CLECO POWER LLC
Form 10-K
February 19, 2013

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

FORM 10-K

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

For the fiscal year ended December 31, 2012
Or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

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

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

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

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

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

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

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

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

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

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

Title of each class
Membership Interests

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

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

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

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

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

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

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

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

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

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

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The aggregate market value of the Cleco Corporation voting stock held by non-affiliates was $2,509,995,974 as of the last business day of Cleco Corporation's most recently completed second fiscal quarter, based on a price of $41.83 per common share, the closing price of Cleco Corporation's common stock as reported on the New York Stock Exchange on such date. Cleco Corporation's Cumulative Preferred Stock is not listed on any national securities exchange, nor are prices for the Cumulative Preferred Stock quoted on any national automated quotation system; therefore, its market value is not readily determinable and is not included in the foregoing amount. As of February 1, 2013, there were no outstanding shares of Cleco Corporation's preferred stock.
As of February 1, 2013, there were 60,356,709 outstanding shares of Cleco Corporation's Common Stock, par value $1.00 per share. As of February 1, 2013, all of Cleco Power's membership interest was owned by Cleco Corporation.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Cleco Corporation's definitive Proxy Statement relating to its Annual Meeting of Shareholders to be held on April 26, 2013, are incorporated by reference into Part III herein.

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

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

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GLOSSARY OF TERMS

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

ABBREVIATION OR ACRONYM	DEFINITION
401(k) Plan	Cleco Power 401(k) Savings and Investment Plan
ABR	Alternate Base Rate 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, a wholly owned subsidiary of APH. Acadia no longer owns any materials and supply inventory, property, plant, and equipment, or land as a result of the disposition of Acadia Unit 2 to Entergy Louisiana on April 29, 2011. From February 23, 2010 to April 29, 2011, Acadia was owned 100% by Cajun and consisted of Acadia Unit 2. Prior to February 23, 2010, Acadia was 50% owned by APH and 50% owned by Cajun and consisted of Acadia Unit 1 and Acadia Unit 2.
Acadia Unit 1	Cleco Power's 580-MW unit, combined cycle, natural gas-fired power plant located at the Acadia Power Station near Eunice, Louisiana. Prior to February 2010, Acadia Unit 1 was owned by Acadia.
Acadia Unit 2	Entergy Louisiana's 580-MW unit, combined cycle, natural gas-fired power plant located at the Acadia Power Station near Eunice, Louisiana. Prior to April 29, 2011, Acadia Unit 2 was owned by Acadia.
Acadiana Load Pocket	An area in south central Louisiana that has experienced transmission constraints caused by local load and lack of generation. Transmission within the Acadiana Load Pocket is owned by several entities, including Cleco Power.
AFUDC	Allowance for Funds Used During Construction
Amended EPC Contract	Amended and Restated EPC Contract between Cleco Power and Shaw, executed on May 12, 2006, for engineering, procurement, and construction of Madison Unit 3, as amended by Amendment No. 1 thereto effective March 9, 2007, Amendment No. 2 thereto dated as of July 2, 2008, Amendment No. 3 thereto dated as of July 22, 2009, and Amendment No. 4 thereto dated October 19, 2009.
Amended Lignite Mining Agreement	Amended and restated lignite mining agreement effective December 29, 2009
AMI	Advanced Metering Infrastructure
APH	Acadia Power Holdings LLC, a wholly owned subsidiary of Midstream
ARO	Asset Retirement Obligation
Attala	Attala Transmission LLC, a wholly owned subsidiary of Cleco Corporation
Brame Energy Center	A facility consisting of Nesbitt Unit 1, Rodemacher Unit 2, and Madison Unit 3. On June 11, 2010, Rodemacher Power Station was renamed Brame Energy Center.
CAA	Clean Air Act
Cajun	Cajun Gas Energy L.L.C., a wholly owned subsidiary of third parties. In conjunction with the disposition of Acadia Unit 2 on April 29, 2011, APH no longer has any ownership interest in Cajun. From February 23, 2010 to April 29, 2011, Cajun was 50% owned by APH and 50% owned by third parties. Prior to February 23, 2010, Cajun was 100% owned by third parties.
CERCLA	The Comprehensive Environmental Response, Compensation, and Liability Act of 1980
CCN	Certificate of Public Convenience and Necessity

CLE Intrastate	CLE Intrastate Pipeline Company LLC, a wholly owned subsidiary of Evangeline
Cleco Innovations LLC	A wholly owned subsidiary of Cleco Corporation
Cleco Katrina/Rita	Cleco Katrina/Rita Hurricane Recovery Funding LLC, a wholly owned subsidiary of Cleco Power
CO_2	Carbon dioxide
Coughlin	Coughlin Power Station, a combined-cycle, natural gas-fired power plant located in Evangeline Parish, Louisiana
CSAPR	The 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 Innovations LLC
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010.
DOE	United States Department of Energy
EAC	Environmental Adjustment Clause
Entergy	Entergy Corporation
Entergy Arkansas	Entergy Arkansas, Inc.
Entergy Gulf States	Entergy Gulf States Louisiana, L.L.C., formerly Entergy Gulf States, Inc.
Entergy Louisiana	Entergy Louisiana, LLC
Entergy Mississippi	Entergy Mississippi, Inc.
Entergy Services	Entergy Services, Inc., as agent for Entergy Louisiana and Entergy Gulf States
EPA	United States Environmental Protection Agency
ERO	Electric Reliability Organization
ESPP	Cleco Corporation Employee Stock Purchase Plan
Evangeline	Cleco Evangeline LLC, a wholly owned subsidiary of Midstream
Evangeline 2010 Tolling Agreement	Capacity Sale and Tolling Agreement between Evangeline and JPMVEC, which was executed in February 2010 and expired on December 31, 2011
Evangeline Restructuring Agreement	Purchase, Sale and Restructuring Agreement entered into on February 22, 2010, by Evangeline and JPMVEC

