

CLECO CORP
Form 10-Q
April 28, 2014

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 March 31, 2014

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

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

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

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

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

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

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

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

| Registrant | Description of Class | Shares Outstanding at April 22, 2014 |
|-------------------|--------------------------------|--------------------------------------|
| Cleco Corporation | Common Stock, \$1.00 Par Value | 60,359,534 |

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

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

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GLOSSARY OF TERMS

References in this filing to “Cleco”, including all items in Parts I and II, 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 and II, are defined below.

| ABBREVIATION OR ACRONYM | DEFINITION |
|----------------------------------|--|
| 401(k) Plan | Cleco Power 401(k) Savings and Investment Plan |
| ABR | Alternate Base Rate which is the greater of the prime rate, the federal funds effective rate plus 0.50%, or the LIBOR plus 1.0% |
| Acadia | Acadia Power Partners, LLC, a wholly owned subsidiary of Acadia Power Holdings LLC, a wholly owned subsidiary of Midstream |
| Acadia Unit 1 | Cleco Power’s 580-MW, combined cycle, natural gas-fired power plant located at the Acadia Power Station in Eunice, Louisiana |
| Acadia Unit 2 | Entergy Louisiana’s 580-MW, combined cycle, natural gas-fired power plant located at the Acadia Power Station in Eunice, Louisiana |
| AFUDC | Allowance for Funds Used During Construction |
| Amended Lignite Mining Agreement | Amended and restated lignite mining agreement effective December 29, 2009 |
| AMI | Advanced Metering Infrastructure |
| ARRA | American Recovery and Reinvestment Act of 2009, an economic stimulus package passed by Congress in February 2009 |
| Attala | Attala Transmission LLC, a wholly owned subsidiary of Cleco Corporation |
| CERCLA | The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 |
| Cleco Katrina/Rita | Cleco Katrina/Rita Hurricane Recovery Funding LLC, a wholly owned subsidiary of Cleco Power |
| Coughlin | Coughlin Power Station, a 775-MW combined-cycle, natural gas-fired power plant located in St. Landry, Louisiana |
| DHLC | Dolet Hills Lignite Company, LLC, a wholly owned subsidiary of SWEPCO |
| Diversified Lands | Diversified Lands LLC, a wholly owned subsidiary of Cleco Corporation |
| Dodd-Frank Act | The Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010. |
| Dolet Hills | A 650-MW lignite/natural gas generating unit at Cleco Power’s plant site in Mansfield, Louisiana. Cleco Power has a 50% ownership interest in the capacity of Dolet Hills. |
| Entergy Gulf States | Entergy Gulf States Louisiana, L.L.C. |
| Entergy Louisiana | Entergy Louisiana, LLC |
| Entergy Mississippi | Entergy Mississippi, Inc. |
| 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 |
| FAC | Fuel Adjustment Clause |
| FASB | Financial Accounting Standards Board |
| FERC | Federal Energy Regulatory Commission |
| FTRs | Financial transmission rights are used to provide a financial hedge to manage the risk of congestion cost in the Day-Ahead Energy and Operating Reserve Market. |
| FRP | Formula Rate Plan |
| GAAP | Generally Accepted Accounting Principles in the United States |

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| | |
|---------------------------|---|
| GO Zone | Gulf Opportunity Zone Act of 2005 (Public Law 109-135) |
| Interconnection Agreement | One of two Interconnection 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 |
| kWh | Kilowatt-hour(s) as applicable |
| LIBOR | London Inter-Bank Offer Rate |
| LMP | Locational Marginal Price |
| LPSC | Louisiana Public Service Commission |
| LTICP | Cleco Corporation Long-Term Incentive Compensation Plan |
| Madison Unit 3 | A 600-MW solid-fuel generating unit at Cleco Power's plant site in Boyce, Louisiana |
| MATS | Mercury and Air Toxics Standards |
| Midstream | Cleco Midstream Resources LLC, a wholly owned subsidiary of Cleco Corporation |
| MISO | Midcontinent Independent System Operator, Inc. |
| Moody's | Moody's Investors Service, a credit rating agency |
| MW | Megawatt(s) as applicable |
| MWh | Megawatt-hour(s) as applicable |
| NERC | North American Electric Reliability Corporation |
| NMTC | New Markets Tax Credit |
| NMTC Fund | USB NMTC Fund 2008-1 LLC was formed to invest in projects qualifying for New Markets Tax Credits and Solar Projects |

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| ABBREVIATION OR ACRONYM | DEFINITION |
|--------------------------|---|
| OCI | Other Comprehensive Income |
| Oxbow | Oxbow Lignite Company, LLC, 50% owned by Cleco Power and 50% owned by SWEPCO |
| Perryville | Perryville Energy Partners, L.L.C., a wholly owned subsidiary of Cleco Corporation |
| Power Purchase Agreement | Power Purchase Agreement, dated as of January 28, 2004, between Perryville and Entergy Services, Inc., as agent for Entergy Louisiana and Entergy Gulf States |
| Registrant(s) | Cleco Corporation and Cleco Power |
| RFP | Request for Proposal |
| Rodemacher Unit 2 | A 523-MW coal/natural gas generating unit at Cleco Power's plant site in Boyce, Louisiana. Cleco Power has a 30% ownership interest in the capacity of Rodemacher Unit 2. |
| RTO | Regional Transmission Organization |
| Sale Agreement | Purchase and Sale Agreement, dated as of January 28, 2004, between Perryville and Entergy Louisiana |
| S&P | Standard & Poor's Ratings Services, a credit rating agency |
| SEC | Securities and Exchange Commission |
| SERP | Cleco Corporation Supplemental Executive Retirement Plan |
| 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. |
| VaR | Value-at-Risk |

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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 costs, 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 and 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,

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

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 impact that rate cases

or requests for extensions of an FRP may have on wholesale decisions of Cleco Power, the results of periodic NERC

and LPSC audits, participation in MISO and the related operating challenges and uncertainties, including increased

wholesale competition relative to more suppliers, and the compliance

with the ERO reliability standards for bulk power systems by Cleco Power,

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,

financial or regulatory accounting principles or policies imposed by FASB, the SEC, 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, such as wind, solar, and distributed generation,
the imposition of energy efficiency requirements or increased conservation efforts of customers,
reliability of Cleco Power'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 federal, state, or local laws (including tax laws), changes in tax rates, disallowances of uncertain tax positions, or changes in other regulating policies 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 MATS project,
costs and other effects of legal and administrative proceedings, settlements, investigations, claims, and other matters,
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,

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the ability of Cleco Power to recover from its customers the costs of compliance with environmental laws and regulations, including capital expenditures associated with MATS,
the ability of Dolet Hills lignite reserve to provide sufficient fuel to the Dolet Hills Power Station until at least 2036,
and
the ability of Cleco Power to recover from its customers the costs associated with the transfer of Coughlin.
For more discussion of these factors and other factors that could cause actual results to differ materially from those

contemplated in the Registrants' forward-looking statements,
please read "Risk Factors" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013. 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, 2013. For more information on the basis of presentation, see "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 1 — Summary of Significant Accounting Policies — Basis of Presentation."

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CLECO CORPORATION

Condensed Consolidated Statements of Income (Unaudited)

| (THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS) | FOR THE THREE MONTHS ENDED MAR. 31, | |
|--|-------------------------------------|------------|
| | 2014 | 2013 |
| Operating revenue | | |
| Electric operations | \$269,759 | \$229,425 |
| Other operations | 14,814 | 11,543 |
| Gross operating revenue | 284,573 | 240,968 |
| Electric customer credits | (186 |) (21 |
| Operating revenue, net | 284,387 | 240,947 |
| Operating expenses | | |
| Fuel used for electric generation | 59,047 | 85,365 |
| Power purchased for utility customers | 52,724 | 4,856 |
| Other operations | 26,993 | 26,924 |
| Maintenance | 32,369 | 17,635 |
| Depreciation | 41,741 | 34,032 |
| Taxes other than income taxes | 14,106 | 12,634 |
| Loss on sale of assets | 69 | 1,034 |
| Total operating expenses | 227,049 | 182,480 |
| Operating income | 57,338 | 58,467 |
| Interest income | 602 | 201 |
| Allowance for other funds used during construction | 1,631 | 1,164 |
| Other income | 971 | 2,273 |
| Other expense | (672 |) (435 |
| Interest charges | | |
| Interest charges, including amortization of debt expense, premium, and discount, net | 20,758 | 21,831 |
| Allowance for borrowed funds used during construction | (490 |) (375 |
| Total interest charges | 20,268 | 21,456 |
| Income before income taxes | 39,602 | 40,214 |
| Federal and state income tax expense | 13,678 | 13,081 |
| Net income applicable to common stock | \$25,924 | \$27,133 |
| Average number of basic common shares outstanding | 60,472,969 | 60,399,697 |
| Average number of diluted common shares outstanding | 60,713,587 | 60,667,401 |
| Basic earnings per share | | |
| Net income applicable to common stock | \$0.43 | \$0.45 |
| Diluted earnings per share | | |
| Net income applicable to common stock | \$0.43 | \$0.45 |
| Cash dividends paid per share of common stock | \$0.3625 | \$0.3375 |

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

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Condensed Consolidated Statements of Comprehensive Income (Unaudited)

| (THOUSANDS) | FOR THE THREE MONTHS ENDED MAR. | |
|---|------------------------------------|----------|
| | 31, 2014 | 2013 |
| Net income | \$25,924 | \$27,133 |
| Other comprehensive income, net of tax: | | |
| Amortization of postretirement benefits (net of tax expense of \$528 in 2014 and \$336 in 2013) | 844 | 536 |
| Net gain on cash flow hedges (net of tax expense of \$33 in 2014 and \$836 in 2013) | 53 | 1,337 |
| Total other comprehensive income, net of tax | 897 | 1,873 |
| Comprehensive income, net of tax | \$26,821 | \$29,006 |

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

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Condensed Consolidated Balance Sheets (Unaudited)

| (THOUSANDS) | AT MAR. 31, 2014 | AT DEC. 31, 2013 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$18,157 | \$28,656 |
| Restricted cash and cash equivalents | 3,893 | 8,986 |
| Customer accounts receivable (less allowance for doubtful accounts of \$723 in 2014 and \$849 in 2013) | 48,936 | 50,567 |
| Other accounts receivable | 51,836 | 46,981 |
| Unbilled revenue | 25,452 | 31,166 |
| Fuel inventory, at average cost | 53,644 | 60,913 |
| Material and supplies inventory, at average cost | 63,095 | 62,811 |
| Energy risk management assets | 3,972 | 9,020 |
| Accumulated deferred federal and state income taxes, net | 72,180 | 94,179 |
| Accumulated deferred fuel | 1,582 | — |
| Cash surrender value of company-/trust-owned life insurance policies | 67,237 | 64,720 |
| Prepayments | 5,945 | 9,204 |
| Regulatory assets - other | 5,930 | 5,975 |
| Other current assets | 1,575 | 404 |
| Total current assets | 423,434 | 473,582 |
| Property, plant, and equipment | | |
| Property, plant, and equipment | 4,326,317 | 4,326,522 |
| Accumulated depreciation | (1,371,281) | (1,351,223) |
| Net property, plant, and equipment | 2,955,036 | 2,975,299 |
| Construction work in progress | 156,048 | 107,841 |
| Total property, plant, and equipment, net | 3,111,084 | 3,083,140 |
| Equity investment in investees | 14,540 | 14,540 |
| Prepayments | 4,532 | 4,510 |
| Restricted cash and cash equivalents | 14,494 | 5,033 |
| Restricted investments | — | 12,829 |
| Regulatory assets - deferred taxes, net | 230,489 | 229,173 |
| Regulatory assets - other | 245,185 | 249,677 |
| Net investment in direct financing lease | 13,517 | 13,523 |
| Intangible asset | 102,487 | 106,007 |
| Other deferred charges | 23,235 | 23,248 |
| Total assets | \$4,182,997 | \$4,215,262 |

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)

| (THOUSANDS) | AT MAR. 31, 2014 | AT DEC. 31, 2013 |
|--|---------------------|---------------------|
| Liabilities and shareholders' equity | | |
| Liabilities | | |
| Current liabilities | | |
| Long-term debt due within one year | \$17,688 | \$17,182 |
| Accounts payable | 111,454 | 110,544 |
| Customer deposits | 50,247 | 48,456 |
| Provision for rate refund | 3,720 | 3,533 |
| Taxes payable | 18,766 | 18,680 |
| Interest accrued | 29,472 | 12,188 |
| Accumulated deferred fuel | — | 3,869 |
| Energy risk management liabilities | 64 | 382 |
| Deferred compensation | 10,852 | 11,081 |
| Uncertain tax positions | 4,610 | 4,610 |
| Other current liabilities | 14,198 | 12,948 |
| Total current liabilities | 261,071 | 243,473 |
| Long-term liabilities and deferred credits | | |
| Accumulated deferred federal and state income taxes, net | 860,033 | 869,150 |
| Accumulated deferred investment tax credits | 4,905 | 5,144 |
| Postretirement benefit obligations | 104,189 | 103,483 |
| Restricted storm reserve | 14,025 | 17,646 |
| Tax credit fund investment, net | 32,350 | 41,840 |
| Contingent sale obligations | 900 | 900 |
| Other deferred credits | 31,777 | 31,929 |
| Total long-term liabilities and deferred credits | 1,048,179 | 1,070,092 |
| Long-term debt, net | 1,296,965 | 1,315,500 |
| Total liabilities | 2,606,215 | 2,629,065 |
| Commitments and Contingencies (Note 11) | | |
| Shareholders' equity | | |
| Common shareholders' equity | | |
| Common stock, \$1 par value, authorized 100,000,000 shares, issued 61,051,286 and 61,047,006 shares and outstanding 60,359,534 and 60,454,520 shares at March 31, 2014 and December 31, 2013, respectively | 61,051 | 61,047 |
| Premium on common stock | 415,708 | 422,624 |
| Retained earnings | 1,152,801 | 1,149,003 |
| Treasury stock, at cost, 691,752 and 592,486 shares at March 31, 2014 and December 31, 2013, respectively | (27,799) | (20,601) |
| Accumulated other comprehensive loss | (24,979) | (25,876) |
| Total shareholders' equity | 1,576,782 | 1,586,197 |
| Total liabilities and shareholders' equity | \$4,182,997 | \$4,215,262 |

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

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Condensed Consolidated Statements of Cash Flows (Unaudited)

| (THOUSANDS) | FOR THE THREE MONTHS ENDED MAR. | |
|---|------------------------------------|------------|
| | 31, 2014 | 2013 |
| Operating activities | | |
| Net income | \$25,924 | \$27,133 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 45,137 | 38,586 |
| Unearned compensation expense | 1,977 | 1,510 |
| Allowance for other funds used during construction | (1,631 |) (1,164 |
| Net deferred income taxes | 10,366 | 10,030 |
| Deferred fuel costs | (148 |) 4,493 |
| Cash surrender value of company-/trust-owned life insurance | (1,113 |) (2,071 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (1,541 |) 12,059 |
| Unbilled revenue | 5,714 | 4,845 |
| Fuel, materials and supplies inventory | 6,985 | 10,619 |
| Prepayments | 3,237 | 1,628 |
| Accounts payable | (13,672 |) (37,345 |
| Customer deposits | 2,598 | 3,074 |
| Postretirement benefit obligations | 2,142 | (32,422 |
| Regulatory assets and liabilities, net | (4,367 |) (4,836 |
| Other deferred accounts | (4,691 |) 2,121 |
| Taxes accrued | (3,702 |) 55,930 |
| Interest accrued | 17,283 | 13,276 |
| Other operating | 46 | (4,019 |
| Net cash provided by operating activities | 90,544 | 103,447 |
| Investing activities | | |
| Additions to property, plant, and equipment | (47,139 |) (44,887 |
| Allowance for other funds used during construction | 1,631 | 1,164 |
| Return of investment in company-owned life insurance | 1,303 | — |
| Premiums paid on company-/trust-owned life insurance | (1,404 |) — |
| Return of equity investment in tax credit fund | 478 | 9 |
| Contributions to tax credit fund | (11,182 |) (12,081 |
| Transfer of cash (to) from restricted accounts | (4,367 |) 5,154 |
| Purchase of restricted investments | — | (1,447 |
| Sale of restricted investments | 11,138 | — |
| Maturity of restricted investments | 1,458 | 1,409 |
| Other investing | 122 | 969 |
| Net cash used in investing activities | (47,962 |) (49,710 |
| Financing activities | | |
| Draws on credit facility | 40,000 | 108,000 |
| Payments on credit facility | (50,000 |) (118,000 |
| Issuance of long-term debt | — | 60,000 |
| Retirement of long-term debt | (7,581 |) (7,129 |

| | | |
|---|-----------|-------------|
| Repurchase of long-term debt | — | (60,000) |
| Repurchase of common stock | (12,449) | — |
| Dividends paid on common stock | (22,450) | (20,593) |
| Other financing | (601) | (568) |
| Net cash used in financing activities | (53,081) | (38,290) |
| Net (decrease) increase in cash and cash equivalents | (10,499) | 15,447 |
| Cash and cash equivalents at beginning of period | 28,656 | 31,020 |
| Cash and cash equivalents at end of period | \$18,157 | \$46,467 |
| Supplementary cash flow information | | |
| Interest paid (net of amount capitalized) | \$4,346 | \$6,326 |
| Income taxes paid (refunded), net | \$9,971 | \$(45,343) |
| Supplementary non-cash investing and financing activities | | |
| Accrued additions to property, plant, and equipment | \$29,476 | \$9,191 |
| Non-cash additions to property, plant, and equipment, net | \$— | \$1,134 |
| Issuance of common stock – ESPP | \$75 | \$78 |

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

CLECO CORPORATION
CLECO POWER

2014 1ST QUARTER FORM 10-Q

CLECO CORPORATION

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

| (THOUSANDS, EXCEPT SHARE AMOUNTS) | COMMON STOCK | | TREASURY STOCK | | PREMIUM ON COMMON STOCK | RETAINED EARNINGS | ACCUMULATED OTHER COMPREHENSIVE LOSS | TOTAL SHAREHOLDERS' EQUITY |
|---|--------------|-----------|-------------------|------------|----------------------------------|----------------------|---|----------------------------------|
| | SHARES | AMOUNT | SHARES | COST | | | | |
| Balances, Dec. 31, 2012 | 60,961,570 | \$ 60,962 | (606,025) | \$(21,072) | \$ 416,619 | \$ 1,075,074 | \$ (32,370) | \$ 1,499,213 |
| Common stock issued for compensatory plans | 85,436 | 85 | 3,159 | 110 | 1,260 | — | — | 1,455 |
| Dividends on common stock, \$0.3375 per share | — | — | — | — | — | (20,544) | — | (20,544) |
| Net income | — | — | — | — | — | 27,133 | — | 27,133 |
| Other comprehensive income, net of tax | — | — | — | — | — | — | 1,873 | 1,873 |
| Balances, Mar. 31, 2013 | 61,047,006 | \$ 61,047 | (602,866) | \$(20,962) | \$ 417,879 | \$ 1,081,663 | \$ (30,497) | \$ 1,509,130 |
| Balances, Dec. 31, 2013 | 61,047,006 | \$ 61,047 | (592,486) | \$(20,601) | \$ 422,624 | \$ 1,149,003 | \$ (25,876) | \$ 1,586,197 |
| Common stock issued for compensatory plans | 4,280 | 4 | 150,734 | 5,251 | (6,916) | — | — | (1,661) |
| Repurchase of common stock | — | — | (250,000) | (12,449) | — | — | — | (12,449) |
| Dividends on common stock, \$0.3625 per share | — | — | — | — | — | (22,126) | — | (22,126) |
| Net income | — | — | — | — | — | 25,924 | — | 25,924 |
| Other comprehensive income, net of tax | — | — | — | — | — | — | 897 | 897 |
| Balances, Mar. 31, 2014 | 61,051,286 | \$ 61,051 | (691,752) | \$(27,799) | \$ 415,708 | \$ 1,152,801 | \$ (24,979) | \$ 1,576,782 |

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

CLECO CORPORATION
CLECO POWER

2014 1ST QUARTER FORM 10-Q

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Cleco Power

These unaudited Condensed Consolidated Financial Statements should be read in conjunction with Cleco Power's Consolidated Financial Statements and Notes included in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013. For more information on the basis of presentation, see "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 1 — Summary of Significant Accounting Policies — Basis of Presentation."

