

CLECO POWER LLC
Form 10-Q
October 31, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2007

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

71360-5226

(Address of principal executive offices)

(Zip Code)

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

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

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

<u>Registrant</u>	<u>Description of Class</u>	<u>Shares Outstanding at October 30, 2007</u>
Cleco Corporation	Common Stock, \$1.00 Par Value	60,007,352

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

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

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

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GLOSSARY OF TERMS

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

ABBREVIATION OR ACRONYM	DEFINITION
401(k) Plan	Cleco Power 401(k) Savings and Investment Plan
Acadia	Acadia Power Partners, LLC and its 1,160-MW combined-cycle, natural gas-fired power plant near Eunice, Louisiana, 50% owned by APH and 50% owned by Cajun. Prior to September 13, 2007, Acadia was 50% owned by APH and 50% owned by CAH
AFUDC	Allowance for Funds Used During Construction
Amended EPC Contract	Amended and Restated EPC Contract between Cleco Power and Shaw, executed on May 12, 2006, to engineer, design, and construct Rodemacher Unit 3
APB	Accounting Principles Board
APB Opinion No. 10	Consolidated Financial Statements, Poolings of Interest, Convertible Debt and Debt Issued with Stock Warrants Installment Method of Accounting
APB Opinion No. 18	The Equity Method of Accounting for Investments in Common Stock
APH	Acadia Power Holdings LLC, a wholly owned subsidiary of Midstream
Attala	Attala Transmission LLC, a wholly owned subsidiary of Cleco Corporation. Prior to February 1, 2007, Attala was a wholly owned subsidiary of Midstream
Bear Energy LP	A wholly owned subsidiary of Bear Stearns Companies Inc.
Bear Stearns Companies Inc.	The parent company of Bear, Stearns & Co. Inc.
Bidding Procedures Order	Bidding Procedures Order, in connection with the sale of CAH’s interest in Acadia, approved by the Calpine Debtors Bankruptcy Court by order dated May 9, 2007
CAH	Calpine Acadia Holdings
CAH Assets	CAH’s interest in Acadia and certain related assets
Cajun	Cajun Gas Energy L.L.C., an affiliate of pooled investment funds managed by King Street Capital Management, L.L.C.
Calpine	Calpine Corporation
Calpine Debtors	Calpine, CES, and certain other Calpine subsidiaries
Calpine Debtors Bankruptcy Court	U.S. Bankruptcy Court for the Southern District of New York
Calpine Tolling Agreements	Capacity Sale and Tolling Agreements between Acadia and CES which were suspended in March 2006
CCN	Certificate of Public Convenience and Necessity
CES	Calpine Energy Services, L.P.
Claims Settlement Agreement	Claims Settlement Agreement, dated April 23, 2007, by and among Calpine, CAH, CES, Acadia, and APH
Cleco Energy	Cleco Energy LLC, a wholly owned subsidiary of Midstream
Cleco Innovations LLC	A wholly owned subsidiary of Cleco Corporation
Diversified Lands	

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	Diversified Lands LLC, a wholly owned subsidiary of Cleco Innovations LLC, a wholly owned subsidiary of Cleco Corporation
EITF	Emerging Issues Task Force of the FASB
EITF No. 06-11	Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards
EITF No. 07-3	Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities
Entergy	Entergy Corporation
Entergy Gulf States	Entergy Gulf States, Inc.
Entergy Louisiana	Entergy Louisiana, Inc.
Entergy Mississippi	Entergy Mississippi, Inc.
Entergy Services	Entergy Services, Inc., as agent for Entergy Louisiana and Entergy Gulf States
EPA	United States Environmental Protection Agency
EPC	Engineering, Procurement, and Construction
ERO	Electric Reliability Organization
ESOP	Cleco Corporation Employee Stock Ownership Plan
ESPP	Cleco Corporation Employee Stock Purchase Plan
Evangeline	Cleco Evangeline LLC, a wholly owned subsidiary of Midstream, and its 775-MW combined-cycle, natural gas-fired power plant located in Evangeline Parish, Louisiana
Evangeline Tolling Agreement	Capacity Sale and Tolling Agreement between Evangeline and Williams which expires in 2020.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIN	FASB Interpretation No.
FIN 39	Offsetting of Amounts Related to Certain Contracts – an interpretation of APB Opinion No. 10 and FASB Statement No. 105
FIN 45	Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others
FIN 46R	Consolidation of Variable Interest Entities – an Interpretation of Accounting Research Bulletin No. 51 (revised December 2003)