ABBREVIATION OR ACRONYM	DEFINITION
Evangeline Tolling Agreement	Capacity Sale and Tolling Agreement between Evangeline and BE Louisiana LLC (as successor to Williams Power Company, Inc.) which was set to expire in 2020 and was terminated in February 2010. In September 2008, BE Louisiana LLC was merged into JPMVEC.
FAC	Fuel Adjustment Clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FRP	Formula Rate Plan
GAAP	Generally Accepted Accounting Principles in the United States
GDP-IPD	Gross Domestic Product – Implicit Price Deflator
Generation Services	Cleco Generation Services LLC, a wholly owned subsidiary of Midstream
GO Zone	Gulf Opportunity Zone Act of 2005 (Public Law 109-135)
ICT	Independent Coordinator of Transmission
Interconnection Agreement	One of two Interconnection Agreement and Real Estate Agreements, one between Attala and Entergy Mississippi, and the other between Perryville and Entergy Louisiana
IRP	Integrated Resource Planning
IRS	Internal Revenue Service
ISO	Independent System Operator
JPMVEC	J.P. Morgan Ventures Energy Corporation. In September 2008, BE Louisiana LLC (an indirect wholly owned subsidiary of JPMorgan Chase & Co.) was merged into JPMVEC.
kWh	Kilowatt-hour(s) as applicable
LDEQ	Louisiana Department of Environmental Quality
LIBOR	London Inter-Bank Offer Rate
Lignite Mining Agreement	Dolet Hills Mine Lignite Mining Agreement, dated as of May 31, 2001
LPSC	Louisiana Public Service Commission
LTICP	Cleco Corporation Long-Term Incentive Compensation Plans
Madison Unit 3	A 600-MW solid-fuel generating unit at Cleco Power's plant site in Boyce, Louisiana that commenced commercial operation on February 12, 2010.
MATS	Mercury and Air Toxics Standards
Midstream	Cleco Midstream Resources LLC, a wholly owned subsidiary of Cleco Corporation
MISO	Midwest Independent Transmission System Operator
MMBtu	Million British thermal units
Moody's	Moody's Investors Service
MW	Megawatt(s) as applicable
MWh	Megawatt-hour(s) as applicable
NAC	North American Coal Corporation
NERC	North American Electric Reliability Corporation
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_2	Nitrogen dioxide
NO_x	Nitrogen oxides
OATT	Open Access Transmission Tariff
OCI	Other Comprehensive Income

Oxbow	Oxbow Lignite Company, LLC, 50% owned by Cleco Power and 50% owned by SWEPCO
PCAOB	Public Company Accounting Oversight Board
PCB	Polychlorinated biphenyl
PEH	Perryville Energy Holdings LLC, a wholly owned subsidiary of Midstream
Perryville	Perryville Energy Partners, L.L.C., a wholly owned subsidiary of Cleco Corporation
Perryville and PEH Bankruptcy Court	U.S. Bankruptcy Court for the Western District of Louisiana, Alexandria Division
PLR	Private Letter Ruling
Power Purchase Agreement	Power Purchase Agreement, dated as of January 28, 2004, between Perryville and Entergy Services
PPACA	Patient Protection and Affordable Care Act (HR 3590)
PRP	Potentially responsible party
Registrant(s)	Cleco Corporation and Cleco Power
RFP	Request for Proposal
RTO	Regional Transmission Organization
Sale Agreement	Purchase and Sale Agreement, dated as of January 28, 2004, between Perryville and Entergy Louisiana
SEC	Securities and Exchange Commission
SERP	Cleco Corporation Supplemental Executive Retirement Plan
Shaw	Shaw Contractors, Inc., a subsidiary of The Shaw Group Inc.
SO_2	Sulfur dioxide

ABBREVIATION OR ACRONYM	DEFINITION
SPP	Southwest Power Pool
SPP RE	Southwest Power Pool Regional Entity
Support Group	Cleco Support Group LLC, a wholly owned subsidiary of Cleco Corporation
SWEPCO	Southwestern Electric Power Company, a wholly owned subsidiary of American Electric Power Company, Inc.
Teche	Teche Electric Cooperative, Inc.
VaR	Value-at-Risk
VIE	Variable Interest Entity

