Cleco Corporate Holdings LLC
Form 10-K
February 21, 2018

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

FORM 10-K

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

For the fiscal year ended December 31, 2017
Or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

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

Registrant’s telephone number, including area code: (318) 484-7400
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: None

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

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

Registrant’s telephone number, including area code: (318) 484-7400
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:

Title of each class
Membership Interests

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

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

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

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

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

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

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

Indicate by check mark whether Cleco Corporate Holdings LLC is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer o Accelerated filer o Non-accelerated filer x (Do not check if a smaller reporting company) Smaller reporting company o Emerging growth company o
If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revise accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether Cleco Power LLC is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer o Accelerated filer o Non-accelerated filer x (Do not check if a smaller reporting company) Smaller reporting company o Emerging growth company o
If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revise accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

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

CLECO
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This Combined Annual Report on Form 10-K is separately filed by Cleco Corporate Holdings LLC and Cleco Power LLC. Information in this filing relating to Cleco Power LLC is filed by Cleco Corporate Holdings LLC and separately by Cleco Power LLC on its own behalf. Cleco Power LLC makes no representation as to information relating to Cleco Corporate Holdings LLC (except as it may relate to Cleco Power LLC) or any other affiliate or subsidiary of Cleco Corporate Holdings LLC.
This report should be read in its entirety as it pertains to each respective Registrant. The Notes to the Financial Statements for the Registrants and certain other sections of this report are combined.

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GLOSSARY OF TERMS

References in Part III, Item 11 in this filing to "we," "our," and "the Company" mean Cleco Corporate Holdings LLC, unless the context clearly indicates otherwise. Additional abbreviations or acronyms used in this filing, including all items in Parts I, II, III, and IV are defined below:

ABBREVIATION OR ACRONYM	DEFINITION
401(k) Plan	Cleco Power 401(k) Savings and Investment Plan
ABR	Alternate Base Rate which is the greater of the prime rate, the federal funds effective rate plus 0.50%, or LIBOR plus 1.0%
Acadia	Acadia Power Partners, LLC, previously a wholly owned subsidiary of Midstream. Acadia Power Partners, LLC was dissolved effective August 29, 2014.
Acadia Unit 1	Cleco Power's 580-MW, combined cycle power plant located at the Acadia Power Station in Eunice, Louisiana
Acadia Unit 2	Entergy Louisiana's 580-MW, combined cycle power plant located at the Acadia Power Station in Eunice, Louisiana, which is operated by Cleco Power
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
Amended Lignite Mining Agreement	Amended and restated lignite mining agreement effective December 29, 2009
AMI	Advanced Metering Infrastructure
AOCI	Accumulated Other Comprehensive Income (Loss)
ARO	Asset Retirement Obligation
ARRA	American Recovery and Reinvestment Act of 2009
Attala	Attala Transmission LLC, a wholly owned subsidiary of Cleco Holdings
bcIMC	British Columbia Investment Management Corporation
Brame Energy Center	A facility consisting of Nesbitt Unit 1, Rodemacher Unit 2, and Madison Unit 3
CAA	Clean Air Act
CCR	Coal combustion by-products or residual
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Cleco	Cleco Holdings and its subsidiaries
Cleco Corporation	Pre-merger entity that was converted to a limited liability company and changed its name to Cleco Corporate Holdings LLC on April 13, 2016
Cleco Energy	Cleco Energy LLC, a wholly owned subsidiary of Cleco Holdings
Cleco Group	Cleco Group LLC, a wholly owned subsidiary of Cleco Partners
Cleco Holdings	Cleco Corporate Holdings LLC, a wholly owned subsidiary of Cleco Group
Cleco Katrina/Rita	Cleco Katrina/Rita Hurricane Recovery Funding LLC, a wholly owned subsidiary of Cleco Power
Cleco Partners	Cleco Partners L.P., a Delaware limited partnership that is owned by a consortium of investors, including funds or investment vehicles managed by MIRA, bcIMC, John Hancock Financial, and other infrastructure investors
Cleco Power	Cleco Power LLC and its subsidiaries, a wholly owned subsidiary of Cleco Holdings
CO_2	Carbon dioxide
Cottonwood Energy	