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ABBREVIATION OR ACRONYM	DEFINITION
FIN 48	Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109
FSP	FASB Staff Position
FSP FIN 48-1	Definition of <i>Settlement</i> in FASB Interpretation No. 48
FSP No. FIN 39-1	Amendment of FASB Interpretation No. 39
ICT	Independent Coordinator of Transmission
Interconnection Agreement	Interconnection Agreement and Real Estate Agreement between Attala and Entergy Mississippi
IRS	Internal Revenue Service
IRP	Integrated Resource Planning
kWh	Kilowatt-hour(s) as applicable
LIBOR	London Inter-Bank Offer Rate
Lignite Mining Agreement	Dolet Hills Mine Lignite Mining Agreement, dated as of May 31, 2001
LPSC	Louisiana Public Service Commission
LTICP	Cleco Corporation Long-Term Incentive Compensation Plan
MAI	Mirant Americas, Inc., a wholly owned subsidiary of Mirant Corporation
Midstream	Cleco Midstream Resources LLC, a wholly owned subsidiary of Cleco Corporation
Moody's	Moody's Investors Service
MW	Megawatt(s) as applicable
Not meaningful	A percentage comparison of these items is not statistically meaningful because the percentage difference is greater than 1,000%
NO _x	Nitrogen oxides
Perryville	Perryville Energy Partners, L.L.C., a wholly owned subsidiary of Cleco Corporation. Prior to February 1, 2007, Perryville was a wholly owned subsidiary of Perryville Energy Holdings LLC, a wholly owned subsidiary of Midstream.
Power Purchase Agreement	Power Purchase Agreement, dated as of January 28, 2004, between Perryville and Entergy Services
Registrant(s)	Cleco Corporation and Cleco Power
RFP	Request for Proposal
Rodemacher Unit 3	A 600-MW solid fuel generating unit under construction by Cleco Power at its existing Rodemacher plant site in Boyce, Louisiana
RSP	Rate Stabilization Plan
RTO	Regional Transmission Organization
Sale Agreement	Purchase and Sale Agreement, dated as of January 28, 2004, between Perryville and Entergy Louisiana
SEC	Securities and Exchange Commission
Senior Loan Agreement	Construction and Term Loan Agreement, dated as of June 7, 2001, between Perryville and KBC Bank N.V., as Agent Bank
SERP	Cleco Corporation Supplemental Executive Retirement Plan
SFAS	Statement of Financial Accounting Standards
SFAS No. 71	Accounting for the Effects of Certain Types of Regulation
SFAS No. 109	Accounting for Income Taxes
SFAS No. 123(R)	Share-Based Payment
SFAS No. 131	Disclosures about Segments of an Enterprise and Related Information
SFAS No. 133	Accounting for Derivative Instruments and Hedging Activities
SFAS No. 140	Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities

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SFAS No. 149	Amendment of Statement 133 on Derivative Instruments and Hedging Activities
SFAS No. 155	Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140
SFAS No. 156	Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140
SFAS No. 157	Fair Value Measurements
SFAS No. 159	The Fair Value Option For Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115
Shaw	Shaw Constructors, Inc., a subsidiary of The Shaw Group Inc.
Subordinated Loan Agreement	Subordinated Loan Agreement, dated as of August 23, 2002, between Perryville and MAI
Support Group	Cleco Support Group LLC, a wholly owned subsidiary of Cleco Corporation
SWEPCO	Southwestern Electric Power Company
Tenaska	Tenaska Power Services Company
VaR	Value-at-risk
Williams	Williams Power Company, Inc.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

§ Acts of terrorism;

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

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

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

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

§ Changes in federal, state, or local legislative requirements, tax laws or rates, regulating policies or environmental laws and regulations; and

§ Ability of Cleco Power to recover, from its retail customers, the costs of compliance with environmental laws and regulations.