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- factors affecting utility operations, such as unusual weather conditions or other natural phenomena, catastrophic weather-related damage (such as hurricanes and other storms or severe drought conditions), unscheduled generation outages, unanticipated maintenance or repairs, unanticipated changes to fuel cost, fuel supply costs or availability constraints due to higher demand, shortages, transportation problems, or other developments, fuel mix of Cleco’s generation facilities, decreased customer load, environmental incidents, environmental compliance costs, and power transmission system constraints,
- Cleco Corporation’s holding company structure and its dependence on the earnings, dividends, or distributions from its subsidiaries to meet its debt obligations and pay dividends on its common stock,
- Cleco Power’s ability to maintain its right to sell wholesale generation at market-based rates within its control area,
- dependence of Cleco Power for energy from sources other than its facilities and future sources of such additional energy,
- nonperformance by and creditworthiness of counterparties under power purchase agreements, or the restructuring of those agreements, including possible termination,
- nonperformance by and creditworthiness of the guarantor counterparty of the NMTC Fund,
- regulatory factors such as changes in rate-setting policies, recovery of investments made under traditional regulation, recovery of storm restoration costs, the frequency and timing of rate increases or decreases, the results of

periodic NERC and LPSC audits, the formation of ICTs, including participation in an RTO and Cleco Power’s ability to recover related transmission upgrade costs, and the compliance with the ERO reliability standards for bulk power systems by Cleco Power and Evangeline,

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

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

- changes in federal, state, or local laws, and changes in tax laws or rates, or regulating policies,
- the impact of current or future environmental laws and regulations, including those related to greenhouse gases and energy efficiency that could limit or terminate the operation of certain generating units, increase costs, or reduce customer demand for electricity,
- ability of Cleco Power to recover from its customers the costs of compliance with environmental laws and regulations, and
- ability of the Dolet Hills lignite reserve to provide sufficient fuel to the Dolet Hills Power Station until at least 2026.

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

PART I

ITEM 1. BUSINESS

GENERAL

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

Cleco Power's predecessor was incorporated on January 2, 1935, under the laws of the State of Louisiana. Cleco Power was organized on December 12, 2000. Cleco Power is an electric utility engaged principally in the generation, transmission, distribution and sale of electricity within Louisiana. Cleco Power is regulated by the LPSC and FERC, along with other governmental authorities, which determine the rates Cleco Power can charge its customers. Cleco Power serves approximately 283,000 customers in Louisiana through its retail business and 10 communities across Louisiana and Mississippi through wholesale power contracts. Cleco Power's operations are described below in the consolidated description of Cleco's business segments.

Midstream, which was organized on September 1, 1998, under the laws of the State of Louisiana, is a merchant energy subsidiary that owns and operates a merchant power plant (Coughlin). Prior to April 29, 2011, Midstream also owned an indirect interest in a merchant power plant (Acadia). During 2009, Cleco Power and Entergy Louisiana executed definitive agreements whereby Cleco Power and Entergy Louisiana would each acquire one 580-MW unit of the Acadia Power Station. The transaction with Cleco Power was completed in February 2010, and the transaction with Entergy Louisiana was completed in April 2011. On October 30, 2012, Cleco Power announced that Evangeline was the winning bidder in Cleco Power's 2012 Long-Term RFP. In December 2012, Cleco Power and Evangeline executed definitive agreements to transfer ownership and control of Coughlin from Evangeline to Cleco Power. For more information on Acadia, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 14 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Other Commitments — Acadia Transactions" and Note 18 — "Acadia Transactions." For more information on Evangeline, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Generation RFP."

At December 31, 2012, Cleco had 1,259 employees.

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

Cleco's homepage on the Internet is located at http://www.cleco.com. Cleco Corporation's and Cleco Power's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings with the SEC are available, free of charge, through Cleco's website after those reports or filings are filed electronically with or furnished to the SEC. Cleco's filings also can be obtained at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. Information on the operation of the

Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Cleco's electronically filed reports also can be obtained on the SEC's Internet site located at http://www.sec.gov. Cleco's corporate governance guidelines, code of conduct for financial matters, ethics and business standards, and the charters of its board of directors' audit, compensation, finance, and nominating/governance committees are available on its website and available in print to any shareholder upon request. Information on Cleco's website or any other website is not incorporated by reference into this Report and does not constitute a part of this Report.

At December 31, 2012, Cleco Power had 992 employees. Cleco Power's mailing address is P.O. Box 5000, Pineville, Louisiana, 71361-5000, and its telephone number is (318) 484-7400.

Cleco Power meets the conditions specified in General Instructions I(1)(a) and (b) to Form 10-K and therefore is permitted to use the reduced disclosure format for wholly owned subsidiaries of reporting companies. Accordingly, Cleco Power has omitted from this Report the information called for by the following Part II items of Form 10-K: Item 6 (Selected Financial Data) and Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations); and the following Part III items of Form 10-K: Item 10 (Directors, Executive Officers, and Corporate Governance of the Registrants), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters), and Item 13 (Certain Relationships and Related Transactions, and Director Independence).

OPERATIONS

Cleco Power

Segment Financial Information

Summary financial results of the Cleco Power segment for years 2012, 2011, and 2010 are presented in the following table.