CLECO CORPORATION
CLECO POWER

2014 1ST QUARTER FORM 10-Q

CLECO POWER

Condensed Consolidated Statements of Income (Unaudited)

| (THOUSANDS) | FOR THE THREE MONTHS ENDED MAR. | |
|--|------------------------------------|-----------|
| | 31, 2014 | 2013 |
| Operating revenue | | |
| Electric operations | \$269,759 | \$229,425 |
| Other operations | 14,272 | 11,038 |
| Affiliate revenue | 335 | 336 |
| Gross operating revenue | 284,366 | 240,799 |
| Electric customer credits | (186 |) (21 |
| Operating revenue, net | 284,180 | 240,778 |
| Operating expenses | | |
| Fuel used for electric generation | 59,047 | 85,365 |
| Power purchased for utility customers | 58,191 | 9,693 |
| Other operations | 25,321 | 25,373 |
| Maintenance | 30,256 | 14,794 |
| Depreciation | 40,203 | 32,330 |
| Taxes other than income taxes | 12,974 | 11,458 |
| Total operating expenses | 225,992 | 179,013 |
| Operating income | 58,188 | 61,765 |
| Interest income | 602 | 198 |
| Allowance for other funds used during construction | 1,631 | 1,164 |
| Other income | 363 | 697 |
| Other expense | (509 |) (444 |
| Interest charges | | |
| Interest charges, including amortization of debt expense, premium, and discount, net | 20,248 | 21,724 |
| Allowance for borrowed funds used during construction | (490 |) (375 |
| Total interest charges | 19,758 | 21,349 |
| Income before income taxes | 40,517 | 42,031 |
| Federal and state income tax expense | 14,210 | 14,238 |
| Net income | \$26,307 | \$27,793 |

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

CLECO CORPORATION
 CLECO POWER

2014 1ST QUARTER FORM 10-Q

CLECO POWER

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

| (THOUSANDS) | FOR THE THREE MONTHS ENDED MAR. | |
|---|------------------------------------|----------|
| | 31, 2014 | 2013 |
| Net income | \$26,307 | \$27,793 |
| Other comprehensive income, net of tax: | | |
| Amortization of postretirement benefits (net of tax expense of \$328 in 2014 and \$157 in 2013) | 525 | 251 |
| Net gain on cash flow hedges (net of tax expense of \$33 in 2014 and \$836 in 2013) | 53 | 1,337 |
| Total other comprehensive income, net of tax | 578 | 1,588 |
| Comprehensive income, net of tax | \$26,885 | \$29,381 |

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

CLECO CORPORATION
 CLECO POWER

2014 1ST QUARTER FORM 10-Q

CLECO POWER

Condensed Consolidated Balance Sheets (Unaudited)

| (THOUSANDS) | AT MAR. 31, 2014 | AT DEC. 31, 2013 |
|--|---------------------|---------------------|
| Assets | | |
| Utility plant and equipment | | |
| Property, plant, and equipment | \$4,311,221 | \$4,052,774 |
| Accumulated depreciation | (1,361,984) | (1,260,843) |
| Net property, plant, and equipment | 2,949,237 | 2,791,931 |
| Construction work in progress | 152,386 | 104,113 |
| Total utility plant, net | 3,101,623 | 2,896,044 |
| Current assets | | |
| Cash and cash equivalents | 11,464 | 21,055 |
| Restricted cash and cash equivalents | 3,893 | 8,986 |
| Customer accounts receivable (less allowance for doubtful accounts of \$723 in 2014 and \$849 in 2013) | 48,936 | 50,567 |
| Accounts receivable - affiliate | 2,932 | 1,045 |
| Other accounts receivable | 51,804 | 46,939 |
| Unbilled revenue | 25,452 | 31,166 |
| Fuel inventory, at average cost | 53,644 | 60,913 |
| Material and supplies inventory, at average cost | 63,095 | 59,964 |
| Energy risk management asset | 3,972 | 9,020 |
| Accumulated deferred federal and state income taxes, net | 58,256 | 80,981 |
| Accumulated deferred fuel | 1,582 | — |
| Cash surrender value of company-owned life insurance policies | 19,420 | 19,326 |
| Prepayments | 4,166 | 7,074 |
| Regulatory assets - other | 5,930 | 5,975 |
| Other current assets | 1,177 | 388 |
| Total current assets | 355,723 | 403,399 |
| Equity investment in investee | 14,532 | 14,532 |
| Prepayments | 4,532 | 4,510 |
| Restricted cash and cash equivalents | 14,473 | 5,012 |
| Restricted investments | — | 12,829 |
| Regulatory assets - deferred taxes, net | 230,489 | 229,173 |
| Regulatory assets - other | 245,185 | 249,677 |
| Intangible asset | 102,487 | 106,007 |
| Other deferred charges | 22,540 | 22,529 |
| Total assets | \$4,091,584 | \$3,943,712 |

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

(Continued on next page)

CLECO CORPORATION
 CLECO POWER

2014 1ST QUARTER FORM 10-Q

CLECO POWER

Condensed Consolidated Balance Sheets (Unaudited)

| (THOUSANDS) | AT MAR. 31, 2014 | AT DEC. 31, 2013 |
|--|---------------------|---------------------|
| Liabilities and member's equity | | |
| Member's equity | \$1,500,538 | \$1,370,573 |
| Long-term debt, net | 1,281,965 | 1,310,500 |
| Total capitalization | 2,782,503 | 2,681,073 |
| Current liabilities | | |
| Long-term debt due within one year | 17,688 | 17,182 |
| Accounts payable | 105,784 | 98,785 |
| Accounts payable - affiliate | 7,793 | 8,386 |
| Customer deposits | 50,247 | 48,456 |
| Provision for rate refund | 3,720 | 3,533 |
| Taxes payable | 982 | 6,700 |
| Interest accrued | 27,977 | 13,589 |
| Accumulated deferred fuel | — | 3,869 |
| Energy risk management liabilities | 64 | 382 |
| Other current liabilities | 10,904 | 9,791 |
| Total current liabilities | 225,159 | 210,673 |
| Commitments and Contingencies (Note 11) | | |
| Long-term liabilities and deferred credits | | |
| Accumulated deferred federal and state income taxes, net | 980,908 | 945,559 |
| Accumulated deferred investment tax credits | 4,905 | 5,144 |
| Postretirement benefit obligations | 53,249 | 52,953 |
| Restricted storm reserve | 14,025 | 17,646 |
| Other deferred credits | 30,835 | 30,664 |
| Total long-term liabilities and deferred credits | 1,083,922 | 1,051,966 |
| Total liabilities and member's equity | \$4,091,584 | \$3,943,712 |

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

CLECO CORPORATION
CLECO POWER

2014 1ST QUARTER FORM 10-Q

CLECO POWER

Condensed Consolidated Statements of Cash Flows (Unaudited)

| (THOUSANDS) | FOR THE THREE MONTHS ENDED MAR. | |
|---|------------------------------------|-----------|
| | 31, 2014 | 2013 |
| Operating activities | | |
| Net income | \$26,307 | \$27,793 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 42,358 | 35,094 |
| Allowance for other funds used during construction | (1,631 |) (1,164 |
| Net deferred income taxes | 14,472 | 14,560 |
| Deferred fuel costs | (148 |) 4,493 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (1,524 |) 12,098 |
| Accounts and notes receivable, affiliate | (1,389 |) 2,033 |
| Unbilled revenue | 5,714 | 4,845 |
| Fuel, materials and supplies inventory | 7,018 | 10,655 |
| Prepayments | 3,055 | 1,062 |
| Accounts payable | (7,806 |) (31,744 |
| Accounts and notes payable, affiliate | (1,150 |) (3,621 |
| Customer deposits | 2,598 | 3,074 |
| Postretirement benefit obligations | 1,307 | (32,903 |
| Regulatory assets and liabilities, net | (4,367 |) (4,836 |
| Other deferred accounts | (4,691 |) 1,650 |
| Taxes accrued | (5,719 |) 8,688 |
| Interest accrued | 14,388 | 13,457 |
| Other operating | 403 | (2,136 |
| Net cash provided by operating activities | 89,195 | 63,098 |
| Investing activities | | |
| Additions to property, plant, and equipment | (46,894 |) (43,599 |
| Allowance for other funds used during construction | 1,631 | 1,164 |
| Return of investment in company-owned life insurance | 1,303 | — |
| Transfer of cash (to) from restricted accounts | (4,367 |) 5,154 |
| Purchase of restricted investments | — | (1,447 |
| Sale of restricted investments | 11,138 | — |
| Maturity of restricted investments | 1,458 | 1,409 |
| Other investing | 123 | 988 |
| Net cash used in investing activities | (35,608 |) (36,331 |
| Financing activities | | |
| Draws on credit facility | 20,000 | 90,000 |
| Payments on credit facility | (40,000 |) (90,000 |
| Issuance of long-term debt | — | 60,000 |
| Retirement of long-term debt | (7,581 |) (7,129 |
| Repurchase of long-term debt | — | (60,000 |
| Distribution to parent | (35,000 |) — |
| Other financing | (597 |) (567 |

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| | | | | |
|---|-----------|---|----------|---|
| Net cash used in financing activities | (63,178 |) | (7,696 |) |
| Net (decrease) increase in cash and cash equivalents | (9,591 |) | 19,071 | |
| Cash and cash equivalents at beginning of period | 21,055 | | 23,368 | |
| Cash and cash equivalents at end of period | \$11,464 | | \$42,439 | |
| Supplementary cash flow information | | | | |
| Interest paid (net of amount capitalized) | \$4,381 | | \$6,260 | |
| Income taxes refunded, net | \$(788 |) | \$— | |
| Supplementary non-cash investing and financing activities | | | | |
| Accrued additions to property, plant, and equipment | \$29,381 | | \$7,634 | |
| Non-cash additions to property, plant, and equipment, net | \$176,244 | | \$1,134 | |
| The accompanying notes are an integral part of the Condensed Consolidated Financial Statements. | | | | |

CLECO CORPORATION
CLECO POWER

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CLECO POWER

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

| (THOUSANDS) | MEMBER'S EQUITY | ACCUMULATED OTHER COMPREHENSIVE LOSS | TOTAL MEMBER'S EQUITY |
|--|--------------------|---|-----------------------------|
| Balances, Dec. 31, 2012 | \$ 1,340,340 | \$ (20,421) | \$ 1,319,919 |
| Other comprehensive income, net of tax | — | 1,588 | 1,588 |
| Net income | 27,793 | — | 27,793 |
| Balances, Mar. 31, 2013 | \$ 1,368,133 | \$ (18,833) | \$ 1,349,300 |
| | | | |
| Balances, Dec. 31, 2013 | \$ 1,385,750 | \$ (15,177) | \$ 1,370,573 |
| Other comprehensive income, net of tax | — | 578 | 578 |
| Contributions | 138,080 | — | 138,080 |
| Distributions to parent | (35,000) | — | (35,000) |
| Net income | 26,307 | — | 26,307 |
| Balances, Mar. 31, 2014 | \$ 1,515,137 | \$ (14,599) | \$ 1,500,538 |

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

CLECO CORPORATION
CLECO POWER

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

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

Notes to the Unaudited Condensed Consolidated Financial Statements

Note 1 — Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying Condensed Consolidated Financial Statements of Cleco include the accounts of Cleco and its majority-owned subsidiaries after elimination of intercompany accounts and transactions.

Basis of Presentation

The Condensed Consolidated Financial Statements of Cleco Corporation and Cleco Power have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, these Condensed Consolidated Financial Statements do not include all of the information and notes required by GAAP for annual financial statements. The year-end Condensed Consolidated Balance Sheet data was derived from audited financial statements. Because the interim Condensed Consolidated Financial Statements and the accompanying notes do not include all of the information and notes required by GAAP for annual financial statements, the Condensed Consolidated Financial Statements and other information included in this quarterly report should be read in conjunction with the consolidated financial statements and accompanying notes in the Registrants' Combined Annual Report on Form 10-K for the year ended December 31, 2013.

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

In preparing financial statements that conform to GAAP, management must make estimates and assumptions that affect the reported amounts of assets and liabilities, the

reported amounts of revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. For more information on recent authoritative guidance and its effect on financial results, see Note 2 — "Recent Authoritative Guidance."

Property, Plant, and Equipment

Property, plant, and equipment consists primarily of regulated utility generation and energy transmission assets. Regulated assets, utilized primarily for retail operations and electric transmission and distribution, are stated at the cost of construction, which includes certain materials, labor, payroll taxes and benefits, administrative and general costs, and the estimated cost of funds used during construction. Jointly owned assets are reflected in property, plant, and equipment at Cleco Power's share of the cost to construct or purchase the assets.

During the first quarter of 2014, Cleco's investment in regulated utility property, plant, and equipment increased primarily due to the transfer of Coughlin from Midstream to Cleco Power. The transfer of Coughlin was recorded on Cleco Power's books at the historical carrying value of approximately \$176.0 million, net of the related accumulated depreciation of \$82.6 million. The transfer of Coughlin was accounted for as a business under common control, which is typically accounted for as if the transfer had occurred at the beginning of the period. However, management determined the retrospective application of this transfer to be quantitatively and qualitatively immaterial when taken as a whole in relation to Cleco Power's financial statements. As a result, Cleco Power's financial statements were not retrospectively adjusted to reflect the transfer. For more information regarding the Coughlin transfer, see Note 14 — "Coughlin Transfer."

CLECO CORPORATION
CLECO POWER

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

| (THOUSANDS) | AT MAR. 31, 2014 | AT DEC. 31, 2013 |
|--------------------------------------|------------------|------------------|
| Regulated utility plants | \$4,311,221 | \$4,052,774 |
| Other | 15,096 | 273,748 |
| Total property, plant, and equipment | 4,326,317 | 4,326,522 |
| Accumulated depreciation | (1,371,281 |) (1,351,223 |
| Net property, plant, and equipment | \$2,955,036 | \$2,975,299 |

Restricted Cash and Cash Equivalents

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

| (THOUSANDS) | AT MAR. 31, 2014 | AT DEC. 31, 2013 |
|--|------------------|------------------|
| Diversified Lands' mitigation escrow | \$21 | \$21 |
| Cleco Katrina/Rita's storm recovery bonds | 3,893 | 8,986 |
| Cleco Power's future storm restoration costs | 14,025 | 4,726 |
| Cleco Power's building renovation escrow | 448 | 286 |
| Total restricted cash and cash equivalents | \$18,387 | \$14,019 |

Cleco Katrina/Rita has the right to bill and collect storm restoration costs from Cleco Power's customers. As cash is collected, it is restricted for payment of administration fees, interest, and principal on storm recovery bonds. During the three months ended March 31, 2014, Cleco Katrina/Rita collected \$5.5 million net of administration fees. In March 2014, Cleco Katrina/Rita used \$7.6 million for scheduled storm recovery bond principal payments and \$3.0 million for related interest.

Cleco Power's restricted cash and cash equivalents held for future storm restoration costs increased \$9.3 million from December 31, 2013, primarily due to the transfer of \$13.2 million of restricted investments that were held with an outside investment manager and liquidated during the first quarter of 2014. The liquidated holdings are now held in restricted cash and cash equivalents and reported in the above table in Cleco Power's future storm restoration costs. Partially offsetting this amount was the transfer of \$4.0 million to cover the expenses associated with recent storm activity.

In connection with Cleco Power's building modernization project, Cleco Power was required to establish an escrow account with a qualified financial institution and deposit all retainage monies as they accrue under the construction contract. Upon completion of the construction work, the funds including any interest held in the escrow account will be released from escrow and paid to the construction contractor.

Fair Value Measurements and Disclosures

Various accounting pronouncements require certain assets and liabilities to be measured at their fair values. Some assets and liabilities are required to be measured at their fair value each reporting period, while others are required to be measured only one time, generally the date of acquisition or debt issuance. Cleco and Cleco Power are required to disclose the fair value of certain assets and liabilities by one of three levels when required for recognition purposes under GAAP. For more information about fair value levels, see Note 4 — "Fair Value Accounting."

Risk Management

Market risk inherent in Cleco's market risk-sensitive instruments and positions includes potential changes arising from changes in interest rates and the commodity market prices of power, FTRs, and natural gas in the industry on different energy exchanges. Cleco's Energy Market Risk Management Policy authorizes the use of various derivative instruments, including exchange traded futures and option contracts, forward purchase and sales contracts, and swap transactions to reduce exposure to fluctuations in the price of power, FTRs, and natural gas. Cleco applies the

authoritative guidance as it relates to derivatives and hedging to determine whether the market risk-sensitive instruments and positions are required to be marked-to-market. Generally, Cleco Power's market risk-sensitive instruments and positions qualify for the normal-purchase, normal-sale exception to mark-to-market accounting because Cleco Power takes physical delivery and the instruments and positions are used to satisfy customer requirements.

Cleco Power may also enter into mitigating positions that would not meet the requirements of a normal-purchase, normal-sale transaction in order to attempt to mitigate the volatility in customer fuel costs. These positions are marked-to-market with the resulting gain or loss recorded on the balance sheet as a component of energy risk management assets or liabilities. Such gain or loss is deferred as a component of deferred fuel assets or liabilities in accordance with regulatory policy. When these positions close, actual gains or losses will be included in the FAC and reflected on customers' bills as a component of the fuel cost adjustment. As part of the integration into MISO, Cleco Power was awarded FTRs in November 2013. Cleco Power also purchased FTRs in auctions facilitated by MISO. FTRs provide a financial hedge to manage the risk of congestion cost in the Day-Ahead Energy Market. FTRs represent rights to congestion credits or charges along a transmission path during a given time frame for a certain MW quantity. At March 31, 2014, Cleco and Cleco Power's Condensed Consolidated Balance Sheets reflected open FTR positions of \$4.0 million in Energy risk management assets and \$0.1 million in Energy risk management liabilities, compared with \$9.0 million in Energy risk management assets and \$0.4 million in Energy risk management liabilities at December 31, 2013. There were no open natural gas positions at March 31, 2014 or December 31, 2013.

Cleco and Cleco Power maintain a master netting agreement policy and monitor credit risk exposure through review of counterparty credit quality, counterparty credit exposure, and counterparty concentration levels. Cleco manages these risks by establishing appropriate credit and concentration limits on transactions with counterparties and by requiring contractual guarantees, cash deposits, or letters of credit from counterparties or their affiliates, as deemed necessary. Cleco Power has agreements in place with various counterparties that authorize the netting of financial buys and sells and contract payments to mitigate credit risk for transactions entered into for risk management purposes.

Cleco has entered into various contracts to mitigate the volatility in interest rate risk. These contracts include, but are not limited to, interest rate swaps and treasury rate locks. For more information on the interest rate risk contracts, see Note 4 — "Fair Value Accounting — Derivatives and Hedging."

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Accounting for MISO Transactions

Cleco Power participates in the energy market through MISO. MISO requires Cleco Power to submit hourly day-ahead, real time and FTR bids and offers for energy at locations across the MISO region. In each monthly reporting period, the hourly sale and purchase net amounts are aggregated and separately reported in Electric operations or Power purchased for utility

customers on Cleco's Condensed Consolidated Statements of Income. For more information on FTRs, see Note 4 — "Fair Value Accounting — Derivatives and Hedging."

Earnings per Average Common Share

The following tables show the calculation of basic and diluted earnings per share:

| (THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS) | FOR THE THREE MONTHS ENDED MAR. 31, | | | | | |
|--|-------------------------------------|------------|-----------------------|----------|------------|-----------------------|
| | INCOME | SHARES | 2014 PER SHARE AMOUNT | INCOME | SHARES | 2013 PER SHARE AMOUNT |
| Basic net income applicable to common stock | \$25,924 | 60,472,969 | \$0.43 | \$27,133 | 60,399,697 | \$ 0.45 |
| Effect of dilutive securities | | | | | | |
| Add: restricted stock (LTICP) | | 240,618 | | | 267,704 | |
| Diluted net income applicable to common stock | \$25,924 | 60,713,587 | \$0.43 | \$27,133 | 60,667,401 | \$ 0.45 |

Stock option grants are excluded from the computation of diluted earnings per share if the exercise price is higher than the average market price. All stock options were exercised during 2012 and no additional options were granted through March 31, 2014. Therefore, no stock option grants were excluded from the computation of diluted earnings per share for the three months ended March 31, 2014 and 2013.

Stock-Based Compensation

At March 31, 2014, Cleco had two stock-based compensation plans, the ESPP and the LTICP. Substantially all employees, excluding officers and general managers, may choose to participate in the ESPP and purchase a limited amount of common stock at a discount through a stock option agreement. Options or restricted shares of stock, known as non-vested stock as defined by the authoritative guidance on stock-based compensation, common stock equivalents, and stock appreciation rights may be granted to certain officers, key employees, or directors of Cleco Corporation and its subsidiaries pursuant to the LTICP.

During the three months ended March 31, 2014, Cleco granted 120,935 shares of non-vested stock to certain officers, and key employees of Cleco Corporation and its subsidiaries pursuant to the LTICP.

Cleco and Cleco Power reported pre-tax compensation expense for their share-based compensation plans as shown in the following table:

| (THOUSANDS) | CLECO CORPORATION | | CLECO POWER | |
|-----------------------------|-------------------|---------|-------------|-------|
| | 2014 | 2013 | 2014 | 2013 |
| Equity classification | | | | |
| Non-vested stock | \$1,922 | \$1,428 | \$426 | \$331 |
| Total equity classification | \$1,922 | \$1,428 | \$426 | \$331 |
| Liability classification | | | | |

| | | | | |
|---------------------------------------|---------|---------|-------|-------|
| Common stock equivalent units | \$— | \$1 | \$— | \$— |
| Total pre-tax compensation expense | \$1,922 | \$1,429 | \$426 | \$331 |
| Tax benefit | \$739 | \$550 | \$164 | \$127 |

Common Stock Repurchase Program

In January 2011, Cleco Corporation's Board of Directors approved the implementation of a new common stock repurchase program. This program authorizes management to repurchase, from time to time, shares of common stock so that Cleco's diluted average shares of common stock outstanding remain approximately equal to its diluted average shares of

common stock outstanding for 2010. Under this program, purchases may be made on a discretionary basis at times and in amounts as determined by management, subject to market conditions, legal requirements and other factors. Purchases under the program will not be announced in advance and may be made in the open market or through privately negotiated transactions. During the three months ended March 31, 2014, 250,000 shares of common stock were repurchased by Cleco Corporation. During the three months ended March 31, 2013, Cleco Corporation repurchased no shares of common stock.