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

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, 2006. For more information on the basis of presentation, see "Notes to the Unaudited Condensed Financial Statements — Note 1 — Summary of Significant Accounting Policies — Basis of Presentation."

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CLECO CORPORATION

Condensed Consolidated Statements of Income (Unaudited)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,	
(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	2007	2006
Operating revenue		
Electric operations	\$ 300,862	\$ 284,490
Other operations	9,238	7,644
Affiliate revenue	1,591	1,969
Operating revenue	311,691	294,103
Operating expenses		
Fuel used for electric generation	97,863	80,627
Power purchased for utility customers	108,649	108,899
Other operations	23,454	24,139
Maintenance	10,205	8,850
Depreciation	19,739	23,750
Taxes other than income taxes	10,620	10,638
Total operating expenses	270,530	256,903
Operating income	41,161	37,200
Interest income	2,873	2,782
Allowance for other funds used during construction	9,552	2,190
Equity income from investees	27,726	15,197
Other income	28,402	702
Other expense	(1,284)	(463)
Interest charges		
Interest charges, including amortization of debt expenses, premium and discount, net of capitalized interest	13,752	11,094
Allowance for borrowed funds used during construction	(3,444)	(816)
Total interest charges	10,308	10,278
Income from continuing operations before income taxes	98,122	47,330
Federal and state income tax expense	30,077	19,350
Income from continuing operations	68,045	27,980
Discontinued operations		
Income from discontinued operations, net of tax	-	36
Net income	68,045	28,016
Preferred dividends requirements, net of tax	12	424
Net income applicable to common stock	\$ 68,033	\$ 27,592
Average shares of common stock outstanding		
Basic	59,669,692	53,630,494
Diluted	59,947,916	55,938,995
Basic earnings per share		
From continuing operations	\$ 1.14	\$ 0.50
Net income applicable to common stock	\$ 1.14	\$ 0.50
Diluted earnings per share		

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From continuing operations	\$	1.13	\$	0.50
Net income applicable to common stock	\$	1.13	\$	0.50
Cash dividends paid per share of common stock	\$	0.225	\$	0.225

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

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CLECO CORPORATION

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(THOUSANDS)	FOR THE THREE MONTHS ENDED SEPTEMBER 30,	
	2007	2006
Net income	\$ 68,045	\$ 28,016
Other comprehensive income (loss), net of tax:		
Net unrealized income (loss) from available-for-sale securities (net of tax expense (benefit) of \$11 in 2007 and \$(23) in 2006)	18	(37)
Postretirement expense component (net of tax benefit of \$16 in 2007)	(9)	-
Other comprehensive income (loss)	9	(37)
Comprehensive income, net of tax	\$ 68,054	\$ 27,979

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

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CLECO CORPORATION

Condensed Consolidated Statements of Income (Unaudited)