(THOUSANDS)	2012	2011	2010
Revenue			
Electric operations	$944,169	$1,051,956	$1,086,102
Other operations	48,156	50,948	42,578
Electric customer credits	(630)	(6,811)	(9,596)
Affiliate revenue	1,372	1,389	1,371
Operating revenue, net	$993,067	$1,097,482	$1,120,455
Depreciation expense	$125,486	$115,634	$107,966
Interest charges	$80,502	$97,090	$78,731
Interest income	$333	$630	$379
Federal and state income taxes	$68,133	$69,409	$75,107
Segment profit	$146,848	$142,835	$147,405
Additions to long-lived assets	$222,104	$201,980	$449,052
Equity investment in investee	$14,532	$14,532	$13,073
Segment assets	$3,871,729	$3,726,471	$3,795,227

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

Certain Factors Affecting Cleco Power

As an electric utility, Cleco Power is affected, to varying degrees, by a number of factors influencing the electric utility industry in general. These factors include, among others, fluctuations in the price of fuel, an increasingly competitive business environment, the cost of compliance with environmental and reliability regulations, conditions in the credit markets and global economy, changes in the federal and state regulation of generation, transmission, and the sale of electricity, and the increasing uncertainty of future federal regulatory and environmental policies. For a discussion of various regulatory changes and competitive forces affecting Cleco Power and other electric utilities, see "Cautionary Note Regarding Forward-Looking Statements" and "— Regulatory Matters, Industry Developments, and Franchises" and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Market Restructuring." For a

discussion of risk factors affecting Cleco Power's business, see Item 1A, "Risk Factors — Transmission Constraints," "— LPSC Audits," "— Hedging and Risk Management Activities," "— Commodity Prices," "— Global Economic Environment a Uncertainty; Access to Capital," "— Future Electricity Sales," "— Cleco Power Generation Facilities," "— MISO," "— Reliab Infrastructure Protection Standards Compliance," "— Environmental Compliance," "— Regulatory Compliance," "— Cleco P Rates," "— Retail Electric Service," "— Wholesale Electric Service," "— Weather Sensitivity," "— Cleco Credit Ratings," "— Generation Technology," "— Insurance," "— Litigation," "— Taxes," "— Health Care Reform," "— Technology and Terroris "— Cleco Power Unsecured and Unsubordinated Obligations."

Power Generation

As of December 31, 2012, Cleco Power's aggregate net electric generating capacity was 2,436 MW. This amount reflects the maximum production capacity these units can sustain over a specified period of time. The following table sets forth certain information with respect to Cleco Power's generating facilities:

GENERATING STATION	YEAR OF INITIAL OPERATION	NAMEPLATE CAPACITY (MW) [1]	NET CAPACITY (MW) [2]	TYPE OF FUEL USED FOR GENERATION	GENERATION TYPE
Brame Energy Center					
Nesbitt Unit 1	1975	440	422	natural gas	steam
Rodemacher Unit 2	1982	157 [3]	148	coal/natural gas	steam
Madison Unit 3	2010	641	628	petroleum coke/coal/biomass	steam
Acadia Unit 1	2002	580	562	natural gas	combined cycle
Teche Unit 1	1953	23	18	natural gas	steam
Teche Unit 3	1971	359	297	natural gas	steam
Teche Unit 4	2011	33	34	natural gas	combustion
Dolet Hills Power Station	1986	325 [4]	319	lignite/natural gas	steam
Franklin Gas Turbine	1973	7	8	natural gas	combustion
Total generating capability		2,565	2,436		

[1] Nameplate capacity is the capacity at the start of commercial operations.

[2] Based on capacity testing of the generating units and operational tests performed between January and August 2012.

(3) Represents Cleco Power's 30% ownership interest in the capacity of Rodemacher Unit 2, a 523-MW generating unit.
(4) Represents Cleco Power's 50% ownership interest in the capacity of Dolet Hills, a 650-MW generating unit.
The following table sets forth the amounts of power generated by Cleco Power for the years indicated.

PERIOD	THOUSAND MWh	PERCENT OF TOTAL ENERGY REQUIREMENTS
2012	9,143	81.3
2011	10,025	86.5
2010	8,753	74.7
2009	4,943	46.4
2008	4,747	44.3

The primary factors causing the decrease in power generated at Cleco Power's own facilities in 2012 were milder weather and more power purchased due to the NRG Power Marketing LLC agreement and the contracts with Evangeline. Also contributing to the decrease was lower natural gas prices which lowered the market costs of power purchases.

Fuel and Purchased Power
Changes in fuel and purchased power expenses reflect fluctuations in types and pricing of fuel used for electric generation, fuel transportation and delivery costs, availability of economical power for purchase, and deferral of expenses for recovery from customers through the FAC in subsequent months. For a discussion of certain risks associated with changes in fuel costs and their impact on utility customers, see Item 1A, "Risk Factors — LPSC Audits" and "— Transmission Constraints."
The following table sets forth the percentages of power generated from various fuels at Cleco Power's electric generating plants, the cost of fuel used per MWh attributable to each such fuel, and the weighted average fuel cost per MWh.