Note 2 — Recent Authoritative Guidance

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

In February 2013, FASB revised the disclosure requirements related to items reclassified out of accumulated other comprehensive income. This guidance is intended to improve the transparency of changes in OCI. This revision is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. Cleco adopted the revisions to this amendment during the first quarter of 2013. The adoption of this revision did not have an impact on the financial condition, results of operations, or cash flows of the Registrants because it relates to disclosures. For more information on items reclassified out of accumulated other comprehensive income, see Note 13 — "Accumulated Other Comprehensive Loss."

In February 2013, FASB issued guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The adoption of this guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance did not have an impact on the financial condition, results of operations, or cash flows of the Registrants.

In April 2013, FASB issued guidance on applying the liquidation basis of accounting and the related disclosure requirements. Under this accounting standards update, an entity must use the liquidation basis of accounting to present its financial statements when it determines that liquidation is imminent, unless the liquidation is the same as that under the plan specified in an entity's governing documents created at its inception. The adoption of this standard is effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and

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interim reporting periods therein. The adoption of this guidance did not have an impact on the financial condition, results of operations, or cash flows of the Registrants.

In July 2013, FASB amended the income tax guidance to provide for the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The adoption of this guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance did not have an impact on the financial condition, results of operations, or cash flows of the Registrants.

In January 2014, FASB amended the accounting guidance for investments in qualified affordable housing projects. This guidance modifies the conditions that must be met to present the pretax effects and related tax benefits of such investments as a component of income taxes. The adoption of this guidance is effective for annual periods and interim reporting periods within those annual periods, beginning after December 31, 2014. Management is currently evaluating the effect the adoption of this guidance will have on the financial condition, results of operations, or cash flows of the Registrants.

In January 2014, FASB amended the accounting guidance for service concession arrangements. This guidance states that certain service concession arrangements with public-sector grantors are not within the scope of lease accounting. Operating entities entering into these arrangements should not recognize the related infrastructure as its property, plant and equipment and should apply other accounting guidance. The adoption of this guidance is effective for interim periods beginning after December 15, 2014. Management is currently evaluating the effect the adoption of this guidance will have on the financial condition, results of operations, or cash flows of the Registrants.

In April 2014, FASB amended the accounting guidance for the reporting of discontinued operations. These amendments improve the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have or will have a major effect on an entity's operations and financial results. This guidance also requires additional disclosures about discontinued operations. The adoption of this guidance is effective for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. The adoption of this guidance is not expected to have an effect on the financial condition, results of operations, or cash flows of the Registrants.

Note 3 — Regulatory Assets and Liabilities

Cleco Power follows the authoritative guidance on regulated operations, which allows utilities to capitalize or defer certain costs based on regulatory approval and management's ongoing assessment that it is probable these items will be recovered through the ratemaking process. The following table summarizes Cleco Power's regulatory assets and liabilities at March 31, 2014 and December 31, 2013:

| (THOUSANDS) | AT MAR. 31, 2014 | AT DEC. 31, 2013 |
|--|------------------|------------------|
| Regulatory assets – deferred taxes, net | \$230,489 | \$229,173 |
| Mining costs | \$13,382 | \$14,019 |
| Interest costs | 5,853 | 5,943 |
| Asset removal costs | 954 | 936 |
| Postretirement plan costs | 91,638 | 93,333 |
| Tree trimming costs | 5,560 | 4,840 |
| Training costs | 7,136 | 7,175 |
| Surcredits, net | 17,033 | 16,738 |
| Amended Lignite mining agreement contingency | 3,781 | 3,781 |
| Power purchase agreement capacity costs | 6,143 | 9,749 |
| AMI deferred revenue requirement | 5,400 | 4,682 |
| Production Operations & Maintenance expenses | 8,459 | 8,459 |
| AFUDC equity gross-up | 73,257 | 73,306 |

| | | | |
|---------------------------------|-----------|-----------|---|
| Rate case costs | — | 45 | |
| Acadia Unit 1 acquisition costs | 2,734 | 2,760 | |
| Financing costs | 9,679 | 9,772 | |
| Biomass costs | 106 | 114 | |
| Total regulatory assets – other | \$251,115 | \$255,652 | |
| Fuel and purchased power | 1,582 | (3,869) |) |
| Total regulatory assets, net | \$483,186 | \$480,956 | |

Power Purchase Agreement Capacity Costs

In March 2012, Cleco Power received approval from the LPSC for a three-year power purchase agreement with Evangeline providing 730 MW of capacity and energy beginning May 1, 2012 and ending April 30, 2015. The LPSC order allowed Cleco Power to defer and recover a portion of capacity costs associated with the power purchase agreement. On March 15, 2014, Coughlin was transferred to Cleco Power and the power purchase agreement was terminated. The recovery of the remaining capacity costs will be determined as part of Cleco Power's FRP extension.

Fuel and Purchased Power Costs

The cost of fuel used for electric generation and the cost of power purchased for utility customers are recovered through the LPSC-established FAC, which enables Cleco Power to pass on to its customers substantially all such charges. For the three months ended March 31, 2014, approximately 88% of Cleco Power's total fuel cost was regulated by the LPSC, while the remainder was regulated by FERC.

The \$5.5 million change in the under/over recovered costs was primarily due to a \$4.7 million decrease in net mark-to-market gains as a result of lower valuations of open FTR positions and the settlement of certain positions, and an \$0.8 million increase in fuel and purchased power costs.

Note 4 — Fair Value Accounting

The amounts reflected in Cleco and Cleco Power's Condensed Consolidated Balance Sheets at March 31, 2014 and December 31, 2013, for cash equivalents, restricted cash equivalents, accounts receivable, other accounts receivable, accounts payable, and short-term debt approximate fair value because of their short-term nature.

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

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Cleco

| (THOUSANDS) | AT MAR. 31, 2014 | | AT DEC. 31, 2013 | |
|---|------------------|----------------------|------------------|----------------------|
| | CARRYING VALUE | ESTIMATED FAIR VALUE | CARRYING VALUE | ESTIMATED FAIR VALUE |
| Financial instruments not marked-to-market: | | | | |
| Cash equivalents | \$12,176 | \$ 12,176 | \$22,204 | \$ 22,204 |
| Restricted cash equivalents | \$18,362 | \$ 18,362 | \$14,019 | \$ 14,019 |
| Long-term debt, excluding debt issuance costs | \$1,313,649 | \$ 1,473,263 | \$1,331,230 | \$ 1,420,048 |

Cleco Power

| (THOUSANDS) | AT MAR. 31, 2014 | | AT DEC. 31, 2013 | |
|---|------------------|----------------------|------------------|----------------------|
| | CARRYING VALUE | ESTIMATED FAIR VALUE | CARRYING VALUE | ESTIMATED FAIR VALUE |
| Financial instruments not marked-to-market: | | | | |
| Cash equivalents | \$5,900 | \$ 5,900 | \$14,900 | \$ 14,900 |
| Restricted cash equivalents | \$18,341 | \$ 18,341 | \$13,998 | \$ 13,998 |
| Long-term debt, excluding debt issuance costs | \$1,298,649 | \$ 1,458,263 | \$1,326,230 | \$ 1,415,048 |

Fair Value Measurements and Disclosures

The authoritative guidance on fair value measurements requires entities to classify assets and liabilities that are either measured or disclosed at their fair value according to three different levels depending on the inputs used in determining fair value.

The following tables disclose for Cleco and Cleco Power the fair value of financial assets and liabilities measured or disclosed on a recurring basis and within the scope of the authoritative guidance for fair value measurements and disclosures.

Cleco

CLECO CONSOLIDATED FAIR VALUE MEASUREMENTS AT REPORTING DATE
USING:

| (THOUSANDS) | AT MAR. 31, 2014 | QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1) | | | SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2) | | | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) | | | AT DEC. 31, 2013 | QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1) | | | SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2) | | | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) | | |
|----------------------------------|---------------------|---|-----------|------|--|--|--|--|----------|------|---------------------|---|--|--|--|--|--|--|--|--|
| | | | | | | | | | | | | | | | | | | | | |
| Asset Description | | | | | | | | | | | | | | | | | | | | |
| Institutional money market funds | \$30,538 | \$ — | \$ 30,538 | \$ — | | | | | \$36,100 | \$ — | \$ 36,100 | \$ — | | | | | | | | |
| Commercial paper | — | — | — | — | | | | | 1,483 | — | 1,483 | — | | | | | | | | |
| Municipal bonds | — | — | — | — | | | | | 9,831 | — | 9,831 | — | | | | | | | | |
| Corporate bonds | — | — | — | — | | | | | 515 | — | 515 | — | | | | | | | | |

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| | | | | | | | | |
|---|-------------|------|--------------|----------|-------------|------|--------------|----------|
| Federal agency mortgage-backed securities | — | — | — | — | 1,000 | — | 1,000 | — |
| FTRs | 3,972 | — | — | 3,972 | 9,020 | — | — | 9,020 |
| Total assets | \$34,510 | \$ — | \$ 30,538 | \$ 3,972 | \$57,949 | \$ — | \$ 48,929 | \$ 9,020 |
| Liability Description | | | | | | | | |
| Long-term debt | 1,473,263 | — | 1,473,263 | — | 1,420,048 | — | 1,420,048 | — |
| FTRs | 64 | — | — | 64 | 382 | — | — | 382 |
| Total liabilities | \$1,473,327 | \$ — | \$ 1,473,263 | \$ 64 | \$1,420,430 | \$ — | \$ 1,420,048 | \$ 382 |

Cleco Power

CLECO POWER FAIR VALUE MEASUREMENTS AT REPORTING DATE USING:

| (THOUSANDS) | AT MAR. 31, 2014 | QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1) | | | SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2) | | | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) | | | QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1) | | | SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2) | | | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) | | | |
|---|---------------------|--|--------------|----------|---|------|--------------|---|-----------|--------------|--|----------|-----------|---|-----------|----------|---|------|-----------|---|
| | | AT DEC. 31, 2013 | | | | | | | | | | | | | | | | | | |
| Asset Description | | | | | | | | | | | | | | | | | | | | |
| Institutional money market funds | \$24,241 | \$ — | \$ 24,241 | \$ — | | | | \$28,775 | \$ — | \$ 28,775 | \$ — | | | | | | | | | |
| Commercial paper | — | — | — | — | | | | 1,483 | — | 1,483 | — | | | | | | | | | |
| Municipal bonds | — | — | — | — | | | | 9,831 | — | 9,831 | — | | | | | | | | | |
| Corporate bonds | — | — | — | — | | | | 515 | — | 515 | — | | | | | | | | | |
| Federal agency mortgage-backed securities | — | \$ — | — | — | | | | 1,000 | — | 1,000 | — | | | | | | | | | |
| FTRs | 3,972 | \$ — | — | 3,972 | 9,020 | — | — | 9,020 | — | — | — | 9,020 | — | — | — | — | 9,020 | — | — | |
| Total assets | \$28,213 | \$ — | \$ 24,241 | \$ 3,972 | \$50,624 | \$ — | \$ 41,604 | \$ 9,020 | \$ — | \$ 41,604 | \$ 9,020 | \$ 9,020 | \$ — | \$ 41,604 | \$ 9,020 | \$ 9,020 | \$ 9,020 | \$ — | \$ 382 | |
| Liability Description | | | | | | | | | | | | | | | | | | | | |
| Long-term debt | 1,458,263 | — | 1,458,263 | — | 1,415,048 | — | 1,415,048 | — | 1,415,048 | — | 1,415,048 | — | 1,415,048 | — | 1,415,048 | — | 1,415,048 | — | 1,415,048 | — |
| FTRs | 64 | — | — | 64 | 382 | — | — | 382 | — | — | — | 382 | — | — | — | — | 382 | — | — | |
| Total liabilities | \$1,458,327 | \$ — | \$ 1,458,263 | \$ 64 | \$1,415,430 | \$ — | \$ 1,415,048 | \$ 382 | \$ — | \$ 1,415,048 | \$ 382 | \$ 382 | \$ — | \$ 1,415,048 | \$ 382 | \$ 382 | \$ 382 | \$ — | \$ 382 | |

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The following table summarizes the changes in the fair value of FTR assets and liabilities classified as Level 3 in the fair value hierarchy as of March 31, 2014:

(THOUSANDS)

| | |
|--------------------------------------|-----------|
| Beginning balance at January 1, 2014 | \$8,638 |
| Realized losses | (747)* |
| Unrealized losses | (1,060)* |
| Purchases | (85) |
| Sales | (321) |
| Settlements | (2,517) |
| Ending balance at March 31, 2014 | \$3,908 |

* Unrealized gains and losses are reported in Accumulated deferred fuel on the balance sheet. As gains and losses are realized in future periods, they will be recorded as Electric operations or Power purchased for utility customers on the income statement.

The following table quantifies the significant unobservable inputs used in developing the fair value of Level 3 positions at March 31, 2014 and December 31, 2013:

| (THOUSANDS, EXCEPT FORWARD PRICE RANGE) | FAIR VALUE | | VALUATION TECHNIQUE | SIGNIFICANT UNOBSERVABLE INPUTS | FORWARD PRICE RANGE | |
|---|------------|-------------|----------------------|---------------------------------|---------------------|---------|
| | Assets | Liabilities | | | Low | High |
| FTRs at Mar. 31, 2014 | \$3,972 | \$64 | Discounted cash flow | Estimated auction price | \$(5.24) | \$6.95 |
| FTRs at Dec. 31, 2013 | \$9,020 | \$382 | Discounted cash flow | Estimated auction price | \$(4.88) | \$33.75 |

Cleco utilizes different valuation techniques for fair value calculations. In order to measure the fair value for Level 1 assets and liabilities, Cleco obtains the closing price from published indices in active markets for the various instruments and multiplies this price by the appropriate number of instruments held. Level 2 fair values are determined by obtaining the closing price of similar assets and liabilities from published indices in active markets and then discounted to the current period using a U.S. Treasury published interest rate as a proxy for a risk-free rate of return. Cleco has consistently applied the Level 2 fair value technique from fiscal period to fiscal period. Level 3 fair values are situations in which there is little, if any, market activity for the asset or liability at the measurement date and therefore estimated prices are used in the discounted cash flow approach.

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

At March 31, 2014, Cleco and Cleco Power were exposed to concentrations of credit risk through their short-term investments classified as cash equivalents and restricted cash equivalents. The institutional money market funds were reported on the Cleco Condensed Consolidated Balance Sheet in cash and cash equivalents, current restricted cash and cash equivalents, and non-current restricted cash and cash equivalents of \$12.2 million, \$3.9 million, and \$14.4 million, respectively, at March 31, 2014. At Cleco Power, the institutional money market funds were reported on the Condensed Consolidated Balance Sheet in cash and cash equivalents, current restricted cash and cash equivalents, and non-current restricted cash and cash equivalents of \$5.9 million, \$3.9 million, and \$14.4 million,

respectively, at March 31, 2014. If the money market funds failed to perform under the terms of the investments, Cleco and Cleco Power would be exposed to a loss of the invested amounts. Collateral on these types of investments is not required by either Cleco or Cleco Power. The Level 2 institutional money market funds asset consists of a single class. In order to capture interest income and minimize risk, cash is invested in money market funds that invest primarily in short-term securities in order to maintain liquidity and achieve the goal of a net asset value of a dollar. The risks associated with this

class are counterparty risk of the fund manager and risk of price volatility associated with the underlying securities of the fund.

The commercial paper, municipal bonds, corporate bonds, and federal agency mortgage-backed securities were reported on Cleco and Cleco Power's Condensed Consolidated Balance Sheets in restricted investments in the amount of \$1.5 million, \$9.8 million, \$0.5 million and \$1.0 million at December 31, 2013, respectively. During the first quarter of 2014, Cleco ended its relationship with its outside investment manager and liquidated all holdings in these restricted investments. The Level 2 commercial paper, municipal bonds, corporate bonds, and federal agency mortgage-backed securities consisted of a single class. In order to maximize income, meet the requirements established by the LPSC for the restricted reserve fund, and maintain safety and liquidity, restricted cash and cash equivalents were invested in short-term, fixed-income debt instruments. The risks associated with this class were counterparty risk of the outside investment manager and risk of price volatility associated with the commercial paper, municipal bonds, corporate bonds, and federal agency mortgage-backed securities. Quarterly, Cleco received reports from the trustee for the investment manager which provided the fair value measurement. Cleco performed an evaluation of those reports to verify the fair value of the securities.

The Level 3 FTRs consist of a single class. As part of Cleco Power's integration into MISO, Cleco Power was awarded FTRs in November 2013. Cleco Power also purchased FTRs in auctions facilitated by MISO. Cleco Power's FTRs were priced using MISO's monthly estimated auction prices. The monthly estimated auction prices are discounted to net present value to determine fair value. FTRs are categorized as Level 3 fair value measurements because the only relevant pricing available comes from MISO auctions, which occur monthly in the Multi-Period Monthly Auction. For more information about FTRs, see "—Derivatives and Hedging."

The Level 2 long-term debt liability consists of a single class. In order to fund capital requirements, Cleco issues long-term, fixed and variable rate debt with various tenors. The fair value of this class fluctuates as the market interest

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rates for fixed and variable rate debt with similar tenors and credit ratings change. The fair value of the debt could also change from period to period due to changes in the credit rating of the Cleco entity that issued the debt.

During the three months ended March 31, 2014, and the year ended December 31, 2013, Cleco did not experience any transfers between levels.

Restricted Investments

In September 2007, the LPSC authorized the funding and securitization of a \$50.0 million reserve for Cleco Power's future storm costs. On July 1, 2012, Cleco Power transferred \$13.0 million of the related restricted cash and cash equivalents to an outside investment manager. Investments made by the investment manager were restricted to the criteria established by management in Cleco Power's guidelines for short-term investments. During the first quarter of 2014, Cleco ended its relationship with this outside investment manager and liquidated all holdings in these restricted investments.

The cash and cash equivalents were reflected in Cleco and Cleco Power's Condensed Consolidated Balance Sheets at December 31, 2013, as restricted cash and cash equivalents at their approximate fair value because of their short-term nature.

The debt securities were recorded at fair value on Cleco and Cleco Power's Condensed Consolidated Balance Sheets at December 31, 2013, as restricted investments. The investments in debt securities included municipal bonds, corporate bonds, federal agency mortgage-backed securities, and commercial paper with original maturity dates of more than three months and were classified as available-for-sale securities and reported at fair value. Because Cleco Power's investment strategy for these investments was within the requirements established by the LPSC for the restricted reserve fund, realized and unrealized gains and losses, interest income, investment management fees, and custody fees were recorded directly to Cleco Power's restricted storm reserve rather than in earnings or OCI. As a result, no amounts were recorded to OCI for these investments. The unrealized gains and losses on Cleco Power's debt securities at December 31, 2013, were caused by interest rate movements.

The following table provides a reconciliation of Cleco Power's available-for-sale debt securities from amortized cost to fair value at December 31, 2013:

| (THOUSANDS) | AT DEC. 31, 2013 | | | FAIR VALUE |
|---|-------------------|---|---|---------------|
| | AMORTIZED COST | TOTAL UNREALIZED GAINS ⁽¹⁾ | TOTAL UNREALIZED LOSSES ⁽¹⁾ | |
| Municipal bonds | \$9,838 | \$ 8 | \$ 15 | \$9,831 |
| Corporate bonds | 513 | 2 | — | 515 |
| Federal agency mortgage-backed securities | 1,000 | — | — | 1,000 |
| Commercial paper | 1,483 | — | — | 1,483 |
| Total available-for-sale debt securities | \$12,834 | \$ 10 | \$ 15 | \$12,829 |

⁽¹⁾ Unrealized gains and losses are recorded to the restricted storm reserve.

For the three months ended March 31, 2014, Cleco Power recognized less than \$0.1 million of realized gains as a result of the portfolio being liquidated. Realized gains and losses were determined on a specific identification basis.

Derivatives and Hedging

The authoritative guidance on derivatives and hedging requires entities to provide transparent disclosures about a company's derivative activities and how the related hedged items affect a company's financial position, financial performance, and cash flows. Cleco is required to provide qualitative and quantitative disclosures about derivative fair

value, gains and losses, and credit-risk-related contingent features in derivative agreements.

Commodity Contracts

The following table presents the fair values of derivative instruments and their respective line items as recorded on Cleco and Cleco Power's Condensed Consolidated Balance Sheets at March 31, 2014 and December 31, 2013:

| (THOUSANDS) | DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS | | |
|---------------------|---|------------------|------------------|
| | BALANCE SHEET LINE ITEM | AT MAR. 31, 2014 | AT DEC. 31, 2013 |
| Commodity contracts | | | |
| FTRs: | | | |
| Current | Energy risk management assets | \$3,972 | \$9,020 |
| Current | Energy risk management liabilities | 64 | 382 |
| Total | | \$3,908 | \$8,638 |

The following table presents the effect of derivatives not designated as hedging instruments on Cleco and Cleco Power's Condensed Consolidated Statements of Income for the three months ended March 31, 2014:

| (THOUSANDS) | DERIVATIVES LINE ITEM | FOR THE THREE MONTHS ENDED MAR. 31, | |
|------------------------|---|--|---|
| | | 2014 | AMOUNT OF GAIN/(LOSS) RECOGNIZED IN INCOME ON DERIVATIVES |
| Commodity contracts | | | |
| FTRs | Electric operations | \$3,965 | |
| FTRs | Power purchased for utility customers | (1,115 |) |
| Total | | \$2,850 | |

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At March 31, 2014 and December 31, 2013, Cleco Power had no open positions hedged for natural gas. As part of the integration into MISO, Cleco Power was awarded FTRs in November 2013. Cleco Power also purchased FTRs in auctions facilitated by MISO. FTRs provide a financial hedge to manage the risk of congestion cost in the Day-Ahead Energy Market. FTRs represent rights to congestion credits or charges along a transmission path during a given time frame for a certain MW quantity. At March 31, 2014 and December 31, 2013, Cleco Power had 3.8 million MWh and 6.8 million MWh, respectively, of FTRs hedged.