	Cottonwood Energy Company LP, an indirect subsidiary of NRG South Central. Upon closing of the Purchase and Sale Agreement, Cottonwood Energy will become an indirect subsidiary of Cleco Holdings.
Coughlin	Cleco Power's 775-MW, combined-cycle power plant located in St. Landry, Louisiana
CPP	Clean Power Plan
CSAPR	Cross-State Air Pollution Rule
DHLC	Dolet Hills Lignite Company, LLC, a wholly owned subsidiary of SWEPCO
Diversified Lands	Diversified Lands LLC, a wholly owned subsidiary of Cleco Holdings
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DOE	U.S. Department of Energy
Dolet Hills	A facility consisting of Dolet Hills Power Station, the Dolet Hills mine, and the Oxbow mine
Dolet Hills Power Station	A 650-MW generating unit at Cleco Power's plant site in Mansfield, Louisiana. Cleco Power has a 50% ownership interest in the capacity of Dolet Hills.
EAC	Environmental Adjustment Clause
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EGU	Electric Generating Unit
Entergy Gulf States	Entergy Gulf States Louisiana, LLC
Entergy Louisiana	Entergy Louisiana, LLC
EPA	U.S. Environmental Protection Agency
ERO	Electric Reliability Organization
ESPP	Employee Stock Purchase Plan
Evangeline	Cleco Evangeline LLC, a wholly owned subsidiary of Midstream
FAC	Fuel Adjustment Clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FTR	Financial Transmission Right

ABBREVIATION OR ACRONYM	DEFINITION
FRP	Formula Rate Plan
GAAP	Generally Accepted Accounting Principles in the U.S.
IRC	Internal Revenue Code
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
ISO	Independent System Operator
kWh	Kilowatt-hour(s)
LDEQ	Louisiana Department of Environmental Quality
LED	Louisiana Economic Development
LIBOR	London Interbank Offered Rate
LMP	Locational Marginal Price
LPSC	Louisiana Public Service Commission
LTIP	Long-Term Incentive Compensation Plan
Madison Unit 3	A 641-MW generating unit at Cleco Power's plant site in Boyce, Louisiana
MATS	Mercury and Air Toxics Standards
Merger	Merger of Merger Sub with and into Cleco Corporation pursuant to the terms of the Merger Agreement which was completed on April 13, 2016
Merger Agreement	Agreement and Plan of Merger, dated as of October 17, 2014, by and among Cleco Partners, Merger Sub, and Cleco Corporation
Merger Commitments	Cleco Partners', Cleco Group's, Cleco Holdings', and Cleco Power's 77 commitments to the LPSC as defined in Docket No. U-33434 of which a performance report must be filed annually by October 31 for the 12 months ending June 30
Merger Sub	Cleco MergerSub Inc., previously an indirect wholly owned subsidiary of Cleco Partners that was merged with and into Cleco Corporation, with Cleco Corporation surviving the Merger, and Cleco Corporation converting to a limited liability company and changing its name to Cleco Holdings
Midstream	Cleco Midstream Resources LLC, a wholly owned subsidiary of Cleco Holdings
MIP	Macquarie Infrastructure Partners Inc.
MIRA	Macquarie Infrastructure and Real Assets Inc.
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British thermal units
Moody's	Moody's Investors Service, a credit rating agency
MW	Megawatt(s)
MWh	Megawatt-hour(s)
N/A	Not Applicable
NAAQS	National Ambient Air Quality Standards
NERC	North American Electric Reliability Corporation
NMTC	New Markets Tax Credit
NMTC Fund	USB NMTC Fund 2008-1 LLC was formed to invest in projects qualifying for New Markets Tax Credits and Solar Projects
NOAA	National Oceanic and Atmospheric Administration
NO_2	Nitrogen dioxide
NO_x	Nitrogen oxide
NRG Energy	NRG Energy, Inc.