	LIGNITE		COAL		NATURAL GAS		BIOMASS		PETROLEUM	
YEAR	COST PER MWh	PERCENT OF GENERATION	COST PER MWh	PERCENT OF GENERATION	COST PER MWh	PERCENT OF GENERATION	COST PER MWh	PERCENT OF GENERATION	COST PER MWh	PERC GENE
2012	$36.36	25.2	$33.03	17.0	$27.81	45.8	$17.74	*	$23.54	12.0
2011	$30.99	23.6	$29.48	15.6	$46.39	33.8	$65.06	*	$31.70	27.0
2010	$27.56	26.9	$27.35	12.1	$55.61	40.4	$—	—	$23.14	20.6
2009	$26.04	45.1	$27.10	21.5	$105.22	33.1	$—	—	$34.64	0.3
2008	$24.09	51.3	$27.50	18.4	$108.48	30.3	$—	—	$—	—

* Not meaningful

Power Purchases

When the market price of power is more economical than self-generation of power or when Cleco Power needs power to supplement its own electric generation, and when transmission capacity is available, Cleco Power purchases power from energy marketing companies or neighboring utilities. These purchases are made from the wholesale power market. During 2012, power purchases were made at prevailing market prices. The lower cost per MWh of purchased power was primarily due to lower natural gas prices.

The following table sets forth the average cost and amounts of power purchased by Cleco Power on the wholesale market.

PERIOD	COST PER MWh	THOUSAND MWh	PERCENT OF TOTAL ENERGY REQUIREMENTS
2012	$27.43	2,098	18.7
2011	$38.94	1,569	13.5
2010	$43.66	2,966	25.3
2009	$34.57	5,712	53.6
2008	$73.72	5,959	55.7

For information on Cleco Power's ability to pass on to its customers substantially all of its fuel and purchased power expenses, see "— Regulatory Matters, Industry Developments, and Franchises — Rates."

During 2012, Cleco Power met its capacity requirements with its owned generation, one long-term power purchase agreement, and the contracts with NRG Power Marketing LLC and Evangeline. The long-term contract, which expires in April 2018, is for the purchase of 20 MW of power from the Sabine River Authority, which operates a hydroelectric generating plant. The NRG Power Marketing LLC agreement provided 200 MW of capacity and energy from January 1, 2012, through April 30, 2012. The first agreement with Evangeline provided 250 MW of capacity and energy beginning January 1, 2012, through April 30, 2012. The second agreement was a three-year power purchase agreement providing 730 MW of capacity and energy with Evangeline for a delivery term beginning May 1, 2012, and ending April 30, 2015. Cleco expects to meet its native load demand in 2013 with Cleco Power's own generation capacity and the contract with Evangeline. For more information on these contracts, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Generation RFP."

Due to its location on the transmission grid, Cleco Power relies on two main suppliers of electric transmission when accessing external power markets. At times, constraints limit the amount of purchased power these transmission providers can deliver into Cleco Power's service territory. Cleco Power's power contracts, as well as spot market power purchases, may be affected by these transmission constraints. For information on the Acadiana Load Pocket transmission project and how transmission constraints in this area have been reduced, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview — Cleco Power — Acadiana Load Pocket Transmission Project."

Coal, Petroleum Coke, and Lignite Supply

Cleco Power uses coal for generation at Rodemacher Unit 2. Cleco Power has agreements with Cloud Peak Energy and Peabody Energy to provide the majority of coal needs through 2014. The coal supply agreements are fixed-priced for each year of the contract and together provide for the full requirements to support Cleco Power's minimum planned dispatch of Rodemacher Unit 2. Cleco Power actively manages its inventory levels throughout the year with spot purchases if necessary. With respect to transportation of coal, Cleco Power has an agreement with Union Pacific Railroad Company for transportation of coal from Wyoming's Powder River Basin to Rodemacher Unit 2 through December 31, 2016. Cleco Power leases approximately 241 railcars to transport its coal under two long-term leases, one expiring in March 2017, and the other expiring in March 2021.

Cleco Power uses a combination of petroleum coke and Illinois Basin Coal for generation at Madison Unit 3. Petroleum coke is a by-product of the oil refinery process and is not considered a fuel specifically produced for a market; however, more than adequate petroleum coke supplies are produced from refineries each year throughout the world, particularly in the Gulf Coast region. During 2012, Cleco received the majority of its petroleum coke supply from refineries located along the Lower Mississippi River. The majority of the petroleum coke purchases were in accordance with existing contracts ranging in terms of three to five years ending December 31, 2014. Petroleum coke spot purchases are typically short-term in nature ranging from one to three month terms. Each of the agreements are priced per the Jacobs Consultancy Petroleum Coke Quarterly Monthly Price Index or the "PACE" Monthly Index. During 2012, Cleco purchased approximately 19,000 tons of Illinois Basin Coal from Peabody Energy and approximately 319,000 tons from Knight Hawk Coal, LLC. Cleco's agreement with Knight Hawk Coal, LLC was for delivery of 400,000 tons during 2012 and 200,000 tons in 2013. The undelivered contract volume from 2012 will be purchased and delivered in 2013 at the original contract price along with the 2013 contracted volume. Cleco Power continues to use Louisiana waterways such as the Mississippi River and the Red River to deliver both petroleum coke and Illinois Basin Coal to the plant site. Savage Services is Cleco Power's exclusive transportation provider. On December 28, 2012, Cleco Power entered into an amended agreement for 42 dedicated barges.

The initial term of this agreement is from the date of the amendment until August 31, 2017. The term of this agreement will automatically renew for successive periods of two years each unless written notice is provided by either party. After September 2014, Cleco Power has the option to purchase any or all of the dedicated barges. At December 31, 2012, Cleco Power's petroleum coke inventory at Madison Unit 3 was approximately 244,000 tons and Cleco Power's Illinois Basin Coal inventory at Madison Unit 3 was approximately 102,000 tons. The total fuel inventory is 346,000 tons (approximately a 69-day supply).