Interest Rate Derivatives

In November 2011, Cleco Power entered into a pay fixed/receive variable forward starting interest rate swap contract in order to mitigate the interest rate exposure on coupon payments related to the remaining \$50.0 million fixed-rate forecasted debt issuance. The forward starting interest rate swap had a spot 30-year all-in swap rate of 3.05%, notional amount of \$50.0 million, with the pricing date of May 14, 2013, or the issuance of the notes, whichever was earlier. The forward starting interest rate swap met the criteria of a cash flow hedge under the authoritative guidance as it related to derivatives and hedging and was carried on the balance sheet at its fair value.

During the first quarter of 2013, Cleco determined that the forward starting interest rate swap ceased to be highly effective in offsetting changes in the cash flows of the forecasted coupon payments and discontinued hedge accounting prospectively. In May 2013, upon pricing of the 2008 Series B GO Zone bonds, Cleco Power settled the forward starting interest rate swap at a loss of \$3.3 million. Of this amount, Cleco Power deferred \$2.9 million as a regulatory asset and recognized \$0.4 million in OCI. In May 2013, Cleco Power began amortizing these losses over the 25-year term of the related debt.

The following table presents the effect of derivatives designated as hedging instruments on Cleco and Cleco Power's Condensed Consolidated Statements of Income for the three months ended March 31, 2014 and 2013.

| | FOR THE THREE MONTHS ENDED MAR. 31, | | | |
|--|-------------------------------------|--|----------------------------------|--|
| | 2014 | | 2013 | |
| (THOUSANDS) | AMOUNT OF GAIN RECOGNIZED IN OCI | AMOUNT OF LOSS RECLASSIFIED FROM ACCUMULATED OCI INTO INCOME (EFFECTIVE PORTION) | AMOUNT OF GAIN RECOGNIZED IN OCI | AMOUNT OF LOSS RECLASSIFIED FROM ACCUMULATED OCI INTO INCOME (EFFECTIVE PORTION) |
| Interest rate derivatives ⁽¹⁾ | \$— | \$(86)* | \$1,762 | \$(20)* |

* The loss reclassified from accumulated OCI into income (effective portion) is reflected in interest charges.

⁽¹⁾ During the three months ended March 31, 2013, Cleco recorded ineffectiveness and losses related to the interest rate derivatives as a regulatory asset of \$0.4 million.

At March 31, 2014, Cleco Power expected \$0.3 million of the effective portion of deferred net losses related to interest rate derivatives to be reclassified from accumulated OCI to interest charges over the next 12 months.

Note 5 — Debt

Short-term Debt

At March 31, 2014 and December 31, 2013, Cleco and Cleco Power had no short-term debt outstanding.

Long-term Debt

At March 31, 2014, Cleco's long-term debt outstanding was \$1.31 billion, of which \$17.7 million was due within one year. The long-term debt due within one year at March 31, 2014, represents \$15.4 million principal payments for the Cleco Katrina/Rita storm recovery bonds and \$2.3 million of capital lease payments.

For Cleco, long-term debt decreased \$18.0 million from December 31, 2013, primarily due to a \$10.0 million net reduction in credit facility draws, a \$7.6 million scheduled Cleco Katrina/Rita storm recovery bond principal payment made in March 2014, and a \$0.5 million decrease in capital lease obligations. These decreases were partially offset by debt discount amortizations of \$0.1 million.

At March 31, 2014, Cleco Power's long-term debt outstanding was \$1.30 billion of which \$17.7 million was due within one year. The long-term debt due within one year at March 31, 2014, represents \$15.4 million principal payments for the Cleco Katrina/Rita storm recovery bonds and \$2.3 million of capital lease payments.

For Cleco Power, long-term debt decreased \$28.0 million from December 31, 2013, primarily due to a \$20.0 million repayment of credit facility draws, a \$7.6 million scheduled Cleco Katrina/Rita storm recovery bond principal payment made in March 2014, and a \$0.5 million decrease in capital lease obligations. These decreases were partially offset by debt discount amortizations of \$0.1 million.

Credit Facilities

At March 31, 2014, Cleco Corporation had \$15.0 million of borrowings outstanding under its existing \$250.0 million credit facility and Cleco Power had no borrowings outstanding under its existing \$300.0 million credit facility. In December 2013, Cleco Power provided a \$1.0 million letter of credit to MISO pursuant to the credit requirements of FTRs. This letter of credit is automatically renewed each year and reduces Cleco Power's credit facility capacity. On April 8, 2014, Cleco Power increased the letter of credit to \$2.0 million.

Note 6 — Pension Plan and Employee Benefits

Pension Plan and Other Benefits Plan

Most employees hired before August 1, 2007, are covered by a non-contributory, defined benefit pension plan. Benefits under the plan reflect an employee's years of service, age at retirement, and highest total average compensation for any consecutive five calendar years during the last ten years of employment with Cleco. Cleco's policy is to base its contributions to the employee pension plan upon actuarial computations utilizing the projected unit credit method, subject to the IRS's full funding limitation. Cleco does not expect to make any required or discretionary contributions to the pension plan in 2014. In January 2013, Cleco Power made \$34.0 million in discretionary contributions to the pension plan designated for the 2012 plan year. The required contributions are driven by liability funding target percentages set by law which could cause the required contributions to be uneven among the years. The ultimate amount and timing of the contributions may be affected by changes in the discount rate, changes in the funding regulations, and actual returns on fund assets. Cleco Power is considered the plan sponsor and Support Group is considered the plan administrator.

Cleco's retirees and their dependents may be eligible to receive medical, dental, vision, and life insurance benefits

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(other benefits). Cleco recognizes the expected cost of these other benefits during the periods in which the benefits are earned.

The components of net periodic pension and other benefit cost for the three months ended March 31, 2014 and 2013, are as follows:

| (THOUSANDS) | PENSION BENEFITS | | OTHER BENEFITS | |
|--------------------------------------|-------------------------------------|----------|----------------|---------|
| | FOR THE THREE MONTHS ENDED MAR. 31, | | | |
| | 2014 | 2013 | 2014 | 2013 |
| Components of periodic benefit cost: | | | | |
| Service cost | \$2,005 | \$2,484 | \$405 | \$314 |
| Interest cost | 4,930 | 4,437 | 463 | 481 |
| Expected return on plan assets | (6,083) | (5,764) | — | — |
| Amortizations: | | | | |
| Transition obligation | — | — | 5 | 4 |
| Prior period service cost (credit) | (18) | (18) | 30 | — |
| Net loss | 1,713 | 3,373 | 177 | 318 |
| Net periodic benefit cost | \$2,547 | \$4,512 | \$1,080 | \$1,117 |

Because Cleco Power is the pension plan sponsor and the related trust holds the assets, the net unfunded status of the pension plan is reflected at Cleco Power. The liability of Cleco's other subsidiaries is transferred with a like amount of assets to Cleco Power monthly. The expense of the pension plan related to Cleco's other subsidiaries for the three months ended March 31, 2014 and 2013, was \$0.5 million and \$0.6 million, respectively.

Cleco Corporation is the plan sponsor for the other benefit plans. There are no assets set aside in a trust and the liabilities are reported on the individual subsidiaries' financial statements. The current portion of the other benefits liability for Cleco at March 31, 2014 and December 31, 2013 was \$3.5 million. The current portion of the other benefits liability for Cleco Power at March 31, 2014 and December 31, 2013 was \$3.2 million. The expense related to other benefits reflected in Cleco Power's Condensed Consolidated Statements of Income for the three months ended March 31, 2014 and 2013, was \$0.9 million and \$1.0 million, respectively.

SERP

Certain Cleco officers are covered by SERP. SERP is a non-qualified, non-contributory, defined benefit pension plan. Benefits under the plan reflect an employee's years of service, age at retirement, and the sum of the highest base salary paid out of the last five calendar years plus the average of the three highest cash bonuses paid during the 60 months prior to retirement, reduced by benefits received from any other defined benefit pension plan, SERP Plan, or Cleco contributions under the enhanced 401(k) Plan to the extent such contributions exceed the limits of the 401(k) Plan. Cleco does not fund the SERP liability but instead pays for current benefits out of the general funds available. Cleco Power has formed a Rabbi Trust designated as the beneficiary for life insurance policies issued on SERP participants. Proceeds from the life insurance policies are expected to be used to pay the SERP participants' death benefits, as well as future SERP payments. However, because SERP is a non-qualified plan, the assets of the trust could be used to satisfy general creditors of Cleco Power in the event of insolvency. All SERP benefits are paid out of the general cash available of the respective companies from which the officer retired. No contributions to SERP were made during the three months ended March 31, 2014 or 2013. Cleco Power is considered

the plan sponsor and Support Group is considered the plan administrator. The components of net periodic SERP benefit cost for the three months ended March 31, 2014 and 2013, are as follows:

| (THOUSANDS) | FOR THE THREE MONTHS ENDED | |
|--------------------------------------|----------------------------|------|
| | 2014 | 2013 |
| Components of periodic benefit cost: | | |

| | | |
|---------------------------|---------|---------|
| Service cost | \$468 | \$506 |
| Interest cost | 725 | 678 |
| Amortizations: | | |
| Prior period service cost | 12 | 14 |
| Net loss | 385 | 536 |
| Net periodic benefit cost | \$1,590 | \$1,734 |

The SERP liabilities are reported on the individual subsidiaries' financial statements. The current portion of the SERP liability for Cleco at March 31, 2014 and December 31, 2013 was \$2.7 million. The current portion of the SERP liability for Cleco Power at March 31, 2014 and December 31, 2013 was \$0.9 million and \$0.7 million, respectively. The expense related to SERP reflected on Cleco Power's Condensed Consolidated Statements of Income was \$0.3 million for the three months ended March 31, 2014, compared to \$0.4 million for the same period in 2013.

401(k) Plan

Cleco's 401(k) Plan is intended to provide active, eligible employees with voluntary, long-term savings and investment opportunities. The Plan is a defined contribution plan and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974. In accordance with the Plan, employer contributions can be in the form of Cleco Corporation stock or cash. Cash contributions are invested in proportion to the participant's voluntary contribution investment choices. Plan participants are allowed to choose whether to have dividends on Cleco Corporation common stock distributed in cash or reinvested in additional shares of Cleco Corporation common stock. Participation in the Plan is voluntary and active Cleco employees are eligible to participate. Cleco's 401(k) Plan expense for the three months ended March 31, 2014 and 2013 is as follows:

| (THOUSANDS) | FOR THE THREE MONTHS ENDED MAR. 31, | |
|---------------------|--|---------|
| | 2014 | 2013 |
| 401(k) Plan expense | \$1,369 | \$1,279 |

Cleco Power is the plan sponsor for the 401(k) Plan. The expense of the 401(k) Plan related to Cleco's other subsidiaries for the three months ended March 31, 2014 and 2013, was \$0.3 million and \$0.4 million, respectively.

Note 7 — Income Taxes

The following table summarizes the effective income tax rates for Cleco and Cleco Power for the three month periods ended March 31, 2014 and 2013.

| | FOR THE THREE MONTHS ENDED MAR. 31, | | | |
|-------------|-------------------------------------|---|------|---|
| | 2014 | | 2013 | |
| Cleco | 34.5 | % | 32.5 | % |
| Cleco Power | 35.1 | % | 33.9 | % |

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Effective Tax Rates

For the three months ended March 31, 2014 and 2013, the effective income tax rate for Cleco was different than the federal statutory rate due to permanent tax deductions, the flowthrough of tax benefits associated with AFUDC equity, tax benefits delivered from Cleco's investment in the NMTC Fund, and state tax expense.

For the three months ended March 31, 2014 and 2013, the effective income tax rate for Cleco Power was different than the federal statutory rate due to permanent tax deductions, the flowthrough of tax benefits associated with AFUDC equity, and state tax expense.

Valuation Allowance

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. As of March 31, 2014 and December 31, 2013, Cleco had a deferred tax asset resulting from NMTC carryforwards of \$96.5 million and \$95.4 million, respectively. If the NMTC carryforwards are not utilized, they will begin to expire in 2029. Management considers it more likely than not that all deferred tax assets related to NMTC carryforwards will be realized; therefore, no valuation allowance has been recorded.

Net Operating Losses

As of March 31, 2014, Cleco had a net operating loss carryforward primarily related to a tax accounting method change for bonus depreciation associated with Madison Unit 3. Cleco considers it more likely than not that these income tax losses generated will be utilized to reduce future income taxes, and Cleco expects to utilize the entire net operating loss carryforward within the statutory deadlines.

Uncertain Tax Positions

Cleco classifies all interest related to uncertain tax positions as a component of interest payable and interest expense. The total amounts of interest payable and interest expense related to uncertain tax positions, as reflected on Cleco and Cleco Power's Condensed Consolidated Balance Sheets and Statements of Income, are shown in the following tables.

| (THOUSANDS) | AT MAR. 31, 2014 | AT DEC. 31, 2013 |
|------------------|------------------|------------------|
| Interest payable | | |
| Cleco | \$96 | \$88 |
| Cleco Power | \$12 | \$11 |

The interest payable reflects the amount of interest anticipated to be paid to taxing authorities. These amounts do not include any offset for amounts that may be recovered from customers under existing rate orders. The amounts expected to be recoverable from Cleco Power's customers under existing rate orders at March 31, 2014 and December 31, 2013, are \$8.7 million and \$8.4 million, respectively.

| (THOUSANDS) | FOR THE THREE MONTHS ENDED MAR. 31, | |
|------------------|-------------------------------------|--------|
| | 2014 | 2013 |
| Interest charges | | |
| Cleco | \$30 | \$(69) |
| Cleco Power | \$1 | \$121 |

The interest charges reflect the amount of interest anticipated to be paid to or received from taxing authorities. These amounts do not include any offset for the amounts that

may be recovered from customers under the existing rate orders. The amounts expected to be recoverable from Cleco Power's customers under existing rate orders at March 31, 2014 and March 31, 2013, increased by \$0.6 million and \$0.7 million, respectively.

The federal income tax years that remain subject to examination by the IRS are 2010 through 2012. The Louisiana state income tax years that remain subject to examination by the Louisiana Department of Revenue are 2005 through 2012. At December 31, 2012, Cleco had \$60.4 million deposited with the IRS, of which Cleco received a refund of tax

and interest in January 2013 from the IRS of \$42.3 million relating to tax years 2001 through 2008.

Cleco is currently under audit by the IRS for the years 2010 through 2012. During 2013, Cleco increased its liability for uncertain tax positions. In addition, Cleco reclassified all uncertain tax positions to current from noncurrent as it expects to settle all outstanding audits within the next 12 months. Cleco estimates that it is reasonably possible that the balance of unrecognized tax benefits as of March 31, 2014, could decrease by a maximum of \$4.6 million for Cleco and the balance for Cleco Power would be unchanged in the next 12 months as a result of reaching settlements with the IRS and state tax authorities. The settlements could involve the payment of additional taxes, the adjustment of deferred taxes, and/or the recognition of tax benefits, which may have an effect on Cleco's effective tax rate.

Cleco classifies income tax penalties as a component of other expense. For the three months ended March 31, 2014 and 2013, the amount of penalties recognized was immaterial.

Note 8 — Disclosures about Segments

Cleco's reportable segments are based on its method of internal reporting, which disaggregates business units by its first-tier subsidiary. Cleco's reportable segments are Cleco Power and Midstream. On March 15, 2014, the Coughlin generating assets were transferred from Midstream to Cleco Power. Due to this transfer, there will be minimal operating activity and operating earnings at Midstream in future periods. For more information, see "— Note 14 — Coughlin Transfer." The holding company, a shared services subsidiary, two transmission interconnection facility subsidiaries, and an investment subsidiary are shown as Other in the following tables.

Each reportable segment engages in business activities from which it earns revenue and incurs expenses. Segment managers report periodically to Cleco's Chief Executive Officer (the chief operating decision-maker) with discrete financial information and, at least quarterly, present discrete financial information to Cleco Corporation's Board of Directors. Each reportable segment prepared budgets for 2014 that were presented to and approved by Cleco Corporation's Board of Directors.

The financial results of Cleco's segments are presented on an accrual basis. Management evaluates the performance of its segments and allocates resources to them based on segment profit and the requirements to implement new strategic initiatives and projects to meet current business objectives. Material intercompany transactions occur on a regular basis. Prior to March 15, 2014, these intercompany transactions related primarily to the power purchase agreement between Cleco Power and Evangeline that began in 2012 and joint and common administrative support services provided by Support Group. Subsequent to March 15, 2014,

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these intercompany transactions relate primarily to joint and common administrative support services provided by Support Group.

SEGMENT INFORMATION FOR THE THREE MONTHS ENDED MAR. 31,

| 2014 (THOUSANDS) | CLECO POWER | MIDSTREAM MOTHER | ELIMINATIONS | CONSOLIDATED |
|---|----------------|---------------------|--------------|--------------------------|
| Revenue | | | | |
| Electric operations | \$269,759 | \$ — | \$ — | \$ 269,759 |
| Tolling operations | — | 5,467 | — | (5,467) — |
| Other operations | 14,272 | — | 541 | 1 14,814 |
| Electric customer credits | (186) | — | — | (186) |
| Affiliate revenue | 335 | — | 13,192 | (13,527) — |
| Operating revenue, net | \$284,180 | \$ 5,467 | \$13,733 | \$ (18,993) \$ 284,387 |
| Depreciation | \$40,203 | \$ 1,269 | \$269 | \$ — \$ 41,741 |
| Interest charges | \$19,758 | \$ 13 | \$362 | \$ 135 \$ 20,268 |
| Interest income | \$602 | \$ — | \$(133) | \$ 133 \$ 602 |
| Federal and state income tax expense (benefit) | \$14,210 | \$(81) | \$(451) | \$ — \$ 13,678 |
| Net income (loss) | \$26,307 | \$(130) | \$(252) | \$(1) \$ 25,924 |
| Additions to (reductions in) long-lived assets | \$234,153 | \$(176,293) | \$196 | \$ — \$ 58,056 |
| Equity investment in investees | \$14,532 | \$ — | \$8 | \$ — \$ 14,540 |
| Total segment assets | \$4,091,584 | \$ 51,180 | \$66,632 | \$(26,399) \$ 4,182,997 |
| | | | | |
| 2013 (THOUSANDS) | CLECO POWER | MIDSTREAM MOTHER | ELIMINATIONS | CONSOLIDATED |
| Revenue | | | | |
| Electric operations | \$229,425 | \$ — | \$ — | \$ 229,425 |
| Tolling operations | — | 4,837 | — | (4,837) — |
| Other operations | 11,038 | 1 | 504 | — 11,543 |
| Electric customer credits | (21) | — | — | (21) |
| Affiliate revenue | 336 | — | 11,925 | (12,261) \$ — |
| Operating revenue, net | \$240,778 | \$ 4,838 | \$12,429 | \$ (17,098) \$ 240,947 |
| Depreciation | \$32,330 | \$ 1,500 | \$203 | \$ (1) \$ 34,032 |
| Interest charges | \$21,349 | \$(239) | \$163 | \$ 183 \$ 21,456 |
| Interest income | \$198 | \$ — | \$(180) | \$ 183 \$ 201 |
| Federal and state income tax expense (benefit) | \$14,238 | \$(840) | \$(317) | \$ — \$ 13,081 |
| Net income (loss) | \$27,793 | \$(1,334) | \$674 | \$ — \$ 27,133 |
| Additions to long-lived assets | \$41,558 | \$ 1,829 | \$561 | \$ — \$ 43,948 |
| Equity investment in investees ⁽¹⁾ | \$14,532 | \$ — | \$8 | \$ — \$ 14,540 |
| Total segment assets ⁽¹⁾ | \$3,943,712 | \$ 225,832 | \$88,234 | \$(42,516) \$ 4,215,262 |

⁽¹⁾ Balances as of December 31, 2013

Note 9 — Electric Customer Credits

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 FRP allows Cleco Power the opportunity to earn a target return on equity of 10.7%, including returning to retail customers 60% 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 ultimate amount of any customer refund is subject to LPSC approval. Cleco Power must file annual monitoring reports no later than October 31 for the 12-month period ending June 30.

On October 31, 2013, Cleco Power filed its monitoring report for the 12 months ended June 30, 2013 which indicated that \$2.2 million was due to be returned to customers. On April 9, 2014, the LPSC Staff filed their report indicating agreement with Cleco Power's refund calculation for the 12 months ended June 30, 2013. Cleco Power anticipates approval of the LPSC Staff's report in the second quarter of 2014 and expects to issue refunds for this filing on customers'

bills in the third quarter of 2014. The accrual for estimated electric customer credits reflected on Cleco and Cleco Power's Condensed Consolidated Balance Sheets at March 31, 2014 and December 31, 2013, was \$3.7 million and \$3.5 million, respectively.

In April 2013, Cleco Power filed an application with the LPSC to extend its current FRP and seek rate recovery of Coughlin. After evaluating various rate options, on March 26, 2014, Cleco Power filed supplemental information supporting its request in this application. The docket is currently in the discovery phase. Cleco Power expects LPSC action on this request by the end of the second quarter of 2014.