(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006
Operating revenue		
Electric operations	\$ 765,791	\$ 736,765
Other operations	26,478	22,167
Affiliate revenue	4,673	5,157
Gross operating revenue	796,942	764,089
Electric customer credits	-	4,382
Operating revenue, net	796,942	768,471
Operating expenses		
Fuel used for electric generation	204,671	186,980
Power purchased for utility customers	308,388	306,426
Other operations	74,493	67,988
Maintenance	35,386	29,003
Depreciation	59,827	55,108
Taxes other than income taxes	30,286	30,372
Total operating expenses	713,051	675,877
Operating income	83,891	92,594
Interest income	8,030	7,217
Allowance for other funds used during construction	21,715	4,231
Equity income from investees	97,608	30,802
Other income	28,644	929
Other expense	(2,536)	(1,177)
Interest charges		
Interest charges, including amortization of debt expenses, premium and discount, net of capitalized interest	41,786	33,673
Allowance for borrowed funds used during construction	(7,502)	(1,535)
Total interest charges	34,284	32,138
Income from continuing operations before income taxes	203,068	102,458
Federal and state income tax expense	63,187	38,923
Income from continuing operations	139,881	63,535
Discontinued operations		
Loss from discontinued operations, net of tax	-	(154)
Net income	139,881	63,381
Preferred dividends requirements, net of tax	446	1,310
Net income applicable to common stock	\$ 139,435	\$ 62,071
Average shares of common stock outstanding		
Basic	58,914,141	51,408,708
Diluted	59,717,636	53,621,679
Basic earnings per share		
From continuing operations	\$ 2.35	\$ 1.19
Net income applicable to common stock	\$ 2.35	\$ 1.19

Diluted earnings per share

From continuing operations	\$	2.34	\$	1.18
Net income applicable to common stock	\$	2.34	\$	1.18
Cash dividends paid per share of common stock	\$	0.675	\$	0.675

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

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Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(THOUSANDS)	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006
Net income	\$ 139,881	\$ 63,381
Other comprehensive loss, net of tax:		
Net unrealized loss from available-for-sale securities (net of tax benefit of \$11 in 2007 and \$35 in 2006)	(17)	(57)
Postretirement expense component (net of tax benefit of \$22 in 2007)	(13)	-
Other comprehensive loss	(30)	(57)
Comprehensive income, net of tax	\$ 139,851	\$ 63,324

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

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CLECO CORPORATION

Condensed Consolidated Balance Sheets (Unaudited)

(THOUSANDS)	AT SEPTEMBER 30, 2007	AT DECEMBER 31, 2006
Assets		
Current assets		
Cash and cash equivalents	\$ 195,362	\$ 192,471
Restricted cash	-	24,361
Customer accounts receivable (less allowance for doubtful accounts of \$1,110 in 2007 and \$789 in 2006)	59,915	38,889
Accounts receivable – affiliate	8,342	11,451
Other accounts receivable	35,693	28,708
Unbilled revenue	20,670	18,382
Fuel inventory, at average cost	42,139	43,236
Material and supplies inventory, at average cost	39,138	34,755
Risk management assets	7,375	39
Accumulated deferred fuel	33,426	77,435
Cash surrender value of company-/trust-owned life insurance policies	29,086	26,275
Margin deposits	3,824	18,638
Prepayments	3,096	4,570
Regulatory assets - other	17,547	17,453
Other current assets	-	645
Total current assets	495,613	537,308
Property, plant and equipment		
Property, plant and equipment	1,911,670	1,892,533
Accumulated depreciation	(913,806)	(876,747)
Net property, plant and equipment	997,864	1,015,786
Construction work in progress	647,970	289,101
Total property, plant and equipment, net	1,645,834	1,304,887
Equity investment in investees	275,264	307,136
Prepayments	6,830	6,515
Restricted cash	94	90
Regulatory assets and liabilities – deferred taxes, net	115,266	94,653
Regulatory assets – other	182,250	192,061
Other deferred charges	19,603	18,454
Total assets	\$ 2,740,754	\$ 2,461,104

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

(Continued on next page)

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Condensed Consolidated Balance Sheets (Unaudited) (Continued)