Cleco Power uses lignite for generation at the Dolet Hills Power Station. Cleco Power and SWEPCO each own an undivided 50% interest in the other's leased and owned lignite reserves within the Dolet Hills mine in northwestern Louisiana. Additionally, through Oxbow, which is owned 50% by Cleco Power and 50% by SWEPCO, Cleco Power and SWEPCO control approximately 43 million tons of estimated recoverable lignite reserves also located in northwestern Louisiana. Cleco Power and SWEPCO have entered into a long-term agreement with DHLC for the mining and delivery of lignite reserves at both mines, the operations of which are conducted together by SWEPCO. The Amended Lignite Mining Agreement requires Cleco Power and SWEPCO to purchase the lignite mined and delivered by DHLC at cost plus a specified management fee. The term of this contract runs until all economically mineable lignite has been mined. The reserves from these mines are expected to be sufficient to fuel the Dolet Hills Power Station until at least 2026. At December 31, 2012, Cleco Power's investment in Oxbow was $14.5 million. For information regarding deferred mining costs and obligations associated with this mining agreement see, Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 3 — Regulatory Assets and Liabilities — Mining Costs" and Note 14 — "Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Off-Balance Sheet Commitments." For more information on Oxbow, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 12 — Variable Interest Entities — Equity Method VIEs — Oxbow."

The continuous supply of coal and lignite may be subject to interruption due to adverse weather conditions or other factors that may disrupt mining operations or transportation to the plant site. At December 31, 2012, Cleco Power's coal inventory at Rodemacher Unit 2 was approximately 194,000 tons (approximately an 88-day supply), and Cleco Power's lignite inventory at Dolet Hills was approximately 227,000 tons (approximately a 36-day supply).

Natural Gas Supply

During 2012, Cleco Power purchased 36.8 million MMBtus of natural gas for the generation of electricity. The annual and average per-day quantities of gas purchased by Cleco Power from each supplier are shown in the following table.

NATURAL GAS SUPPLIER	2012 PURCHASES (MMBtu)	AVERAGE AMOUNT PURCHASED PER DAY (MMBtu)	PERCENT OF TOTAL NATURAL GAS USED	
Gavilon, LLC	13,253,475	36,300	35.6	%
Shell Energy North America	7,205,000	19,700	19.3	%
ConocoPhillips Company	4,711,651	12,900	12.7	%
ChevronTexaco	3,528,286	9,700	9.5	%
Southwestern Energy Services	2,071,800	6,700	6.6	%
Citigroup Energy Inc.	1,720,732	4,700	4.6	%
Tauber Oil Company	783,703	2,100	2.1	%
Others	3,561,050	9,800	9.6	%
Total	36,835,697	101,900	100.0	%

Cleco Power owns natural gas pipelines and interconnections at all of its generating facilities which allow it to access various natural gas supply markets and maintain a more economical fuel supply for Cleco Power's customers.

Natural gas was available without interruption throughout 2012. Cleco Power expects to continue to meet its natural gas requirements with purchases on the spot market through daily, monthly, and seasonal contracts with various natural gas suppliers. However, future supplies to Cleco Power remain vulnerable to disruptions due to weather events and transportation issues. Large industrial users of natural gas, including electric utilities, generally have low priority among gas users in the event pipeline suppliers are forced to curtail deliveries due to inadequate supplies. As a result, prices may increase rapidly in response to temporary supply interruptions. Partially addressing potential natural gas fuel curtailments and interruptions during 2012, Cleco contracted for natural gas storage with Pine Prairie Energy Center in 2010 for a period of five years ending in April 2015. Gas storage will be used to supply gas to Cleco Power's generating facilities in the event of an interruption of supply due to events of force majeure and to operationally balance gas supply to the units. It will also be used to mitigate short-term natural gas price spikes that may occur. The storage volume is contracted by paying a capacity reservation charge at a fixed rate. There are also variable charges incurred to withdraw and inject gas from storage. To further address natural gas supply reliability, flexibility, and cost reduction, a capital project to connect Pine Prairie Energy Center to Acadia was approved in 2011. The new pipeline was completed in 2012 and is being used to supply fuel to Acadia. Currently, Cleco Power anticipates that its diverse supply options, gas storage, and alternative fuel capability, combined with its solid-fuel generation resources, are adequate to meet its fuel needs during any temporary interruption of natural gas supplies.

Sales

Cleco Power's 2012 and 2011 system peak demands, which occurred on June 26, 2012, and August 3, 2011, were 2,282 MW and 2,355 MW, respectively. Sales and system peak demand are affected by weather and are typically highest during the summer air-conditioning season. In 2012, Cleco Power experienced above normal summer weather conditions and well below normal winter conditions. In 2011, Cleco Power experienced well above normal summer weather conditions and slightly below normal winter conditions. For information on the effects of future energy sales on Cleco Power's results of operations, financial position, and cash flows, see Item 1A, "Risk Factors — Weather Sensitivity" and "— Future Electricity Sales." For information on the financial effects of seasonal demand on Cleco Power’s quarterly operating results, see Part II, Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 21 — Miscellaneous Financial Information (Unaudited).” Capacity margin is the net capacity resources (either owned or purchased) less native load demand divided by net capacity resources. Each year, members of the SPP submit forecasted native load demand and the forecasted mix of net capacity resources to meet this demand. During 2012, Cleco Power’s capacity margin was 34.0%, which is above the SPP’s capacity margin benchmark of 12.0%, primarily due to the three-year power purchase agreement with Evangeline which provides 730 MW of capacity and energy. During 2011, Cleco Power’s capacity margin was 13.0%, primarily due to the addition of Acadia Unit 1 and Madison Unit 3 to Cleco Power’s capacity resources in 2010. Cleco Power expects to meet the SPP’s capacity benchmark of 12.0% in 2013.