Note 10 — Variable Interest Entities

Cleco reports its investments in VIEs in accordance with the authoritative guidance. Cleco and Cleco Power report the investment in Oxbow on the equity method of accounting. Under the equity method, the assets and liabilities of this entity are reported as equity investment in investees on Cleco and Cleco Power's Condensed Consolidated Balance Sheets. The revenue and expenses (excluding income taxes) of this entity

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are netted and reported as equity income or loss from investees on Cleco and Cleco Power's Condensed Consolidated Statements of Income.

Equity Method VIEs

Equity investment in investees at March 31, 2014, primarily represents Cleco Power's \$14.5 million investment in Oxbow. Equity investments that are less than 100% owned by Diversified Lands represented less than \$0.1 million of the total balance.

Oxbow

Oxbow is owned 50% by Cleco Power and 50% by SWEPCO and is accounted for as an equity method investment. Cleco Power is not the primary beneficiary because it shares the power to control Oxbow's significant activities with SWEPCO. Cleco's current assessment of its maximum exposure to loss related to Oxbow at March 31, 2014, consisted of its equity investment of \$14.5 million. The following table presents the components of Cleco Power's equity investment in Oxbow.

| INCEPTION TO DATE (THOUSANDS) | AT MAR. 31, 2014 | AT DEC. 31, 2013 |
|-------------------------------------|------------------|------------------|
| Purchase price | \$12,873 | \$12,873 |
| Cash contributions | 1,659 | 1,659 |
| Total equity investment in investee | \$14,532 | \$14,532 |

The following table compares the carrying amount of Oxbow's assets and liabilities with Cleco's maximum exposure to loss related to its investment in Oxbow.

| (THOUSANDS) | AT MAR. 31, 2014 | AT DEC. 31, 2013 |
|----------------------------------|------------------|------------------|
| Oxbow's net assets/liabilities | \$29,065 | \$29,065 |
| Cleco Power's 50% equity | \$14,532 | \$14,532 |
| Cleco's maximum exposure to loss | \$14,532 | \$14,532 |

The following tables contain summarized financial information for Oxbow.

| (THOUSANDS) | AT MAR. 31, 2014 | AT DEC. 31, 2013 |
|---|------------------|------------------|
| Current assets | \$2,303 | \$2,289 |
| Property, plant, and equipment, net | 22,587 | 22,611 |
| Other assets | 4,248 | 4,256 |
| Total assets | \$29,138 | \$29,156 |
| Current liabilities | \$61 | \$91 |
| Other liabilities | 12 | — |
| Partners' capital | 29,065 | 29,065 |
| Total liabilities and partners' capital | \$29,138 | \$29,156 |

| (THOUSANDS) | FOR THE THREE MONTHS ENDED MAR. 31, | |
|---------------------|-------------------------------------|-------|
| | 2014 | 2013 |
| Operating revenue | \$585 | \$429 |
| Operating expenses | 585 | 429 |
| Income before taxes | \$— | \$— |

Oxbow's property, plant, and equipment, net consists of land and lignite reserves. The lignite reserves are intended to be used to provide fuel to the Dolet Hills Power Station. DHLC mines the lignite reserves at Oxbow through the Amended Lignite Mining Agreement.

Oxbow has no third-party agreements, guarantees, or other third-party commitments that contain obligations affecting Cleco Power's investment in Oxbow.

Note 11 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees

Litigation

Devil's Swamp

In October 2007, Cleco received a Special Notice for Remedial Investigation and Feasibility Study (RI/FS) from the EPA pursuant to CERCLA (also known as the Superfund statute). CERCLA establishes several classes of PRPs for a contaminated site, and imposes strict, joint, and several liability on those PRPs for the cost of response to the contamination. The special notice requested that Cleco Corporation and Cleco Power, along with many other listed PRPs, enter into negotiations with the EPA for the performance of an RI/FS at an area known as the Devil's Swamp Lake site just northwest of Baton Rouge, Louisiana. The EPA identified Cleco as one of many companies that was sending polychlorinated biphenyl wastes for disposal to the site. The Devil's Swamp Lake site has been proposed to be added to the National Priorities List based on the release of PCBs to fisheries and wetlands located on the site, but no final determination has been made. The PRPs began discussing a potential proposal to the EPA in February 2008. The EPA issued a Unilateral Administrative Order to PRP's Clean Harbors, Inc. and Baton Rouge Disposal to Conduct an RI/FS on December 3, 2009. The Tier 1 part of the study was complete in June 2012. Field activities for the Tier 2 investigation were completed in July 2012. Currently, the study/remedy selection task continues, and there is no record of a decision. Therefore, management is unable to determine how significant Cleco's share of the costs associated with the RI/FS and possible response action at the facility site, if any, may be and whether or not this will have a material adverse effect on the Registrants' financial condition, results of operations, or cash flows.

Discrimination Complaints

In December 2009, a complaint was filed in the U.S. District Court for the Western District of Louisiana (the Court) on behalf of eight current employees and four former employees alleging that Cleco discriminated against each of them on the basis of race. Each was seeking various remedies provided under applicable statutes prohibiting racial discrimination in the workplace, and together, the plaintiffs requested monetary compensation exceeding \$35.0 million. In July 2010, the plaintiffs moved to add an additional current employee alleging that Cleco had discriminated on the basis of race. The additional plaintiff sought compensation of no less than \$2.5 million and became the thirteenth plaintiff. In April 2011, Cleco entered into a settlement with one of the current employees which resulted in a dismissal of one of the thirteen cases with prejudice. In September 2011, the Court ruled on Cleco's summary judgment motions, with the end result that eleven of the twelve remaining plaintiffs had at least one claim remaining. In February 2013, the Court ruled on the second motion for summary judgment, filed by Cleco in March 2012, in each of the eleven cases and each such case was dismissed with prejudice. Appeals were filed in ten of the eleven dismissed cases to the United States Court of Appeals for the Fifth Circuit (the Fifth Circuit). In June 2013, the Fifth Circuit clerk dismissed the appeals of two of the current employees due to their failure to file a brief in support of their respective

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appeals. On various dates in August through November 2013, the Fifth Circuit affirmed the trial court judgments in favor of Cleco in seven of the eight remaining cases. On April 8, 2014, the Fifth Circuit affirmed the Court's summary judgment dismissing the wrongful termination and other discrimination claims of the one remaining plaintiff, a former employee. Excepted from its ruling was one claim that the former employee alleged arising from a disciplinary warning Cleco issued to the former employee. The former employee who received the disciplinary warning served as one of Cleco's human resources representatives. This one claim has been remanded to the Court for trial or other further proceedings.

City of Opelousas

In March 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 alleges 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. The plaintiffs claim that Cleco Power owes customers in Opelousas more than \$30.0 million as a result of the alleged overcharges. The plaintiffs allege that Cleco Power should have established, solely for customers in Opelousas, retail rates that are separate and distinct from the retail rates that apply to other customers of Cleco Power and that Cleco Power should not collect from customers in Opelousas the storm surcharge approved by the LPSC following hurricanes Katrina and Rita. In April 2010, Cleco Power filed a petition with the LPSC appealing to its expertise in declaring that the ratepayers of Opelousas have been properly charged the rates that are applicable to Cleco Power's retail customers and that no overcharges have been collected.

In May 2010, a second class action lawsuit was filed in the 27th Judicial District Court for St. Landry Parish, State of Louisiana, repeating the allegations of the first complaint, which was submitted on behalf of 249 Opelousas residents. In January 2011, the presiding judge in the state court proceeding ruled that the jurisdiction to hear the two class actions resides in the state court and not with the LPSC as argued by both Cleco and the LPSC Staff. Both Cleco and the LPSC Staff appealed this ruling to the Third Circuit Court of Appeals for the State of Louisiana (Third Circuit). In September 2011, the Third Circuit denied both appeals. In October 2011, both Cleco and the LPSC appealed the Third Circuit's ruling to the Louisiana Supreme Court. In February 2011, the administrative law judge (ALJ) in the LPSC proceeding ruled that the LPSC has jurisdiction to decide the claims raised by the class action plaintiffs. At its December 2011 Business and Executive Session, the LPSC adopted the ALJ's recommendation that Cleco be granted summary judgment in its declaratory action finding that Cleco's ratepayers in the City of Opelousas have been served under applicable rates and policies approved by the LPSC and Cleco's Opelousas ratepayers have not been overcharged in connection with LPSC rates or ratemaking. In January 2012, the class action plaintiffs filed their appeal of such LPSC decision to the 19th Judicial District Court for East Baton Rouge Parish, State of Louisiana. In December 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. In view of the

uncertainty of the claims, management is not able to predict or give a reasonable estimate of the possible range of liability, if any, of these claims. However, if it is found that Cleco Power overcharged customers resulting in a refund, any such refund could have a material adverse effect on the Registrants' results of operations, financial condition, and cash flows.

Other

Cleco is involved in various litigation matters, including regulatory, environmental, and administrative proceedings before various courts, regulatory commissions, arbitrators, and governmental agencies regarding matters arising in the ordinary course of business. The liability Cleco may ultimately incur with respect to any one of these matters in the event of a negative outcome may be in excess of amounts currently accrued. Management regularly analyzes current information and, as of March 31, 2014, believes the probable and reasonably estimable liabilities based on the eventual disposition of these matters is approximately \$10.5 million and has accrued this amount.

Off-Balance Sheet Commitments

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

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

The off-balance sheet commitments are not recognized on Cleco’s Condensed Consolidated Balance Sheets because management has determined that Cleco’s affiliates are able to perform these obligations under their contracts and that it is not probable that payments by Cleco will be required. Cleco’s off-balance sheet commitments as of March 31, 2014, are summarized in the following table and a discussion of the off-balance sheet commitments follows the table. The discussion should be read in conjunction with the table to understand the impact of the off-balance sheet commitments on Cleco’s financial condition.

| (THOUSANDS) | AT MAR. 31, 2014 FACE AMOUNT |
|--|---------------------------------|
| Cleco Corporation | |
| Guarantee issued to Entergy Mississippi on behalf of Attala | \$500 |
| Cleco Power | |
| Obligations under standby letter of credit issued to the Louisiana Department of Labor | 3,725 |
| Obligations under standby letter of credit issued to MISO | 1,000 |
| Total | \$5,225 |

There were no reductions against the face amount for any of these commitments.

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In January 2006, Cleco Corporation provided a \$0.5 million guarantee to Entergy Mississippi for Attala's obligations under the Interconnection Agreement. This guarantee will be effective until obligations are performed or extinguished. The State of Louisiana allows employers of certain financial net worth to self-insure their workers' compensation benefits. Cleco Power has a certificate of self-insurance from the Louisiana Office of Workers' Compensation and is required to post a \$3.7 million letter of credit, an amount equal to 110% of the average losses over the previous three years, as surety.

In December 2013, Cleco Power provided a \$1.0 million letter of credit to MISO pursuant to the credit requirements of FTRs. On April 8, 2014, Cleco Power increased the letter of credit to \$2.0 million. The letter of credit is automatically renewed each year and reduces Cleco Power's credit facility capacity.

Cleco Corporation provided indemnifications to Cleco Power as a result of the transfer of Coughlin to Cleco Power on March 15, 2014. Cleco Power also provided indemnifications to Cleco Corporation and Evangeline as a result of the transfer of Coughlin to Cleco Power. The maximum amount of the potential payment to Cleco Power, Cleco Corporation, and Evangeline for their respective indemnifications is \$40.0 million, except for indemnifications relating to the fundamental organizational structure of Cleco Corporation and Evangeline and of Cleco Power, respectively, of which the maximum amount is \$400.0 million.

Disclosures about Guarantees

Cleco Corporation provided a limited guarantee and an indemnification to Entergy Louisiana and Entergy Gulf States for Perryville's performance, indemnity, representation, and warranty obligations under the Sale Agreement, the Power Purchase Agreement, and other ancillary agreements related to the sale of the Perryville facility in 2004. This is a continuing guarantee and all obligations of Cleco Corporation shall continue until the guaranteed obligations have been fully performed or otherwise extinguished. The discounted probability-weighted liability under the guarantees and indemnifications recognized on Cleco's Condensed Consolidated Balance Sheet as of March 31, 2014, was \$0.2 million. The maximum amount of the potential payment to Entergy Louisiana and Entergy Gulf States is \$42.4 million. Currently, management does not expect to be required to pay Entergy Louisiana and Entergy Gulf States under the guarantee.

In April 2011, Acadia completed its disposition of Acadia Unit 2 to Entergy Louisiana. Limited guarantees and indemnifications were provided to Entergy Louisiana and an indemnification liability of \$21.8 million, which represents the fair value of these indemnifications was recorded on Cleco's Condensed Consolidated Balance Sheet. The indemnification liabilities are reduced through expiration of the contractual life or through a reduction in the probability of a claim arising. The indemnification obligation is expected to have a term of three years. After the three-year period, a residual value of approximately \$0.2 million will

remain. At March 31, 2014, an indemnification liability of \$0.9 million remained, which represents the risk of payment, as a contingent sale obligation recorded on Cleco's Condensed Consolidated Balance Sheet. For the three months ended March 31, 2014 and 2013, no income was recognized. The maximum amount of the potential payment to Entergy Louisiana for the indemnifications is the purchase price of \$298.8 million, except for the liabilities retained for which there is no maximum amount. Cleco Corporation is obligated to pay the same maximum amounts as Acadia if Acadia is unable to pay claims to Entergy Louisiana pursuant to the guarantee.

As part of the Amended Lignite Mining Agreement, Cleco Power and SWEPCO, joint owners of Dolet Hills, have agreed to pay the loan and lease principal obligations of the lignite miner, DHLIC, when due if they do not have sufficient funds or credit to pay. Any amounts paid on behalf of the miner would be credited by the lignite miner against future invoices for lignite delivered. At March 31, 2014, Cleco Power had a liability of \$3.8 million related to the amended agreement. The maximum projected payment by Cleco Power under this guarantee is estimated to be \$98.1 million; however, the Amended Lignite Mining Agreement does not contain a cap. The projection is based on the forecasted loan and lease obligations to be incurred by DHLIC, primarily for purchases of equipment. Cleco Power has the right to dispute the incurrence of loan and lease obligations through the review of the mining plan before the incurrence of such loan and lease obligations. The Amended Lignite Mining Agreement is not expected to terminate

pursuant to its terms until 2036 and does not affect the amount the Registrants can borrow under their credit facilities. Currently, management does not expect to be required to pay DHLC under the guarantee.

In its bylaws, Cleco Corporation has agreed to indemnify directors, officers, agents, and employees who are made a party to a pending or completed suit, arbitration, investigation, or other proceeding whether civil, criminal, investigative, or administrative, if the basis of inclusion arises as the result of acts conducted in the discharge of their official capacity. Cleco Corporation has purchased various insurance policies to reduce the risks associated with the indemnification. In its operating agreement, Cleco Power provides for the same indemnification as described above with respect to its managers, officers, agents, and employees.

Generally, neither Cleco Corporation nor Cleco Power has recourse that would enable them to recover amounts paid under their guarantee or indemnification obligations. The one exception is the insurance contracts associated with the indemnification of directors, managers, officers, agents, and employees. There are no assets held as collateral for third parties that either Cleco Corporation or Cleco Power could obtain and liquidate to recover amounts paid pursuant to the guarantees or indemnification obligations.

The following table summarizes the expected amount of commitment termination per period of off-balance sheet commitments and on-balance sheet guarantees discussed above.

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| (THOUSANDS) | NET AMOUNT COMMITTED | AMOUNT OF COMMITMENT EXPIRATION PER PERIOD | | | |
|-------------------------------|----------------------------|---|-----------------------------|--------------|--------------|
| | | AT MAR. 31, 2014 | LESS THAN ONE YEAR | 1-3 YEARS | 3-5 YEARS |
| Off-balance sheet commitments | \$ 5,225 | \$3,725 | \$— | \$1,000 | \$500 |
| On-balance sheet guarantees | 4,906 | 900 | — | — | 4,006 |
| Total | \$ 10,131 | \$4,625 | \$— | \$1,000 | \$4,506 |

Other Commitments

NMTC Fund

In 2008, Cleco Corporation and US Bancorp Community Development Corporation (USBCDC) formed the NMTC Fund. Cleco has a 99.9% membership interest in the NMTC Fund and USBCDC has a 0.1% interest. The purpose of the NMTC Fund is to invest in projects located in qualified active low-income communities that are underserved by typical debt capital markets. These investments are designed to generate NMTCs and Historical Rehabilitation tax credits. The NMTC Fund was later amended to include renewable energy investments. The majority of the energy investments qualify for grants under Section 1603 of the ARRA. The tax benefits received from the NMTC Fund reduce the federal income tax obligations of Cleco Corporation. In total, Cleco Corporation will contribute \$283.6 million of equity contributions to the NMTC Fund and will receive at least \$301.9 million in the form of tax credits, tax losses, capital gains/losses, earnings, and cash over the life of the investment, which ends in 2017. The \$18.3 million difference between equity contributions and total benefits received will be recognized over the life of the NMTC Fund as net tax benefits are delivered. The following table reflects remaining future equity contributions.

| (THOUSANDS) | CONTRIBUTION |
|----------------------------------|--------------|
| Nine months ending Dec. 31, 2014 | \$36,252 |
| Years ending Dec. 31, 2015 | 11,195 |
| 2016 | 3,698 |
| 2017 | 2,913 |
| Total | \$54,058 |

Of the \$54.1 million, \$38.4 million is due to be paid within the next 12 months. Due to the right of offset, the investment and associated debt are presented on Cleco's Condensed Consolidated Balance Sheet in the line item titled Tax credit fund investment, net. The amount of tax benefits delivered in excess of capital contributions as of March 31, 2014, was \$62.4 million. The amount of tax benefits delivered but not utilized as of March 31, 2014, was \$112.9 million and is reflected as a deferred tax asset.

The equity contribution does not contain a stated rate of interest. Cleco Corporation has recorded the liability and investment at its calculated fair value within the framework of the authoritative guidance. In order to calculate the fair value, management used an imputed rate of interest assuming that Cleco Corporation obtained financing of a similar nature from a third party. The imputed interest rate was used in a net present value model in order to calculate the fair value of the remaining portion of the delayed equity contributions. The following table contains the disclosures required by the authoritative guidelines for equity investments with an imputed interest rate.

(THOUSANDS)

Equity contributions, imputed interest rate 6%

| | |
|-----------------------------------|----------|
| Principal payment schedule above: | \$54,058 |
| Less: unamortized discount | 3,011 |
| Total | \$51,047 |

The gross investment amortization expense will be recognized over a nine-year period, with four years remaining under the new amendment, using the cost method in accordance with the authoritative guidance for investments. The grants received under Section 1603, which allow certain projects to receive a federal grant in lieu of tax credits, and other cash reduce the basis of the investment. Periodic amortization of the investment and the deferred taxes generated by the basis reduction temporary difference are included as components of income tax expense.

Other

Cleco has accrued for liabilities related to third parties and employee medical benefits. Cleco has also accrued additional taxes other than income taxes at the state and local level.

Risks and Uncertainties

Cleco Corporation

Cleco Corporation could be subject to possible adverse consequences if Cleco's counterparties fail to perform their obligations or if Cleco Corporation or its affiliates are not in compliance with loan agreements or bond indentures.

Other

Access to capital markets is a significant source of funding for both short- and long-term capital requirements not satisfied by operating cash flows. If Cleco Corporation's credit ratings were to be downgraded by Moody's or S&P, Cleco Corporation would be required to pay additional fees and higher interest rates under its bank credit and other debt agreements.

Changes in the regulatory environment or market forces could cause Cleco to determine its assets have suffered an other-than-temporary decline in value, whereby an impairment would be required to be taken and Cleco's financial condition could be materially adversely affected.

Cleco Power

Cleco Power began participating in the MISO market in December 2013. Energy prices in the MISO market are based on LMP, which includes a component directly related to congestion on the transmission system. Pricing zones with greater transmission congestion will have higher LMP costs. Physical transmission constraints present in the MISO market could increase energy costs within Cleco Power's pricing zone. Cleco Power receives FTRs to mitigate the transmission congestion risk. However, insufficient allocations or FTR costs

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due to negative congestion flows may result in an unexpected increase in energy costs to Cleco Power. Access to capital markets is a significant source of funding for both short- and long-term capital requirements not satisfied by operating cash flows. Cleco Power pays fees and interest under its bank credit agreements based on the highest rating held. If Cleco Power's credit ratings were to be downgraded by Moody's or S&P, Cleco Power would be required to pay additional fees and higher interest rates under its bank credit agreements. Cleco Power's collateral for derivatives is based on the lowest rating held. If Cleco Power's credit ratings were to be downgraded by Moody's or S&P, Cleco Power would be required to pay additional collateral for derivatives.

Note 12 — Affiliate Transactions

Cleco Power has affiliate balances that are payable to or due from its affiliates. The following table is a summary of those balances.

| (THOUSANDS) | AT MAR. 31, 2014 | | AT DEC. 31, 2013 | |
|----------------------|------------------------|---------------------|------------------------|---------------------|
| | ACCOUNTS RECEIVABLE | ACCOUNTS PAYABLE | ACCOUNTS RECEIVABLE | ACCOUNTS PAYABLE |
| Cleco Corporation | \$1,773 | \$712 | \$379 | \$389 |
| Support Group | 853 | 6,203 | 634 | 5,972 |
| Midstream | 265 | 11 | 27 | 1 |
| Evangeline | 38 | 867 | 4 | 2,024 |
| Diversified Lands | 1 | — | 1 | — |
| Other ⁽¹⁾ | 2 | — | — | — |
| Total | \$2,932 | \$7,793 | \$1,045 | \$8,386 |

⁽¹⁾ Represents Perryville and Attala

Note 13 — Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are summarized in the following tables for Cleco and Cleco Power. All amounts are reported net of income taxes and amounts in parentheses indicate debits.