(THOUSANDS)	AT SEPTEMBER 30, 2007	AT DECEMBER 31, 2006
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Long-term debt due within one year	\$ 125,000	\$ 50,000
Accounts payable	165,742	134,172
Retainage	25	12,409
Accounts payable – affiliate	13,996	5,072
Customer deposits	25,816	25,312
Provision for rate refund	2	3,174
Taxes accrued	56,055	49,002
Interest accrued	29,251	8,874
Accumulated current deferred taxes, net	44,754	23,233
Risk management liability	16,682	55,931
Regulatory liabilities - other	543	636
Deferred compensation	6,312	5,350
Other current liabilities	13,425	11,535
Total current liabilities	497,603	384,700
Deferred credits		
Accumulated deferred federal and state income taxes, net	358,870	436,775
Accumulated deferred investment tax credits	13,024	14,100
Regulatory liabilities - other	23,708	5,827
Other deferred credits	183,688	104,140
Total deferred credits	579,290	560,842
Long-term debt, net	654,111	619,341
Total liabilities	1,731,004	1,564,883
Commitments and Contingencies (Note 8)		
Shareholders' equity		
Preferred stock		
Not subject to mandatory redemption, \$100 par value, authorized 1,491,900 shares, issued 10,288 and 200,922 shares at September 30, 2007, and December 31, 2006, respectively	1,029	20,092
Common shareholders' equity		
Common stock, \$1 par value, authorized 100,000,000 shares, issued 60,048,276 and 57,605,695 shares and outstanding 59,905,403 and 57,524,498 shares at September 30, 2007, and December 31, 2006, respectively	59,905	57,524
Premium on common stock	389,388	358,707
Retained earnings	569,317	469,824
Treasury stock, at cost, 29,264 and 31,957 shares at September 30, 2007, and December 31, 2006, respectively	(549)	(616)
Accumulated other comprehensive loss	(9,340)	(9,310)
Total common shareholders' equity	1,008,721	876,129

Total shareholders' equity	1,009,750	896,221
Total liabilities and shareholders' equity	\$ 2,740,754	\$ 2,461,104

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

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CLECO CORPORATION

Condensed Consolidated Statements of Cash Flows (Unaudited)

(THOUSANDS)	FOR THE NINE MONTHS ENDED	
	SEPTEMBER 30,	
	2007	2006
Operating activities		
Net income	\$ 139,881	\$ 63,381
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	61,492	57,722
Gain on sale of property, plant and equipment	-	(71)
Provision for doubtful accounts	1,799	2,049
Proceeds from sale of bankruptcy settlement claims	78,200	-
Return on equity investment in investee	60,023	15,997
Income from equity investments	(97,608)	(30,802)
Unearned/deferred compensation expense	6,507	3,189
ESOP expense	2,140	1,309
Allowance for other funds used during construction	(21,715)	(4,231)
Amortization of investment tax credits	(1,076)	(1,148)
Net deferred income taxes	10,295	5,880
Deferred fuel costs	400	13,229
(Gain) loss on economic hedges	(706)	4,256
Cash surrender value of company-/trust-owned life insurance	(1,486)	(1,074)
Changes in assets and liabilities:		
Accounts receivable	(36,644)	(9,591)
Accounts and notes receivable, affiliate	8,943	(5,941)
Unbilled revenue	(2,288)	(2,067)
Fuel, materials and supplies inventory	(2,153)	(30,058)
Accounts payable	(12,281)	(53,714)
Prepayments	1,629	(852)
Accounts and notes payable, affiliate	(7,415)	3,766
Retainage payable	(12,384)	7,048
Customer deposits	4,166	5,283
Regulatory assets and liabilities, net	17,156	(46,547)
Other deferred accounts	(13,618)	4,298
Taxes accrued	15,738	37,835
Interest accrued	8,272	1,471
Margin deposits	14,814	(23,182)
Other, net	3,459	4,928
Net cash provided by operating activities	225,540	22,363
Investing activities		
Additions to property, plant and equipment	(343,458)	(155,532)
Allowance for other funds used during construction	21,715	4,231
Proceeds from sale of property, plant and equipment	422	869
Return of equity investment in investee	96	7,154
Equity investment in investee	(2,220)	(7,026)