Capital Investment Projects

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

Midstream

Summary financial results of the Midstream segment for 2012, 2011, and 2010 are presented in the following table.

(THOUSANDS)	2012	2011	2010
Revenue			
Tolling operations	$25,559	$19,004	$26,067
Other operations	3	9	3
Affiliate revenue	—	45	960
Operating revenue, net	$25,562	$19,058	$27,030
Depreciation expense	$6,006	$5,872	$5,779
Interest charges	$770	$(28,996)	$7,140
Equity income from investees, before tax	$—	$62,053	$38,848
Gain on toll settlement	$—	$—	$148,402
Federal and state income tax expense	$6,404	$44,637	$71,255
Segment profit	$9,155	$42,792	$114,467
Additions to long-lived assets	$8,759	$8,437	$2,113
Equity investment in investees	$—	$—	$73,648
Total segment assets	$215,342	$233,891	$316,166

As of December 31, 2012, Midstream wholly and directly owned three active limited liability companies that operated mainly in Louisiana.

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

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

GENERATING STATION	COMMENCEMENT OF COMMERCIAL	NAMEPLATE CAPACITY	NET CAPACITY	TYPE OF FUEL USED FOR

	OPERATION	(MW)	(MW)		GENERATION
Coughlin Unit 6	2000	264	259	(1)	natural gas
Coughlin Unit 7	2000	511	494	(1)	natural gas
Total capacity		775	753		

(1) Based on capacity testing of generating units performed in December 2012.

Prior to December 31, 2011, Evangeline's capacity was dedicated to one customer, JPMVEC. On February 22, 2010, Evangeline and JPMVEC entered into the Evangeline Restructuring Agreement whereby the parties agreed to terminate the Evangeline Tolling Agreement which was set to expire in 2020 and entered into the Evangeline 2010 Tolling Agreement, effective March 1, 2010. The Evangeline 2010 Tolling Agreement was an exclusive, market-based tolling agreement for Coughlin's generating Units 6 and 7, expiring December 31, 2011, with an option for JPMVEC to extend the term of the agreement through December 31, 2012. The tolling agreement gave the tolling counterparty the right to own, dispatch, and market all of the electric generation capacity of the respective facility. Under the tolling agreement, the tolling counterparty was responsible for providing its own natural gas to the facility and paid a fixed fee and a variable fee for operating and maintaining the respective facility. JPMVEC did not exercise the option to extend the tolling agreement and as a result, Coughlin's capacity and energy became available to Midstream beginning January 1, 2012. In January 2012, Evangeline began serving Cleco Power 250 MW of capacity and energy under an agreement through April 30, 2012, with the remaining output at Evangeline being marketed through an energy management services agreement with a third party marketer. In December 2011, Evangeline was notified that Cleco Power selected its proposal to fulfill Cleco Power's capacity and energy needs as defined in the Cleco Power RFP for contractual resources beginning in May 2012. The proposal was for a 730-MW product beginning May 1, 2012, and ending April 30, 2015. The definitive agreement between Evangeline and Cleco Power was executed in January 2012 and was approved by the LPSC in March 2012 and FERC in April 2012. On October 30, 2012, Cleco Power announced that Evangeline was the winning bidder in Cleco Power's 2012 Long-Term RFP. In December 2012, Cleco Power and Evangeline executed definitive agreements to transfer ownership and control of Coughlin from Evangeline to Cleco Power. For information on the RFP, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Generation RFP."

During 2009, Acadia executed definitive agreements with both Cleco Power and Entergy Louisiana whereby Cleco Power and Entergy Louisiana would each acquire one 580-MW unit of the Acadia plant. In February 2010, the transaction with Cleco Power was completed and in April 2011, the transaction with Entergy Louisiana was completed. Cleco Power assumed responsibility for operation of both units and continues to operate both units at the Acadia Power Station. For more information on these related transactions and risks and uncertainties, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Midstream — Significant Factors Affecting Midstream — Earnings are primarily affected by the following factors.” For more information on Acadia’s transactions with Cleco Power and Entergy Louisiana, see Part II, Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 14 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Other Commitments — Acadia Transactions,” and Note 18 — “Acadia Transactions.”

In December 2011, Midstream contributed all of its ownership interests in CLE Intrastate to Evangeline. Prior to this transaction, CLE Intrastate’s revenue was generated primarily from a monthly reservation fee paid by Evangeline for access to the Columbia Gulf interconnect and from a transportation fee that varied depending on the amount of gas transported through the interconnect for use by Coughlin.

At December 31, 2012, Midstream had 32 employees. For more information on Midstream’s operations, see Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Midstream.”