Cleco

| (THOUSANDS) | FOR THE THREE MONTHS ENDED MAR. 31, | | | | | |
|---|--|---|--|--|---|--|
| | 2014 | | | 2013 | | |
| | POSTRETIREMENT BENEFIT NET LOSS | NET LOSS ON CASH FLOW HEDGES | TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS | POSTRETIREMENT BENEFIT NET LOSS | NET LOSS ON CASH FLOW HEDGES | TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS |
| Balances at beginning of period | \$ (19,725) | \$(6,151) | \$ (25,876) | \$(24,741) | \$(7,629) | \$ (32,370) |
| Other comprehensive income before reclassifications: | | | | | | |
| Net derivative gain | — | — | — | — | 1,355 | 1,355 |
| Amounts reclassified from accumulated other comprehensive income: | | | | | | |
| Amortization of postretirement benefit net loss | 844 | — | 844 | 536 | — | 536 |
| Reclassification of net loss to interest charges | — | 53 | 53 | — | 12 | 12 |

| | | | | | | |
|---|-------------|------------|-------------|-------------|------------|-------------|
| Reclassification of ineffectiveness to regulatory asset | — | — | — | — | (30) | (30) |
| Net current-period other comprehensive income | 844 | 53 | 897 | 536 | 1,337 | 1,873 |
| Balances, Mar. 31, | \$ (18,881) | \$ (6,098) | \$ (24,979) | \$ (24,205) | \$ (6,292) | \$ (30,497) |

Cleco Power

| (THOUSANDS) | FOR THE THREE MONTHS ENDED MAR. 31, | | | | | |
|---|-------------------------------------|------------------------------|--|---------------------------------|------------------------------|--|
| | 2014 | | | 2013 | | |
| | POSTRETIREMENT BENEFIT NET LOSS | NET LOSS ON CASH FLOW HEDGES | TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS | POSTRETIREMENT BENEFIT NET LOSS | NET LOSS ON CASH FLOW HEDGES | TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS |
| Balances at beginning of period | \$ (9,026) | \$ (6,151) | \$ (15,177) | \$ (12,792) | \$ (7,629) | \$ (20,421) |
| Other comprehensive income before reclassifications: | | | | | | |
| Net derivative gain | — | — | — | — | 1,355 | 1,355 |
| Amounts reclassified from accumulated other comprehensive income: | | | | | | |
| Amortization of postretirement benefit net loss | 525 | — | 525 | 251 | — | 251 |
| Reclassification of net loss to interest charges | — | 53 | 53 | — | 12 | 12 |
| Reclassification of ineffectiveness to regulatory asset | — | — | — | — | (30) | (30) |
| Net current-period other comprehensive income | 525 | 53 | 578 | 251 | 1,337 | 1,588 |
| Balances, Mar. 31, | \$ (8,501) | \$ (6,098) | \$ (14,599) | \$ (12,541) | \$ (6,292) | \$ (18,833) |

Note 14 — Coughlin Transfer

In October 2012, Cleco Power announced that Evangeline was the winning bidder in Cleco Power's 2012 Long-Term RFP, and in December 2012, Cleco Power and Evangeline executed definitive agreements to transfer ownership and control of Coughlin from Evangeline to Cleco Power. On March 15, 2014,

Coughlin was transferred to Cleco Power with a net book value of \$176.0 million. Cleco Power expects to finalize the rate treatment of Coughlin as part of its FRP extension proceeding before the LPSC, which is expected to be complete by the end of the second quarter of 2014.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cleco uses its website, <https://www.cleco.com>, as a routine channel for distribution of important information, including news releases, analyst presentations, and financial information. Cleco's website is the primary source of publicly disclosed news about Cleco. Cleco is providing the address to its website solely for the information of investors and does not intend the address to be an active link. The contents of the website are not incorporated into this Combined Quarterly Report on Form 10-Q.

The following discussion and analysis should be read in combination with the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013, and Cleco and Cleco Power's Condensed Consolidated Financial Statements contained in this Combined Quarterly Report on Form 10-Q. The information included therein is essential to understanding the following discussion and analysis. Below is information concerning the consolidated results of operations of Cleco for the three months ended March 31, 2014 and March 31, 2013.

RESULTS OF OPERATIONS

Overview

Cleco is a regional energy company that conducts substantially all of its business operations through its primary subsidiary, Cleco Power. Cleco Power is a regulated electric utility company, which owns 11 generating units with a total nameplate capacity of 3,340 MW and serves approximately 284,000 customers in Louisiana through its retail business and supplies wholesale power in Louisiana and Mississippi. Prior to March 15, 2014, Cleco also conducted wholesale business operations through its Midstream subsidiary. Midstream owns Evangeline (which owned and operated Coughlin). On March 15, 2014, the Coughlin generating assets were transferred to Cleco Power. Coughlin consists of two generating units with a total nameplate capacity of 775 MW. For additional information on the Coughlin transfer, see Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 14 — Coughlin Transfer."

Cleco Power

Many factors affect Cleco Power's primary business of selling electricity. These factors include weather and the presence of a stable regulatory environment, which impacts cost recovery and return on equity, as well as the recovery of costs related to growing energy demand and rising fuel prices; the ability to increase energy sales while containing costs; the ability to meet increasingly stringent regulatory and environmental standards; and participation in MISO and the related operating challenges and uncertainties, including increased wholesale competition relative to more suppliers. Key initiatives that Cleco Power is currently working on include implementation of various environmental controls to comply with the MATS ruling and the extension of its current FRP, which is expected to include the rate treatment related to the Coughlin transfer. These initiatives are discussed below.

MATS

The MATS rule was finalized in February 2012 and requires affected electric generating units to meet specific numeric emission standards and work practice standards to address

hazardous air pollutants. MATS imposes strict emission limits on new and existing coal- and liquid oil-fired electric generating units for mercury, acid gases, and non-mercury metallic pollutants. Cleco Power units impacted by the rule include Rodemacher Unit 2, Madison Unit 3, and Dolet Hills. MATS allows existing sources approximately three years to comply with the rule. The actual compliance deadline is April 16, 2015. Cleco Power completed its evaluation of control technology options and has identified capital expenditures that are required to engineer, procure, and install pollution controls and emissions monitoring equipment to ensure Cleco Power will be in a position to comply with MATS in a timely manner. New equipment to be installed and operational by the compliance date at Rodemacher Unit 2 and Dolet Hills includes dry sorbent injection for acid gas control and fabric filters (baghouses)

for metal particulate control. In addition, activated carbon injection for mercury control is to be installed and operational by the compliance date at Rodemacher Unit 2, Madison Unit 3, and Dolet Hills. Work on Dolet Hills is anticipated to be complete in May 2014. Work on Rodemacher 2 is anticipated to be complete by November 2014, while work on Madison Unit 3 is expected to be complete by the first quarter of 2015. Cleco Power filed an application with the LPSC on August 16, 2012, requesting authorization to recover the revenue requirements associated with the MATS equipment. The LPSC proceeding is currently in the discovery phase. The MATS project is expected to cost \$265.0 million, of which Cleco Power's portion is \$111.3 million. As of March 31, 2014, \$176.4 million was spent on the project, of which Cleco Power's portion was \$73.9 million.

Extension of FRP/Rate Treatment of Coughlin

On April 26, 2013, Cleco Power filed an application with the LPSC to extend its current FRP and to seek rate recovery of Coughlin, which was transferred to Cleco Power from Midstream on March 15, 2014. After evaluating various rate options, on March 26, 2014, Cleco Power filed supplemental information supporting its request in this application. The docket is currently in the discovery phase. Cleco Power expects LPSC action on this request by the end of the second quarter of 2014.

Cleco Midstream

Evangeline

On March 15, 2014, Coughlin was transferred to Cleco Power. As a result of this transfer, there will be minimal operating activity and operating earnings at Midstream in future periods. For more information, see Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 14 — Coughlin Transfer," and "— Financial Condition - Regulatory and Other Matters — Generation RFP."

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Comparison of the Three Months Ended March 31, 2014 and 2013
Cleco Consolidated

| (THOUSANDS) | FOR THE THREE MONTHS ENDED MAR. 31, | | FAVORABLE/(UNFAVORABLE) | | |
|---------------------------------------|-------------------------------------|-----------|-------------------------|--------|----|
| | 2014 | 2013 | VARIANCE | CHANGE | |
| Operating revenue, net | \$284,387 | \$240,947 | \$43,440 | 18.0 | % |
| Operating expenses | 227,049 | 182,480 | (44,569) | (24.4) |)% |
| Operating income | \$57,338 | \$58,467 | \$(1,129) | (1.9) |)% |
| Other income | \$971 | \$2,273 | \$(1,302) | (57.3) |)% |
| Interest charges | \$20,268 | \$21,456 | \$1,188 | 5.5 | % |
| Federal and state income taxes | \$13,678 | \$13,081 | \$(597) | (4.6) |)% |
| Net income applicable to common stock | \$25,924 | \$27,133 | \$(1,209) | (4.5) |)% |

Consolidated net income applicable to common stock decreased \$1.2 million, or 4.5%, in the first quarter of 2014 compared to the first quarter of 2013 primarily due to lower Cleco Power and corporate earnings, partially offset by lower losses at Midstream.

Operating revenue, net increased \$43.4 million, or 18.0%, in the first quarter of 2014 compared to the first quarter of 2013 largely as a result of higher base revenue and fuel cost recovery revenue at Cleco Power.

Operating expenses increased \$44.6 million, or 24.4%, in the first quarter of 2014 compared to the first quarter of 2013 primarily due to higher recoverable fuel and power purchased, higher maintenance expense, and higher depreciation expense at Cleco Power.

Other income decreased \$1.3 million, or 57.3%, during the first quarter of 2014 compared to the first quarter of 2013 largely due to a decrease in the cash surrender value of life insurance policies.

Interest charges decreased \$1.2 million, or 5.5%, during the first quarter of 2014 compared to the first quarter of 2013 primarily due to lower interest charges at Cleco Power.

Federal and state income taxes increased \$0.6 million, or 4.6%, during the first quarter of 2014 compared to the first quarter of 2013 primarily due to \$1.9 million for the absence of tax credits, \$0.4 million for the flowthrough of tax benefits, and \$0.3 million for permanent tax deductions. These increases were partially offset by \$1.2 million to record tax expense at the consolidated projected annual effective tax rate, \$0.7 million for the change in pre-tax income excluding AFUDC equity, and \$0.1 million for miscellaneous tax items.

Results of operations for Cleco Power and Midstream are more fully described below.

Cleco Power

| (THOUSANDS) | FOR THE THREE MONTHS ENDED MAR. 31, | | FAVORABLE/(UNFAVORABLE) | | |
|--|-------------------------------------|-----------|-------------------------|---------|----|
| | 2014 | 2013 | VARIANCE | CHANGE | |
| Operating revenue | | | | | |
| Base | \$157,184 | \$138,203 | \$18,981 | 13.7 | % |
| Fuel cost recovery | 112,575 | 91,222 | 21,353 | 23.4 | % |
| Electric customer credits | (186) | (21) | (165) | (785.7) |)% |
| Other operations | 14,272 | 11,038 | 3,234 | 29.3 | % |
| Affiliate revenue | 335 | 336 | (1) | (0.3) |)% |
| Operating revenue, net | 284,180 | 240,778 | 43,402 | 18.0 | % |
| Operating expenses | | | | | |
| Recoverable fuel and power purchased | 112,576 | 91,226 | (21,350) | (23.4) |)% |
| Non-recoverable fuel and power purchased | 4,662 | 3,832 | (830) | (21.7) |)% |
| Other operations | 25,321 | 25,373 | 52 | 0.2 | % |

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| | | | | | | |
|--------------------------------|----------|----------|----------|---|--------|----|
| Maintenance | 30,256 | 14,794 | (15,462 |) | (104.5 |)% |
| Depreciation | 40,203 | 32,330 | (7,873 |) | (24.4 |)% |
| Taxes other than income taxes | 12,974 | 11,458 | (1,516 |) | (13.2 |)% |
| Total operating expenses | 225,992 | 179,013 | (46,979 |) | (26.2 |)% |
| Operating income | \$58,188 | \$61,765 | \$(3,577 |) | (5.8 |)% |
| Interest charges | \$19,758 | \$21,349 | \$1,591 | | 7.5 | % |
| Federal and state income taxes | \$14,210 | \$14,238 | \$28 | | 0.2 | % |
| Net income | \$26,307 | \$27,793 | \$(1,486 |) | (5.3 |)% |

Cleco Power's net income in the first quarter of 2014 decreased \$1.5 million, or 5.3%, compared to the first quarter of 2013. Contributing factors include:

higher maintenance expenses,
higher depreciation expense,
higher taxes other than income taxes, and
higher non-recoverable fuel and power purchased.

These factors were partially offset by:

higher base revenue,
higher other operations revenue, and
lower interest charges.

| (MILLION kWh) | FOR THE THREE MONTHS ENDED MAR. 31, | | | FAVORABLE/ (UNFAVORABLE) | |
|---|-------------------------------------|-------|------|-----------------------------|----|
| | 2014 | 2013 | | | |
| Electric sales | | | | | |
| Residential | 1,026 | 840 | 22.1 | | % |
| Commercial | 623 | 582 | 7.0 | | % |
| Industrial | 549 | 555 | (1.1 | |)% |
| Other retail | 33 | 33 | — | | % |
| Total retail | 2,231 | 2,010 | 11.0 | | % |
| Sales for resale | 474 | 441 | 7.5 | | % |
| Unbilled | (106 |) (63 |) | (68.3 |)% |
| Total retail and wholesale customer sales | 2,599 | 2,388 | 8.8 | | % |

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| (THOUSANDS) | FOR THE THREE MONTHS ENDED MAR. 31, | | | FAVORABLE/ (UNFAVORABLE) | |
|---|-------------------------------------|-----------|----------|-----------------------------|----|
| | 2014 | 2013 | | | |
| Electric sales | | | | | |
| Residential | \$74,934 | \$61,700 | 21.4 | | % |
| Commercial | 48,463 | 44,049 | 10.0 | | % |
| Industrial | 21,825 | 21,125 | 3.3 | | % |
| Other retail | 2,655 | 2,566 | 3.5 | | % |
| Surcharge | 2,435 | 2,237 | 8.9 | | % |
| Other | — | (1,565) |) 100.0 | | % |
| Total retail | 150,312 | 130,112 | 15.5 | | % |
| Sales for resale | 12,585 | 12,279 | 2.5 | | % |
| Unbilled | (5,713) |) (4,188) |) (36.4) | |)% |
| Total retail and wholesale customer sales | \$157,184 | \$138,203 | 13.7 | | % |

Cleco Power's residential customers' demand for electricity is affected largely by weather. Weather generally is measured in cooling-degree days and heating-degree days. A cooling-degree day is an indication of the likelihood that a consumer will use air conditioning, while a heating-degree day is an indication of the likelihood that a consumer will use heating. An increase in heating-degree days does not produce the same increase in revenue as an increase in cooling-degree days, because alternative heating sources are more available and because winter energy is priced below the rate charged for energy used in the summer. Normal heating-degree days and cooling-degree days are calculated for a month by separately calculating the average actual heating- and cooling-degree days for that month over a period of 30 years.

The following table shows how cooling- and heating-degree days varied from normal conditions and from the prior period. Cleco Power uses weather data provided by the National Oceanic and Atmospheric Administration to determine degree days.

| | FOR THE THREE MONTHS ENDED MAR. 31, | | | | | |
|---------------------|-------------------------------------|------|--------|---------------------------|--------|--------|
| | 2014 | 2013 | NORMAL | 2014 CHANGE PRIOR YEAR | NORMAL | |
| Heating-degree days | 1,184 | 791 | 933 | 49.7 | % | 26.9 |
| Cooling-degree days | 37 | 64 | 75 | (42.2) |)% | (50.7) |

Base
Base revenue increased \$19.0 million, or 13.7%, during the first quarter of 2014 compared to the first quarter of 2013 primarily due to higher sales to retail and wholesale customers, largely the result of colder winter weather, and the absence of customer refunds for construction financing costs related to Madison Unit 3, which resulted in a \$12.4 million increase to base revenue. Also contributing to this increase was an annual rate adjustment associated with Cleco's FRP, which resulted in an approximate \$6.6 million increase to base revenue. For information on the effects of future energy sales on Cleco Power's financial condition, results of operations, and cash flows, see "Risk Factors — Future Electricity Sales" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Fuel Cost Recovery

Fuel cost recovery revenue billed to customers increased \$21.4 million, or 23.4%, during the first quarter of 2014 compared to the first quarter of 2013 primarily due to the

volumes of power sales as a result of Cleco's participation in the energy market through MISO. Also contributing to this increase were higher fuel costs. Changes in fuel costs historically have not significantly affected Cleco Power's net

income. Generally, fuel and purchased power expenses are recovered through the LPSC-established FAC, which enables Cleco Power to pass on to its customers substantially all such charges. Approximately 88% of Cleco Power's total fuel cost during the first quarter of 2014 was regulated by the LPSC, while the remainder was regulated by FERC. Recovery of FAC costs is subject to refund until approval is received from the LPSC. For additional information on the accounting for MISO transactions, see Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 1 — Summary of Significant Accounting Policies — Accounting for MISO Transactions."

Other Operations

Other operations revenue increased \$3.2 million, or 29.3%, in the first quarter of 2014 compared to the first quarter of 2013 primarily due to \$2.5 million of higher transmission revenue, \$0.5 million of forfeited discount revenue, and \$0.2 million of higher other miscellaneous revenue.

Operating Expenses

Operating expenses increased \$47.0 million, or 26.2%, in the first quarter of 2014 compared to the first quarter of 2013. Recoverable fuel and power purchased increased \$21.4 million, or 23.4%, primarily due to the volumes of power purchased as a result of Cleco's participation in the energy market through MISO. Also contributing to this increase were higher fuel costs. Fuel used for electric generation for utility customers generally are influenced by natural gas prices as well as Cleco's participation in the MISO market. However, other factors such as scheduled and/or unscheduled outages, unusual maintenance or repairs, or other developments may affect fuel used for electric generation and power purchased for utility customers. Non-recoverable fuel and power purchased increased \$0.8 million, or 21.7%, primarily due to higher capacity charges and non-recoverable wholesale power purchases. Maintenance expense increased \$15.5 million, or 104.5%, primarily due to higher planned generating station outage expenses. Depreciation expense increased \$7.9 million, or 24.4%, primarily due to amortization of the Evangeline capacity costs and normal recurring additions to fixed assets. Taxes other than income taxes increased \$1.5 million, or 13.2%, primarily due to higher accruals of taxes other than income taxes at the state and local level. For additional information on the accounting for MISO transactions, see Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 1 — Summary of Significant Accounting Policies — Accounting for MISO Transactions."

Interest Charges

Interest charges decreased \$1.6 million, or 7.5%, during the first quarter of 2014 compared to the first quarter of 2013 primarily due to \$1.0 million from the retirement of senior notes, \$0.7 million related to an adjustment to customer surcredits due to a tax settlement, and \$0.5 million related to reacquired debt. These amounts were partially offset by an increase of \$0.6 million related to GO Zone bonds.

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Midstream

| (THOUSANDS) | FOR THE THREE MONTHS ENDED MAR. 31, | | FAVORABLE/(UNFAVORABLE) | | |
|--------------------------------------|-------------------------------------|------------|-------------------------|----------|----|
| | 2014 | 2013 | VARIANCE | CHANGE | |
| Operating revenue | | | | | |
| Tolling operations | \$5,467 | \$4,837 | \$630 | 13.0 | % |
| Other operations | — | 1 | (1 |) (100.0 |)% |
| Operating revenue | 5,467 | 4,838 | 629 | 13.0 | % |
| Operating expenses | | | | | |
| Other operations | 1,741 | 1,722 | (19 |) (1.1 |)% |
| Maintenance | 2,050 | 2,663 | 613 | 23.0 | % |
| Depreciation | 1,269 | 1,500 | 231 | 15.4 | % |
| Taxes other than income taxes | 533 | 628 | 95 | 15.1 | % |
| Loss on sale of assets | 69 | 1,034 | 965 | 93.3 | % |
| Total operating expenses | 5,662 | 7,547 | 1,885 | 25.0 | % |
| Operating loss | \$(195 |) \$(2,709 |) \$2,514 | 92.8 | % |
| Federal and state income tax benefit | \$(81 |) \$(840 |) \$(759 |) (90.4 |)% |
| Net loss | \$(130 |) \$(1,334 |) \$1,204 | 90.3 | % |

The transfer of Coughlin to Cleco Power occurred on March 15, 2014. As a result of this transfer, there will be minimal operating activity and operating earnings at Midstream in future periods. Factors affecting Midstream during the first quarter of 2014 are described below.

Operating Revenue

Operating revenue increased \$0.6 million, or 13.0%, in the first quarter of 2014 compared to the first quarter of 2013 primarily due to higher tolling revenue at Evangeline resulting from higher variable operations and maintenance and start-up revenue.

Operating Expenses

Operating expenses decreased \$1.9 million, or 25.0%, in the first quarter of 2014 compared to the first quarter of 2013 primarily due to lower routine maintenance expenses and lower losses on disposal of assets at Evangeline.

Income Taxes

Federal and state income tax benefits decreased \$0.8 million, or 90.4%, during the first quarter of 2014 compared to the first quarter of 2013 primarily due to the change in pre-tax income.

