cash equivalents at beginning of period	219,153	123,787
Cash and cash equivalents at end of period	\$ 196,022	\$ 37,380
Supplementary cash flow information		
Interest paid	\$ 31,161	\$ 31,847
Income taxes paid	\$ 12,712	\$ 6,061
Supplementary non-cash investing and financing activities		
Issuance of treasury stock - LTICP and ESOP plans	\$ 73	\$ 149
Issuance of common stock - LTICP/ESOP/ESPP ⁽¹⁾	\$ 3,642	\$ 2,692
Accrued additions to property, plant and equipment not reported above	\$ 42,088	\$ 75,853

⁽¹⁾Includes conversion of preferred stock to common stock (\$1,678/2006, \$1,574/2005)

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

CLECO CORPORATION
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PART I— FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS

Cleco Power

These unaudited condensed financial statements should be read in conjunction with Cleco Power's Financial Statements and Notes included in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2005. For more information on the basis of presentation, see "Notes to the Unaudited Condensed Financial Statements — Note 1 — Summary of Significant Accounting Policies — Basis of Presentation."

CLECO CORPORATION
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CLECO POWER

Condensed Statements of Income (Unaudited)

(THOUSANDS)	FOR THE THREE MONTHS ENDED	
	2006	SEPTEMBER 30, 2005
Operating revenue		
Electric operations	\$ 284,490	\$ 267,958
Other operations	7,621	14,113
Affiliate revenue	514	498
Gross operating revenue	292,625	282,569
Electric customer credits	-	(300)
Operating revenue, net	292,625	282,269
Operating expenses		
Fuel used for electric generation	80,627	54,665
Power purchased for utility customers	106,940	124,261
Other operations	25,323	23,193
Maintenance	7,981	8,948
Depreciation	23,353	14,765
Taxes other than income taxes	10,576	10,424
Total operating expenses	254,800	236,256
Operating income	37,825	46,013
Interest income	1,559	1,089
Allowance for other funds used during construction	2,190	325
Other income	497	161
Other expense	(759)	(397)
Interest charges		
Interest charges, including amortization of debt expenses, premium and discount	9,144	7,274