Customers

No single customer accounted for 10% or more of Cleco’s consolidated revenue or Cleco Power’s consolidated revenue in 2012, 2011, or 2010. For more information regarding Cleco’s sales and revenue, see Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations.”

Capital Expenditures and Financing

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

REGULATORY MATTERS, INDUSTRY DEVELOPMENTS, AND FRANCHISES

Rates

Cleco Power’s electric operations are subject to the jurisdiction of the LPSC with respect to retail rates, standards of service, accounting, and other matters. Cleco Power also is subject to the jurisdiction of FERC with respect to rates for wholesale service, accounting, interconnections with other utilities, and the transmission of power and reliability. Periodically, Cleco Power has sought and received from both the LPSC and FERC increases in base rates to cover increases in operating costs and costs associated with additions to generation, transmission, and distribution facilities. The current amount of Cleco Power’s annual retail earnings is subject to the terms of an FRP established by the LPSC effective February 12, 2010. The 2010 FRP allows Cleco Power the opportunity to earn a target return on equity of 10.7%, including returning to retail customers 60.0% of retail earnings between 11.3% and 12.3% and all retail earnings over 12.3%. The amount of credits due customers, if any, is determined by Cleco Power and the LPSC annually. The capital structure assumes an equity ratio of 51.0%. The 2010 FRP included a mechanism that allowed for the recovery of revenue requirements related to Cleco Power’s acquisition of Acadia Unit 1, which was completed in February 2010, the Acadiana Load Pocket transmission project, which was completed in December 2012, and incremental capacity costs

above the level included in base rates. The 2010 FRP allows Cleco Power to propose additional capital projects to the LPSC during its initial four-year term. Cleco Power anticipates requesting an extension of its current FRP in a second quarter 2013 filing with the LPSC. For more information on Cleco Power’s acquisition of Acadia Unit 1 and the Acadiana Load Pocket transmission project, see Part II, Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 18 — Acadia Transactions — Acadia Unit 1” and Part II, Item 7, “Managements Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Acadiana Load Pocket Transmission Project.”

The cost of fuel used for electric generation and the cost of power purchased for utility customers are recovered through an LPSC-established FAC that enables Cleco Power to pass on to its customers substantially all such charges. The LPSC FAC General Order issued November 6, 1997, in Docket No. U-21497 provides that an audit of FAC filings will be performed not less than every other year. In February 2012, after an audit of FAC filings, the LPSC Staff's consultant issued a preliminary audit report recommending a cost disallowance of approximately $0.4 million plus interest for the years 2003 through 2008. There was no opposition from intervenors to the recommendations of the LPSC Staff's consultant and the report was approved by the LPSC on July 18, 2012. Cleco Power made refunds of $0.4 million plus interest to customers during the September 2012 billing cycle. Cleco Power has FAC filings for the years 2009 through 2012 that remain subject to audit.

In July 2009, the LPSC issued Docket No. U-29380 Subdocket A, which provides for an EAC to recover certain costs of environmental compliance as an adder to customers' bills. The costs eligible for recovery are prudently incurred air emissions credits associated with complying with federal, state, and local air emission regulations that apply to the generation of electricity reduced by the sale of such allowances. Variable emission mitigation costs, which are the cost of reagents such as ammonia and limestone that are used to reduce air emissions, are also eligible for recovery. In November 2011, the LPSC opened Docket No. X-32150 to audit the costs for the periods October 2009 through October 2010. The total amount of environmental expenses included in the audit was approximately $11.3 million. In April 2012, the LPSC Staff's consultant issued an audit report recommending no cost disallowance for the review period. There was no opposition from intervenors to the recommendations of the LPSC Staff's consultant and the report was approved by the LPSC on July 18, 2012. Cleco Power has EAC filings for the years 2010 through 2012 that remain subject to audit.

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

Franchises

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

Franchise Renewals

Cleco Power renewed the following franchise agreements during 2011 and 2012.

DATE	CITY	TERM	NUMBER OF CUSTOMERS
July 2011	Opelousas	10 years	10,000
July 2011	Colfax	30 years	800
November 2011	Keachi	30 years	60
November 2011	Patterson	22 years	2,760
December 2011	Baldwin	22 years	945
April 2012	Oakdale	27 years	3,300
April 2012	Slidell	33 years	15,900
May 2012	Berwick	22 years	2,600
October 2012	Basile	30 years	900
October 2012	Campti	30 years	600

Other Franchise Matters

On March 9, 2010, a complaint was filed in the 27th Judicial District Court of St. Landry Parish, State of Louisiana on behalf of three Cleco Power customers in Opelousas, Louisiana. The complaint alleged that Cleco Power overcharged the plaintiffs by applying to customers in Opelousas the same retail rates as Cleco Power applies to all of its retail customers. In addition, on May 11, 2010, a second complaint repeating the allegations of the first was filed on behalf of a number of Opelousas residents. On December 4, 2012, the Louisiana Supreme Court issued its opinion accepting Cleco's jurisdictional arguments and dismissed the state court claims. The only matter remaining is before the 19th Judicial District Court to review the LPSC ruling in Cleco's favor that it had properly charged the ratepayers of Opelousas. For more information regarding these complaints, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 14 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation — City of Opelousas."

Industry Developments

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

Wholesale Electric Competition

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

Retail Electric Competition

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

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