FINANCIAL CONDITION

Liquidity and Capital Resources

General Considerations and Credit-Related Risks

Credit Ratings and Counterparties

Financing for operational needs and capital expenditure requirements not satisfied by operating cash flows depends upon the cost and availability of external funds through both short- and long-term financing. The inability to raise capital on favorable terms could negatively affect Cleco's or Cleco Power's ability to maintain or expand its businesses. Access to funds is dependent upon factors such as general economic and capital market conditions, regulatory authorizations and policies, Cleco Corporation's and Cleco Power's credit ratings, the cash flows from routine operations, and the credit ratings of project counterparties. After assessing the current operating

performance, liquidity, and credit ratings of Cleco Corporation and Cleco Power, management believes that Cleco Corporation and Cleco Power will have access to the capital markets at prevailing market rates for companies with comparable credit ratings. The following table presents the credit ratings of Cleco Corporation and Cleco Power at March 31, 2014.

| | SENIOR UNSECURED DEBT | | CORPORATE CREDIT |
|-------------------|-----------------------|------|------------------|
| | MOODY'S | S&P | S&P |
| Cleco Corporation | Baa2 | N/A | BBB+ |
| Cleco Power | Baa1 | BBB+ | N/A |

Cleco notes that credit ratings are not recommendations to buy, sell, or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

At March 31, 2014, Moody's outlook for both Cleco Corporation and Cleco Power was positive and S&P's outlook for both Cleco Corporation and Cleco Power was stable. On January 30, 2014, the unsecured credit ratings were upgraded by Moody's to Baa2 for Cleco Corporation and Baa1 for Cleco Power. Moody's outlook for both Cleco Corporation and Cleco Power remained positive. Cleco Corporation and Cleco Power pay fees and interest under their bank credit agreements based on the highest rating held. The all-in interest rate under Cleco Corporation's credit facility is 0.25% lower due to the ratings upgrade and savings are dependent upon the level of borrowings. If Cleco Corporation or Cleco Power's credit rating were to be downgraded by Moody's or S&P, Cleco Corporation and/or Cleco Power would be required to pay additional fees and incur higher interest rates for borrowings under their respective credit facilities. Cleco Power's collateral for derivatives is based on the lowest rating held. If Cleco Power's credit ratings were to be downgraded by Moody's or S&P, Cleco Power would be required to post additional collateral for derivatives.

With respect to any open power or natural gas trading positions that Cleco may initiate in the future, Cleco may be required to provide credit support or pay liquidated damages. The amount of credit support that Cleco may be required to provide at any point in the future is dependent on the amount of the initial transaction, changes in the market price of power and natural gas, the changes in open power and gas positions, and changes in the amount counterparties owe Cleco. Changes in any of these factors could cause the amount of requested credit support to increase or decrease.

On December 19, 2013, Cleco Power integrated into the MISO market. MISO operates a fully functioning RTO market. The vast majority of the transactions are settled through the Day-Ahead Energy Market; however, MISO also operates a real-time energy market to address the deviations between day-ahead and real-time schedules. MISO required Cleco Power to provide credit support which may increase or decrease due to the timing of the settlement schedules. In December 2013, Cleco Power provided a \$1.0 million letter of credit to MISO pursuant to the credit requirements of FTRs. On April 8, 2014, Cleco Power increased the letter of credit to \$2.0 million. The letter of credit is automatically renewed each year and reduces Cleco Power's credit facility capacity. For more about MISO, see "Regulatory and Other Matters — Transmission Rates of Cleco Power."

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Global and U.S. Economic Environment

The current economic environment and uncertainty may have an impact on Cleco's business and financial condition. Future actions or inactions of the U.S. federal government, including a failure to increase the government debt limit or another shutdown of the federal government, could increase the actual or perceived risk that the U.S. may not ultimately pay its obligations when due and may disrupt financial markets, including capital markets. Access to capital markets is a significant source of funding for both short- and long-term capital requirements not satisfied by operating cash flows. Market conditions in the past years have limited the availability and have increased the costs of capital for many companies. Although the Registrants have not experienced restrictions in the financial markets, their ability to access the capital markets may be restricted at a time when the Registrants would like, or need, to do so. Any restrictions could have a material impact on the Registrants' ability to fund capital expenditures or debt service, or on their flexibility to react to changing economic and business conditions. Credit constraints could have a material negative impact on the Registrants' lenders or customers, causing them to fail to meet their obligations to the Registrants or to delay payment of such obligations. The lower interest rates that the Registrants have been exposed to have been beneficial to recent debt issuances; however, these rates have negatively affected interest income for the Registrants' short-term investments.

Fair Value Measurements

Various accounting pronouncements require certain assets and liabilities to be measured at their fair values. Some assets and liabilities are required to be measured at their fair value each reporting period, while others are required to be measured only one time, generally the date of acquisition or debt issuance. Cleco and Cleco Power are required to disclose the fair value of certain assets and liabilities by one of three levels for recognition purposes under GAAP.

Other financial assets and liabilities, such as long-term debt, are reported at their carrying values at their date of issuance on the consolidated balance sheets with their fair values as of the balance sheet date disclosed within the three levels. For more information about fair value levels, see Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 4 — Fair Value Accounting."

Cash Generation and Cash Requirements

Restricted Cash and Cash Equivalents

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

| (THOUSANDS) | AT MAR. 31, 2014 | AT DEC. 31, 2013 |
|--|------------------|------------------|
| Diversified Lands' mitigation escrow | \$21 | \$21 |
| Cleco Katrina/Rita's storm recovery bonds | 3,893 | 8,986 |
| Cleco Power's future storm restoration costs | 14,025 | 4,726 |
| Cleco Power's building renovation escrow | 448 | 286 |
| Total restricted cash and cash equivalents | \$18,387 | \$14,019 |

Cleco Katrina/Rita has the right to bill and collect storm restoration costs from Cleco Power's customers. As cash is collected, it is restricted for payment of administration fees, interest, and principal on storm recovery bonds. During the three months ended March 31, 2014, Cleco Katrina/Rita collected \$5.5 million net of administration fees. In March 2014, Cleco Katrina/Rita used \$7.6 million for scheduled storm recovery bond principal payments and \$3.0 million for related interest.

Cleco Power's restricted cash and cash equivalents held for future storm restoration costs increased \$9.3 million from December 31, 2013, primarily due to the transfer of \$13.2 million of restricted investments that were held with an outside investment manager and liquidated during the first quarter of 2014. The liquidated holdings are now held in

restricted cash and cash equivalents and reported in the above table in Cleco Power's future storm restoration costs. Partially offsetting this amount was the transfer of \$4.0 million to cover the expenses associated with recent storm activity.

In connection with Cleco Power's building modernization project, Cleco Power was required to establish an escrow account with a qualified financial institution and deposit all retainage monies as they accrue under the construction contract. Upon completion of the construction work, the funds including any interest held in the escrow account will be released from escrow and paid to the construction contractor.

Debt

Cleco Consolidated

At March 31, 2014 and December 31, 2013, Cleco had no short-term debt outstanding.

At March 31, 2014, Cleco's long-term debt outstanding was \$1.31 billion, of which \$17.7 million was due within one year. The long-term debt due within one year at March 31, 2014, represents \$15.4 million principal payments for the Cleco Katrina/Rita storm recovery bonds and \$2.3 million of capital lease payments.

For Cleco, long-term debt decreased \$18.0 million from December 31, 2013, primarily due to a \$10.0 million net reduction in credit facility draws, a \$7.6 million scheduled Cleco Katrina/Rita storm recovery bond principal payment made in March 2014, and a \$0.5 million decrease in capital lease obligations. These decreases were partially offset by debt discount amortizations of \$0.1 million.

Cash and cash equivalents available at March 31, 2014, were \$18.2 million combined with \$534.0 million credit facility capacity (\$235.0 million from Cleco Corporation and \$299.0 million from Cleco Power) for total liquidity of \$552.2 million. Cash and cash equivalents available at March 31, 2014, decreased \$10.5 million when compared to cash and cash equivalents available at December 31, 2013. This decrease was primarily due to vendor payments, the net repayment of credit facility draws, the payment of common stock dividends, the repurchase of common stock, and income tax payments. Partially offsetting this decrease were customer receipts.

At March 31, 2014, Cleco and Cleco Power were exposed to concentrations of credit risk through their short-term investments classified as cash equivalents. In order to mitigate potential credit risk, Cleco and Cleco Power have established guidelines for short-term investments. For more information on the concentration of credit risk through short-term investments classified as cash equivalents, see Item 1,

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“Notes to the Unaudited Condensed Consolidated Financial Statements — Note 4 — Fair Value Accounting.”
 At March 31, 2014 and December 31, 2013, Cleco had a working capital surplus of \$162.4 million and \$230.1 million, respectively. The \$67.7 million decrease in working capital is primarily due to:

- a \$25.1 million net decrease in net current tax assets and related interest charges expected to be settled in the next 12 months,
- a \$14.3 million increase in accrued interest, excluding interest on uncertain tax positions, due to timing of debt service schedules,
- a \$10.5 million decrease in unrestricted cash and cash equivalents as discussed above,
- a \$7.3 million decrease in fuel inventory due to receiving less coal deliveries and more coal usage,
- a \$5.4 million net decrease in energy risk management assets and liabilities due to FTR activity, and
- a \$5.1 million decrease in restricted cash and cash equivalents.

Cleco Corporation (Holding Company Level)

Cleco Corporation had no short-term debt outstanding at March 31, 2014 or December 31, 2013.

At March 31, 2014, Cleco Corporation had \$15.0 million draws outstanding under its \$250.0 million credit facility compared to \$5.0 million outstanding at December 31, 2013. This facility provides for working capital and other needs.

Cleco Corporation and Cleco Power have uncommitted lines of credit with a bank that allow up to \$10.0 million each in short term borrowings, but no more than \$10.0 million in aggregate, to support their working capital needs.

Cash and cash equivalents available at March 31, 2014, were \$6.5 million, combined with \$235.0 million credit facility capacity for total liquidity of \$241.5 million. Cash and cash equivalents available at March 31, 2014, decreased \$0.9 million when compared to cash and cash equivalents available at December 31, 2013. This decrease was primarily due to higher vendor payments, the payment of common stock dividends, the repurchase of common stock, and income tax payments. Partially offsetting this decrease were dividends from Cleco Power and credit facility draws.

Cleco Power

At March 31, 2014 and December 31, 2013, Cleco Power had no short-term debt outstanding.

At March 31, 2014, Cleco Power’s long-term debt outstanding was \$1.30 billion, of which \$17.7 million was due within one year. The long-term debt due within one year at March 31, 2014, represents \$15.4 million principal payments for the Cleco Katrina/Rita storm recovery bonds and \$2.3 million of capital lease payments.

For Cleco Power, long-term debt decreased \$28.0 million from December 31, 2013, primarily due to a \$20.0 million repayment of credit facility draws, a \$7.6 million scheduled Cleco Katrina/Rita storm recovery bond principal payment made in March 2014, and a \$0.5 million decrease in capital lease obligations. These decreases were partially offset by debt discount amortizations of \$0.1 million.

At March 31, 2014, Cleco Power had no draws outstanding under its \$300.0 million credit facility compared to \$20.0 million outstanding at December 31, 2013. In December 2013, Cleco Power provided a \$1.0 million letter of credit to

MISO pursuant to the credit requirements of FTRs. On April 8, 2014, Cleco Power increased the letter of credit to \$2.0 million. The letter of credit is automatically renewed each year and reduces Cleco Power’s credit facility capacity. This facility provides for working capital and other needs.

Cleco Corporation and Cleco Power have uncommitted lines of credit with a bank that allow up to \$10.0 million each in short term borrowings, but no more than \$10.0 million in aggregate, to support their working capital needs.

Cash and cash equivalents available at March 31, 2014, were \$11.5 million, combined with \$299.0 million credit facility capacity consisting of \$300.0 million of original capacity less \$1.0 million for the letter of credit to MISO, for total liquidity of \$310.5 million. Cash and cash equivalents decreased \$9.6 million, when compared to cash and cash equivalents at December 31, 2013. This decrease was primarily due to vendor payments, dividends to Cleco

Corporation, and repayment of credit facility draws. Partially offsetting this decrease were customer receipts. At March 31, 2014 and December 31, 2013, Cleco Power had a working capital surplus of \$130.6 million and \$192.7 million, respectively. The \$62.1 million decrease in working capital is primarily due to:

- a \$17.1 million net decrease in net current tax assets and related interest charges expected to be settled in the next 12 months,
- a \$14.3 million increase in accrued interest, excluding interest on uncertain tax positions, due to timing of debt service schedules,
- a \$9.6 million decrease in unrestricted cash and cash equivalents, as discussed above,
- a \$7.3 million decrease in fuel inventory due to receiving less coal deliveries and more coal usage,
- a \$7.0 million increase in accounts payable,
- a \$5.4 million net decrease in energy risk management assets and liabilities due to FTR activity, and
- a \$5.1 million decrease in restricted cash and cash equivalents.

Credit Facilities

At March 31, 2014, Cleco Corporation had \$15.0 million of borrowings outstanding under its existing credit facility. Cleco Corporation's credit facility agreement has a maximum capacity of \$250.0 million. The borrowing costs under the facility are equal to LIBOR plus 1.075% or ABR plus 0.075%, plus facility fees of 0.175%. If Cleco Corporation's credit ratings were to be downgraded one level, Cleco Corporation would be required to pay fees and interest at a rate of 0.25% higher under the pricing levels of its credit facility.

At March 31, 2014, Cleco Power had no borrowings outstanding under its existing credit facility. Cleco Power's credit facility agreement has a maximum capacity of \$300.0 million. The borrowing costs are LIBOR plus 1.075% or ABR plus 0.075%, plus facility fees of 0.175%. If Cleco Power's credit ratings were to be downgraded one level, Cleco Power would be required to pay fees and interest at a rate of 0.25% higher under the pricing levels of its credit facility. In December 2013, Cleco Power provided a \$1.0 million letter of credit to MISO pursuant to the credit requirements of FTRs. On April 8, 2014, Cleco Power increased the letter of credit to \$2.0 million. The letter of credit is automatically renewed each year and reduces Cleco Power's credit facility capacity.

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At March 31, 2014, Cleco Corporation and Cleco Power were in compliance with the covenants in their credit facilities. If Cleco Corporation were to default under the covenants in its credit facility or other debt agreements, it would be unable to borrow additional funds under the facility and the lenders could accelerate all principal and interest outstanding. Further, if Cleco Power were to default under its credit facility or other debt agreements, Cleco Corporation would be considered in default under its credit facility.

Midstream

Midstream had no debt outstanding at March 31, 2014 or December 31, 2013.

Cleco Consolidated Cash Flows

Net Operating Cash Flow

Net cash provided by operating activities was \$90.5 million during the first three months of 2014, compared to \$103.4 million during the first three months of 2013. Cash provided by operating activities during the first three months of 2014 decreased \$12.9 million from the first three months of 2013 primarily due to the following items:

- lower collection of receivables of \$13.6 million,
- lower income tax refunds of \$44.6 million, and
- higher income tax payments of \$10.8 million.

These decreases were partially offset by:

- absence of pension plan contributions of \$34.0 million and
- lower vendor payments of \$23.7 million.

Net Investing Cash Flow

Net cash used in investing activities was \$48.0 million during the first three months of 2014, compared to \$49.7 million during the first three months of 2013. Net cash used in investing activities during the first three months of 2014 was lower than the first three months of 2013 primarily due to the following items:

- the sale of restricted investments of \$11.1 million,
- the absence of the purchase of restricted investments of \$1.4 million, and
- the return of investment in company-owned life insurance policies of \$1.3 million.

These decreases were partially offset by:

- higher transfers of cash to restricted accounts of \$9.5 million,
- higher additions to property, plant, and equipment, net of AFUDC of \$1.9 million, and
- higher premiums paid on trust-owned life insurance policies of \$1.4 million.

Net Financing Cash Flow

Net cash used in financing activities was \$53.1 million during the first three months of 2014 compared to \$38.3 million during the first three months of 2013. Net cash used in financing activities during the first three months of 2014 was higher than the first three months of 2013 primarily due to the following items:

- the absence of the issuance of long-term debt of \$60.0 million and
- the repurchase of common stock of \$12.4 million.

These increases were partially offset by the absence of the repurchase of long-term debt of \$60.0 million. There was no change in net credit facility activity, consisting of \$68.0 million lower draws and \$68.0 million lower payments.

Cleco Power Cash Flows

Net Operating Cash Flow

Net cash provided by operating activities was \$89.2 million during the first three months of 2014, compared to \$63.1 million during the first three months of 2013. Cash provided by operating activities during the first three months of 2014 increased \$26.1 million from the first three months of 2013 primarily due to the following items:

- absence of pension plan contributions of \$34.0 million,
- lower vendor payments of \$23.9 million, and
- higher income tax refunds of \$0.8 million.

These increases were partially offset by lower collection of receivables of \$13.6 million.

Net Investing Cash Flow

Net cash used in investing activities was \$35.6 million during the first three months of 2014, compared to \$36.3 million during the first three months of 2013. Net cash used in investing activities during the first three months of 2014 was lower than the first three months of 2013 primarily due to the following items:

- the sale of restricted investments of \$11.1 million,
- the absence of the purchase of restricted investments of \$1.4 million, and
- the return of investment in company-owned life insurance policies of \$1.3 million.

These decreases were partially offset by:

- higher transfers of cash to restricted accounts of \$9.5 million and
- higher additions to property, plant, and equipment, net of AFUDC of \$2.8 million.

Net Financing Cash Flow

Net cash used in financing activities was \$63.2 million during the first three months of 2014 compared to \$7.7 million during the first three months of 2013. Net cash used in financing activities during the first three months of 2014 was higher than the first three months of 2013 primarily due to the following items:

- the absence of the issuance of long-term debt of \$60.0 million,
- distributions to Cleco Corporation of \$35.0 million, and
- lower net draws on the credit facility of \$20.0 million, consisting of lower draws of \$70.0 million and lower payments of \$50.0 million.

These increases were partially offset by the absence of the repurchase of long-term debt of \$60.0 million.

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Contractual Obligations and Other Commitments

Cleco, in the normal course of business activities, enters into a variety of contractual obligations. Some of these result in direct obligations that are reflected in the Condensed Consolidated Balance Sheets while other commitments, some firm and some based on uncertainties, are not reflected in the Condensed Consolidated Financial Statements. For more information regarding Cleco's Contractual Obligations and Other Commitments, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Contractual Obligations and Other Commitments" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Off-Balance Sheet Commitments and Disclosures about Guarantees

Cleco Corporation and Cleco Power have entered into various off-balance sheet commitments, in the form of guarantees and standby letters of credit, in order to facilitate their activities and the activities of Cleco Corporation's subsidiaries and equity investees (affiliates). Cleco Corporation and Cleco Power have also agreed to contractual terms that require them to pay third parties if certain triggering events occur. These contractual terms generally are defined as guarantees in the authoritative guidance. For more information on off-balance sheet commitments, see Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 11 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Off-Balance Sheet Commitments" and "— Disclosures about Guarantees."

Regulatory and Other Matters

Generation RFP

RFP for Contractual Resources Beginning in May 2012

In October 2011, Cleco Power issued an RFP seeking up to approximately 750 MW of capacity and energy for a three- or five-year term. In March 2012, Cleco Power received approval from the LPSC for a three-year power purchase agreement with Evangeline providing 730 MW of capacity and energy for a delivery term beginning May 1, 2012, and ending April 30, 2015. On March 15, 2014, Coughlin was transferred to Cleco Power and the power purchase agreement was terminated.

2012 Long-Term RFP for Capacity and Energy Resources

In May 2012, Cleco Power issued an RFP seeking up to approximately 800 MW beginning May 2015 to meet long-term capacity and energy needs due to load growth, environmental regulations, and the expiration of the Evangeline power purchase agreement. In October 2012, Cleco Power announced Evangeline as the winning bidder in the Cleco Power 2012 Long-Term RFP, subject to further due diligence, the completion of definitive agreements, and regulatory approvals from the LPSC and FERC. In December 2012, Cleco Power and Evangeline executed definitive agreements to transfer ownership and control of Coughlin to Cleco Power. On March 15, 2014, Coughlin was transferred to Cleco Power. For more information on the transfer, see Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 14 — Coughlin Transfer."

Environmental Matters

Cleco is subject to extensive environmental regulation by federal, state, and local authorities and is required to comply with numerous environmental laws and regulations, and to obtain and comply with numerous governmental permits, in operating its facilities. In addition, existing environmental laws, regulations, and permits could be revised or reinterpreted; new laws and regulations could be adopted or become applicable to Cleco or its facilities; and future changes in environmental laws and regulations could occur, including potential regulatory and enforcement developments related to air emissions. Cleco may incur significant additional costs to comply with these revisions,

reinterpretations, and requirements. Cleco Power would then seek recovery of additional environmental compliance costs as riders through the LPSC's environmental adjustment clause or its FRP, or as a base rate adjustment as appropriate. If Cleco fails to comply with these revisions, reinterpretations, and requirements, it could be subject to civil or criminal liabilities and fines.