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Premiums paid on company-/trust-owned life insurance	(2,017)	(1,892)
Transfer of cash from restricted accounts	24,358	(2)
Net cash used in investing activities	\$ (301,104)	\$ (152,198)

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CLECO CORPORATION

Condensed Consolidated Statements of Cash Flows (Unaudited)(Continued)

(THOUSANDS)	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006
Financing activities		
Sale of common stock	\$ -	\$ 157,530
Stock issuance costs	(93)	-
Conversion of options to common stock	8,549	2,855
Issuance of common stock under the ESOP	424	1,206
Stock based compensation tax benefit	992	252
Change in short-term debt, net	-	20,000
Retirement of long-term obligations	(25,290)	(40,275)
Issuance of long-term debt	135,000	-
Deferred financing costs	(876)	(822)
Change in ESOP trust	-	1,668
Dividends paid on preferred stock	(446)	(1,760)
Dividends paid on common stock	(39,805)	(33,950)
Net cash provided by financing activities	78,455	106,704
Net increase (decrease) in cash and cash equivalents	2,891	(23,131)
Cash and cash equivalents at beginning of period	192,471	219,153
Cash and cash equivalents at end of period	\$ 195,362	\$ 196,022
Supplementary cash flow information		
Interest paid	\$ 33,504	\$ 31,161
Income taxes paid	\$ 48,000	\$ 12,712
Supplementary non-cash investing and financing activities		
Issuance of treasury stock – LTICP and ESOP plans	\$ 67	\$ 73
Issuance of common stock – LTICP/ESOP/ESPP ⁽¹⁾	\$ 21,501	\$ 3,642
Return on equity investment in investee	\$ 78,200	\$ -
Accrued additions to property, plant and equipment not reported above	\$ 92,789	\$ 42,088

⁽¹⁾Includes conversion of preferred stock to common stock (\$19,063/2007, \$1,678/2006)

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

CLECO CORPORATION
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PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS

Cleco Power

These unaudited condensed financial statements should be read in conjunction with Cleco Power's Financial Statements and Notes included in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006. For more information on the basis of presentation, see "Notes to the Unaudited Condensed Financial Statements — Note 1 — Summary of Significant Accounting Policies — Basis of Presentation."

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CLECO CORPORATION
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CLECO POWER

Condensed Statements of Income (Unaudited)

(THOUSANDS)	FOR THE THREE MONTHS ENDED SEPTEMBER 30,	
	2007	2006
Operating revenue		
Electric operations	\$ 300,862	\$ 284,490
Other operations	9,231	7,621
Affiliate revenue	511	514
Operating revenue	310,604	292,625
Operating expenses		
Fuel used for electric generation	97,863	80,627
Power purchased for utility customers	108,649	108,899
Other operations	22,739	23,791
Maintenance	9,590	7,981
Depreciation	19,401	23,353
Taxes other than income taxes	10,053	10,149
Total operating expenses	268,295	254,800
Operating income	42,309	37,825
Interest income	1,082	1,559
Allowance for other funds used during construction	9,552	2,190
Other income	528	497
Other expense	(189)	(759)
Interest charges		
Interest charges, including amortization of debt expenses, premium and discount	11,657	9,144
Allowance for borrowed funds used during construction	(3,444)	(816)
Total interest charges	8,213	8,328
Income before income taxes	45,069	32,984
Federal and state income taxes	10,871	11,428
Net income	\$ 34,198	\$ 21,556

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

CLECO CORPORATION
 CLECO POWER

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CLECO POWER

Condensed Statements of Income (Unaudited)

(THOUSANDS)	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006
Operating revenue		
Electric operations	\$ 765,791	\$ 736,765
Other operations	26,413	22,052
Affiliate revenue	1,540	1,538
Gross operating revenue	793,744	760,355
Electric customer credits	-	4,382
Operating revenue, net	793,744	764,737
Operating expenses		
Fuel used for electric generation	204,671	186,980
Power purchased for utility customers	308,388	306,426
Other operations	71,318	