For information on MATS, see “— Results of Operations — Cleco Power — MATS.” For a discussion of other Cleco environmental matters, please read “Business — Environmental Matters” in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Retail Rates of Cleco Power

For information concerning Cleco Power's current FRP, the pending request for extension of the FRP, amounts accrued and refunded by Cleco Power as a result of the FRP, and information on the LPSC Staff's FRP reviews, see Item 1, “Notes to the Unaudited Condensed Consolidated Financial Statements — Note 9 — Electric Customer Credits.” For information on certain other regulatory aspects of retail rates concerning Cleco Power, please read “Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Retail Rates of Cleco Power” in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Wholesale Rates of Cleco

Cleco's wholesale electric power sales are regulated by FERC via market-based tariffs. FERC requires a utility to pass a screening test as a condition for securing and/or retaining approval to sell electricity in wholesale markets at market-based rates. An updated market power analysis is to be filed with FERC every three years or upon the occurrence of a change in status as defined by FERC regulation. On February 21, 2014, FERC issued an order to accept Cleco's market power analysis and grant the power marketing entities the authority to continue to charge market-based rates for wholesale power.

Transmission Rates of Cleco Power

Transmission Service

For information on transmission rates of Cleco Power and Cleco Power's integration of operations with MISO in December 2013, please read “Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Wholesale Rates of Cleco” and “— Transmission Rates of

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Cleco Power” in the Registrants’ Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Integrated Resource Plan (IRP)

In accordance with the General Order in LPSC Docket No. R-30021, Cleco Power filed a request with the LPSC to initiate an IRP process on October 21, 2013. The IRP process includes conducting stakeholder meetings and receiving feedback from stakeholders. The current schedule calls for Cleco Power to file a final report in July 2015 and the LPSC Staff to file comments and recommendations with the LPSC in October 2015.

Market Restructuring

Wholesale Electric Markets

Regional Transmission Organization

For information on Cleco Power’s integration of operations with MISO in December 2013 and for information on regulatory aspects of wholesale electric markets affecting Cleco, please read “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Market Restructuring — Wholesale Electric Markets” in the Registrants’ Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Electric Reliability Organization

In March 2013, the SPP RE conducted an audit of Cleco to determine Cleco’s compliance with the NERC Critical Infrastructure Protection cybersecurity standard requirements. Cleco submitted mitigation plans and evidence of remedial efforts in connection with the SPP RE’s initial findings from the audit. Cleco and the SPP RE agreed to a financial settlement totaling less than \$0.1 million. The SPP RE audit team conducted a NERC Reliability Standard audit in November 2013. Cleco submitted mitigation plans and evidence of remedial efforts in connection with the SPP RE’s findings. The SPP RE did not assess any monetary penalties as a result of the November 2013 audit. Cleco is subject to future audits. Management is unable to predict the outcome of any future audits or whether any findings in future audits will have a material adverse effect on the Registrants’ results of operations, financial condition, and cash flows.

Retail Electric Markets

For a discussion of the regulatory aspects of retail electric markets affecting Cleco Power, please read “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Market Restructuring — Retail Electric Markets” in the Registrants’ Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Lignite Deferral

At March 31, 2014 and December 31, 2013, Cleco Power had \$13.4 million and \$14.0 million, respectively, in deferred lignite mining costs remaining uncollected.

For more information on Cleco Power’s deferred lignite mining expenditures, please read “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters —

Lignite Deferral” in the Registrants’ Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Financial Reform Legislation

In July 2010, the President signed the Dodd-Frank Act into law. Title VII of the Dodd-Frank Act established a comprehensive new regulatory framework for swaps and security-based swaps, including mandatory clearing,

exchange trading, collateral requirements, margin requirements, and other transparency requirements. In July 2012, the Commodity Futures Trading Commission published final rules for the definition of a swap and for the end-user exemption. Cleco Power has registered on the International Swaps and Derivatives Association (ISDA) website and submitted the required adherence letters and questionnaires pertinent to the ISDA August 2012 Dodd-Frank Act Protocol and the ISDA March 2013 Dodd-Frank Act Protocol. Management continues to review the final rules that have been issued or will be issued under the Dodd-Frank Act and will continue to monitor this law and its possible impact on the Registrants.

Franchises

For information on electric service franchises, please read “Business — Regulatory Matters, Industry Developments, and Franchises — Franchises” in the Registrants’ Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Other Franchise Matters

For information regarding other franchise matters, see Item 1, “Notes to the Unaudited Condensed Consolidated Financial Statements — Note 11 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — City of Opelousas.”

Recent Authoritative Guidance

For a discussion of recent authoritative guidance, see Item 1, “Notes to the Unaudited Condensed Consolidated Financial Statements — Note 2 — Recent Authoritative Guidance” of this Combined Quarterly Report on Form 10-Q, which discussion is incorporated herein by reference.

CRITICAL ACCOUNTING POLICIES

Cleco’s critical accounting policies include those accounting policies that are both important to Cleco’s financial condition and results of operations and those that require management to make difficult, subjective, or complex judgments about future events, which could result in a material impact to the financial statements of Cleco Corporation’s segments or to Cleco as a consolidated entity. The financial statements contained in this report are prepared in accordance with GAAP, which require Cleco to make estimates and assumptions. Estimates and assumptions about future events and their effects cannot be made with certainty. These estimates involve judgments regarding many factors that in and of themselves could materially affect the financial statements and disclosures. On an ongoing basis, these estimates and assumptions are evaluated and, if necessary, adjustments are made when warranted by new or updated information or by a change in circumstances or environment. Actual results may differ significantly from these estimates under different assumptions or conditions.

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For more information on Cleco's critical accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" in the Registrant's Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

CLECO POWER — NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS

Cleco Power meets the conditions specified in General Instructions H(1)(a) and (b) to Form 10-Q and is therefore 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 Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations) and Item 3 (Quantitative and Qualitative Disclosures about Market Risk) of Part I of Form 10-Q and the following Part II items of Form 10-

Q: Item 2 (Unregistered Sales of Equity Securities and Use of Proceeds) and Item 3 (Defaults upon Senior Securities). Pursuant to the General Instructions, Cleco Power has included an explanation of the reasons for material changes in the amount of revenue and expense items of Cleco Power between the first three months of 2014 and the first three months of 2013. Reference is made to Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

For an explanation of material changes in the amount of revenue and expense items of Cleco Power between the first quarter of 2014 and the first quarter of 2013, see "— Results of Operations — Comparison of the Three Months Ended March 31, 2014 and 2013 — Cleco Power" of this Combined Quarterly Report on Form 10-Q, which discussion is incorporated herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Overview

Market risk inherent in Cleco's market risk-sensitive instruments and positions includes potential changes arising from changes in interest rates and the commodity market prices of power, FTRs, and natural gas in the industry on different energy exchanges.

Cleco applies the authoritative guidance as it relates to derivatives and hedging to determine whether the market risk-sensitive instruments and positions are required to be marked-to-market. Generally, Cleco Power's market risk-sensitive instruments and positions qualify for the normal-purchase, normal-sale exception to mark-to-market accounting since Cleco Power takes physical delivery and the instruments and positions are used to satisfy customer requirements. When positions close, actual gains or losses are included in the FAC and reflected on customers' bills as a component of the FAC.

Cleco's exposure to market risk, as discussed below, represents an estimate of possible changes in the fair value or future earnings that would occur, assuming possible future movements in the interest rates and commodity prices of power, FTRs, and natural gas. Management's views on market risk are not necessarily indicative of actual results, nor do they represent the maximum possible gains or losses. The views do represent, within the parameters disclosed, what management estimates may happen.

Cleco monitors credit risk exposure through reviews of counterparty credit quality, aggregate counterparty credit exposure, and aggregate counterparty concentration levels. Cleco manages these risks by establishing appropriate credit and concentration limits on transactions with counterparties and requiring contractual guarantees, cash deposits, or letters of credit from counterparties or their affiliates, as deemed necessary. Cleco Power has agreements in place with various counterparties that authorize the netting of financial buys and sells and contract payments to mitigate credit risk for transactions entered into for risk management purposes.

Access to capital markets is a significant source of funding for both short- and long-term capital requirements not satisfied by operating cash flows. Market conditions during past years have limited the availability and have increased the costs of capital for many companies. Future actions or

inactions of the U.S. federal government, including a failure to increase the government debt limit or another shutdown of the federal government, could increase the actual or perceived risk that the U.S. may not ultimately pay its obligations when due and may disrupt financial markets, including capital markets. The inability to raise capital on favorable terms could negatively affect Cleco's ability to maintain and expand its businesses. After assessing the current operating performance, liquidity, and credit ratings of Cleco, management believes that it will have access to the capital markets at prevailing market rates for companies with comparable credit ratings. Cleco Corporation and Cleco Power pay fees and interest under their respective credit facilities based on the highest rating held. If Cleco Corporation or Cleco Power's credit ratings were to be downgraded by Moody's or S&P, Cleco Corporation and/or Cleco Power would be required to pay additional fees and incur higher interest rates for borrowings under their respective credit facilities. Cleco Power's collateral for derivatives is based on the lowest rating held. If Cleco Power's credit rating was to be downgraded by Moody's or S&P, Cleco Power would be required to pay additional collateral for derivatives.

Interest Rate Risks

Cleco monitors its mix of fixed- and variable-rate debt obligations in light of changing market conditions and from time to time may alter that mix, for example, refinancing balances outstanding under its variable-rate credit facility with fixed-rate debt. For details, see Item 1, "Notes to the Unaudited Condensed Consolidated Financial Statements — Note 5 — Debt." Calculations of the changes in fair market value and interest expense of the debt securities are made over a one-year period.

Sensitivity to changes in interest rates for variable-rate obligations is computed by assuming a 1% change in the current interest rate applicable to such debt.

At March 31, 2014, Cleco had no short-term variable rate debt and \$85.0 million in long-term variable-rate debt.

At March 31, 2014, Cleco Corporation had \$15.0 million of borrowings outstanding under its \$250.0 million credit facility at an all-in interest rate of 1.235%. At March 31, 2014, the all-in interest rate under the facility was equal to LIBOR plus

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1.075%, plus facility fees of 0.175%. Each 1% increase in the interest rate applicable to such debt would have resulted in a decrease in Cleco's pre-tax earnings of \$0.2 million.

Commodity Price Risks

Management believes Cleco has controls in place to minimize the risks involved in its financial and energy commodity activities. Independent controls over energy commodity functions consist of a middle office (risk management), a back office (accounting), and regulatory compliance staff, as well as monitoring by a risk management committee comprised of officers, who are approved by Cleco Corporation's Board of Directors. Risk limits are recommended by the Risk Management Committee and monitored through a daily risk report that identifies the current VaR, current market conditions, and concentration of energy market positions.

Cleco Power provides fuel for generation and purchases power to meet the power demands of customers. Cleco Power may enter into positions to mitigate the volatility in customer fuel costs, as encouraged by various LPSC orders. These positions are marked-to-market with the resulting gain or loss recorded on the balance sheet as a component of the accumulated deferred fuel asset or liability and a component of the energy risk management assets or liabilities. When these positions close, actual gains or losses will be included in the FAC and reflected in customers' bills as a component of the fuel cost adjustment. As part of the integration into MISO, Cleco Power was awarded FTRs in November 2013. FTRs provide a financial hedge to manage the risk of congestion cost in the Day-Ahead Energy Market. FTRs represent rights to congestion credits or charges along a path during a given time frame for a certain MW quantity. At March 31, 2014, Cleco's Condensed Consolidated Balance Sheets reflected open FTR positions of \$4.0 million in Energy risk management assets and \$0.1 million in Energy risk management liabilities, compared with \$9.0 million in Energy risk management assets and \$0.4 million in Energy risk management liabilities at December 31, 2013. There were no open natural gas positions at March 31, 2014 or December 31, 2013.

Cleco Power

Please refer to "— Risk Overview" for a discussion of market risk inherent in Cleco Power's market risk-sensitive instruments.

Cleco Power has entered into various fixed- and variable-rate debt obligations. Please refer to "— Interest Rate Risks" for a discussion of how Cleco Power monitors its mix of fixed- and variable-rate debt obligations and the manner of calculating changes in fair market value and interest expense of its debt obligations.

Cleco Power had no short-term variable-rate debt and \$85.0 million in long-term variable-rate debt as of March 31, 2014.

On March 20, 2013, Cleco Power entered into a bank term loan agreement in the amount of \$60.0 million. At March 31, 2014, Cleco Power had \$35.0 million outstanding under the bank term loan. The interest rate under the agreement at March 31, 2014, was 0.91%. The rate resets monthly at one month LIBOR, plus 0.75%. Each 1% increase in the interest rate applicable to such debt would have resulted in a decrease in Cleco Power's pre-tax earnings of \$0.4 million.

On May 3, 2013, Cleco Power remarketed \$50.0 million of its 2008 Series A GO Zone bonds which had previously been purchased by Cleco Power and were being held as treasury bonds. The interest rate at March 31, 2014, was 0.92% which is based on 65% of one month LIBOR, plus 0.82%. The rate resets monthly. The 2008 Series A GO Zone bonds will be subject to remarketing on May 3, 2015. Each 1% increase in the interest rate applicable to such debt would have resulted in a decrease in Cleco Power's pre-tax earnings of \$0.5 million.

At March 31, 2014, Cleco Power had no borrowings outstanding under its \$300.0 million credit facility.

Please refer to "— Commodity Price Risks" for a discussion of controls, transactions, VaR, and market value maturities associated with Cleco Power's energy commodity activities.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of March 31, 2014, evaluations were performed under the supervision and with the participation of Cleco Corporation and Cleco Power (individually, “Registrant” and collectively, the “Registrants”) management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). The evaluations assessed the effectiveness of the Registrants’ disclosure controls and procedures. Based on the evaluations, the CEO and CFO have concluded that the Registrants’ disclosure controls and procedures are effective to ensure that information required to be disclosed by each Registrant in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms; and that the Registrants’ disclosure controls and procedures are also effective in ensuring that such information is accumulated and communicated to the Registrants’

management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

The Registrants have begun outsourcing certain functions within the Registrants’ Information Technology (IT) department. As of March 31, 2014, the Registrants have moved the Service Desk aspects of their IT processes to a third-party vendor. This represents a change in the Registrants’ internal control over financial reporting. The Registrants have taken the necessary steps to monitor and maintain appropriate internal controls over financial reporting.

There were no other changes in the Registrants’ internal control over financial reporting during the quarter ended March 31, 2014, that have materially affected, or are reasonably likely to materially affect, the Registrants’ internal control over financial reporting.

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PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

CLECO

For information on legal proceedings affecting Cleco, see Part I, Item 1, “Notes to the Unaudited Condensed Consolidated Financial Statements — Note 11 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation.”

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For information on legal proceedings affecting Cleco Power, see Part I, Item 1, “Notes to the Unaudited Condensed Consolidated Financial Statements — Note 11 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation.”

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed under the heading “Risk Factors” in Item 1A of the Registrants’ Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (the “2013 Annual Report on Form 10-K”). For risks that could affect actual

results and cause results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Registrants, see the risk factors disclosed under “Risk Factors” in Item 1A of the 2013 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Common Stock Repurchases

In January 2011, Cleco Corporation’s Board of Directors approved the implementation of a new common stock repurchase program. This program authorizes management to repurchase, from time to time, shares of common stock so that Cleco’s diluted average shares of common stock outstanding remain approximately equal to its diluted average shares of common stock outstanding for 2010. Under this program, purchases may be made on a discretionary basis at times and

in amounts as determined by management, subject to market conditions, legal requirements and other factors. Purchases under the program will not be announced in advance and may be made in the open market or through privately negotiated transactions.

The following table summarizes the common stock repurchases by Cleco Corporation during the quarter ended March 31, 2014.

| PERIOD | TOTAL NUMBER OF SHARES PURCHASED | AVERAGE PRICE PAID PER SHARE ⁽¹⁾ | TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED | MAXIMUM NUMBER OF SHARES THAT MAY YET BE PURCHASED UNDER THE |
|--------|---|--|--|--|
|--------|---|--|--|--|

| | | | PLANS OR PROGRAMS | PLANS OR PROGRAMS (2) |
|------------|---------|-------|----------------------|-----------------------------|
| March 2014 | 250,000 | 49.77 | 250,000 | — |

(1) Average price paid per share is calculated on a settlement basis and excludes commission.

(2) The maximum number of shares that may yet be purchased under the plans or programs is not quantified and there is no set expiration date for this program due to the objective of the program being to keep the diluted average shares outstanding approximately equal to the 2010 amount. Management does not anticipate repurchasing any shares of common stock during the remainder of 2014. Pursuant to the objectives of the program, repurchases under the program should resume in 2015.

ITEM 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Combined Quarterly Report on Form 10-Q.

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ITEM 5. OTHER INFORMATION

Retirement of Board Member

On April 25, 2014, following the Annual Shareholders' Meeting, Mr. J. Patrick Garrett submitted his resignation from the Board of Directors (the "Board") of Cleco Corporation. Mr. Garrett stated his resignation would enable him to devote more time to his family's real estate interests particularly with respect to a wind power generation project to which his family has leased significant acreage in nearby Texas. Mr. Garrett is 70 years old and has served on Cleco's Board for more than thirty years. Given his service to Cleco, the Board has treated Mr. Garrett's departure as a retirement and waived restrictions on the Cleco stock awarded to him as director compensation. Had Mr. Garrett retired in two years at age 72, the mandatory age for director retirement under Cleco's Corporate Governance Guidelines, these restrictions would have lapsed automatically. As a result of the Board's treatment of his departure as a retirement, Mr. Garrett will retain approximately 3,882 shares of Cleco restricted stock which he would have otherwise forfeited upon his resignation.

Amendment of Bylaws/Board Leadership Changes

Subsequent to receiving notice of Mr. Garrett's resignation from the Board, on April 25, 2014, the Board voted to approve resolutions amending Cleco Corporation's Bylaws (the "Bylaws") to reduce the number of directors from 9 to 8. The Board of Directors also voted to amend the Bylaws to permit the consolidation or separation of the positions of Chief Executive Officer and Chairman of the Board of Directors, and to provide for the election of a Lead Director. The revised Bylaws are filed as Exhibit 3.1 to this Combined Quarterly Report on Form 10-Q.

On April 25, 2014, the Board voted to elect Mr. Bruce A. Williamson as Chairman of the Board, and Mr. William L. Marks as Lead Director.

Submission of Matters to a Vote of Security Holders

(a) The Annual Meeting of Shareholders of Cleco Corporation was held on April 25, 2014, in Pineville, Louisiana.

Proxies for the election of directors were solicited pursuant to Regulation 14A under the Securities Exchange Act (b) of 1934, as amended. There was no solicitation in opposition to management's nominees, and all nominees listed in the proxy statement were elected.

(c) The following is a tabulation of the votes cast upon each proposal presented at the Annual Meeting of Shareholders of Cleco Corporation on April 25, 2014.

(1) Election of three Class II Directors, each serving a three-year term expiring in 2017, or until their successors are elected and qualified:

| CLASS II DIRECTORS | FOR | WITHHELD | ABSTAIN | BROKER NON-VOTE |
|------------------------|------------|-----------|---------|--------------------|
| William L. Marks | 49,566,781 | 1,162,234 | — | 5,840,866 |
| Peter M. Scott III | 49,865,339 | 863,676 | — | 5,840,866 |
| William H. Walker, Jr. | 49,409,503 | 1,319,512 | — | 5,840,866 |

The term of office as a director of each of Ms. Vicky A. Bailey, Messrs. Elton R. King, Logan W. Kruger, Shelley Stewart, Jr., and Bruce A. Williamson continued after the meeting. Mr. J. Patrick Garrett submitted his resignation as a director effective April 25, 2014, as further discussed above.

(2) Ratification of the Audit Committee's appointment of the firm of Deloitte & Touche LLP as Cleco Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2014:

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| FOR | AGAINST | ABSTAIN | BROKER NON-VOTE |
|------------|---------|---------|--------------------|
| 56,024,085 | 461,804 | 83,992 | — |

Consideration of a non-binding advisory vote to approve the compensation of Cleco Corporation's named executive (3) officers as described in the "Compensation Discussion and Analysis" and "Executive Officers' Compensation" sections of the proxy statement:

| FOR | AGAINST | ABSTAIN | BROKER NON-VOTE |
|------------|-----------|---------|--------------------|
| 48,948,277 | 1,341,375 | 439,363 | 5,840,866 |

Consideration of a management proposal to reapprove the material terms of the performance goals under the Cleco (4) Corporation 2010 Long-Term Incentive Compensation Plan for purposes of Section 162(m) of the Internal Revenue Code:

| FOR | AGAINST | ABSTAIN | BROKER NON-VOTE |
|------------|-----------|---------|--------------------|
| 48,964,251 | 1,530,478 | 234,286 | 5,840,866 |

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ITEM 6. EXHIBITS

CLECO
 CORPORATION

| | |
|---------|--|
| 3.1 | Bylaws of Cleco Corporation, revised effective April 25, 2014 |
| 12(a) | Computation of Ratios of Earnings to Fixed Charges for the three- and twelve-month periods ended March 31, 2014, for Cleco Corporation |
| 31.1 | CEO Certification in accordance with section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | CFO Certification in accordance with section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | CEO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002 |
| 95 | Mine Safety Disclosures |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |

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| | |
|---------|--|
| 12(b) | Computation of Ratios of Earnings to Fixed Charges for the three- and twelve-month periods ended March 31, 2014, for Cleco Power |
| 31.3 | CEO Certification in accordance with section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.4 | CFO Certification in accordance with section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.3 | CEO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.4 | CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002 |
| 95 | Mine Safety Disclosures |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CLECO CORPORATION
(Registrant)

By: /s/ Terry L. Taylor
Terry L. Taylor
Controller & Chief Accounting Officer

Date: April 28, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CLECO POWER LLC
(Registrant)

By: /s/ Terry L. Taylor
Terry L. Taylor
Controller & Chief Accounting Officer

Date: April 28, 2014