NRG South Central	NRG South Central Generating LLC
Oxbow	Oxbow Lignite Company, LLC, 50% owned by Cleco Power and 50% owned by SWEPCO
PCB	Polychlorinated biphenyl
Perryville	Perryville Energy Partners, L.L.C., a wholly owned subsidiary of Cleco Holdings
PPA	Power Purchase Agreement
PPACA	Patient Protection and Affordable Care Act, as amended
ppb	Parts per billion
Predecessor	Pre-merger activity of Cleco. Cleco has accounted for the merger transaction by applying the acquisition method of accounting. The predecessor period is not comparable to the successor period.
Purchase and Sale Agreement	Purchase and Sale Agreement, dated as of February 6, 2018, by and among NRG Energy, NRG South Central, and Cleco Energy
RE	Regional Entity
Registrant(s)	Cleco Holdings and/or Cleco Power
Rodemacher Unit 2	A 523-MW generating unit at Cleco Power's plant site in Boyce, Louisiana. Cleco Power has a 30% ownership interest in the capacity of Rodemacher Unit 2.
ROE	Return on Equity
RTO	Regional Transmission Organization
S&P	Standard & Poor's Ratings Services, a credit rating agency
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
SERP	Supplemental Executive Retirement Plan
SO_2	Sulfur dioxide

ABBREVIATION OR ACRONYM	DEFINITION
SPP	Southwest Power Pool
SPP RE	Southwest Power Pool Regional Entity
SSR	System Support Resource
START	Strategic Alignment and Real-Time Transformation
STIP	Short-Term Incentive Plan
Successor	Post-merger activity of Cleco. Cleco has accounted for the merger transaction by applying the acquisition method of accounting. The successor period is not comparable to the predecessor period.
Support Group	Cleco Support Group LLC, a wholly owned subsidiary of Cleco Holdings
SWEPCO	Southwestern Electric Power Company, an electric utility subsidiary of American Electric Power Company, Inc.
TCJA	Federal Tax Cuts and Jobs Act of 2017
Teche Unit 3	A 359-MW generating unit at Cleco Power’s plant site in Baldwin, Louisiana
VaR	Value-at-Risk

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- the effects of the Merger on Cleco Holdings’ and Cleco Power’s business relationships, operating results, and business generally,
- regulatory factors such as changes in rate-setting practices or policies; the unpredictability in political actions of governmental regulatory bodies; adverse regulatory ratemaking actions; recovery of investments made under traditional regulation; recovery of storm restoration costs; the frequency, timing, and amount of rate increases or decreases; the impact that rate cases or requests for FRP extensions may have on operating decisions of Cleco Power; the results of periodic NERC, LPSC, and FERC audits; participation in MISO and the related operating challenges and uncertainties, including increased wholesale competition relative to additional suppliers; and compliance with the ERO reliability standards for bulk power systems by Cleco Power,
- the ability to recover fuel costs through the FAC,
- the ability to close the proposed transaction with NRG Energy and NRG South Central, including the related financings,
- the ability to successfully integrate the assets to be acquired in the proposed transaction with NRG Energy and NRG South Central, if completed, into Cleco’s operations,
- factors affecting utility operations, such as unusual weather conditions or other natural phenomena; catastrophic weather-related damage caused by hurricanes and other storms or severe drought conditions; unscheduled generation outages; unanticipated maintenance or repairs; unanticipated changes to fuel costs or fuel supply costs, shortages, transportation problems, or other developments; fuel mix of Cleco’s generating facilities; decreased customer load; environmental incidents and compliance costs; and power transmission system constraints,
- reliance on third parties for determination of Cleco Power’s commitments and obligations to markets for generation resources and reliance on third-party transmission services,
- global and domestic economic conditions, including the ability of customers to continue paying their utility bills, related growth and/or down-sizing of businesses in Cleco’s service area, monetary fluctuations, changes in commodity prices, and inflation rates,
- political uncertainty in the U.S., including the ongoing debates related to the U.S. federal government budget and debt ceiling, and volatility and disruption in global capital and credit markets,
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- the ability of the lignite reserves at Dolet Hills to provide sufficient fuel to the Dolet Hills Power Station until at least 2036,
- Cleco Power's ability to maintain its right to sell wholesale power at market-based rates within its control area,
- Cleco Power's dependence on energy from sources other than its facilities and future sources of such additional energy,
- reliability of Cleco Power's generating facilities,
- the imposition of energy efficiency requirements or increased conservation efforts of customers,
- the impact of current or future environmental laws and regulations, including those related to CCRs, greenhouse gases, and energy efficiency that could limit or terminate the operation of certain generating units, increase costs, or reduce customer demand for electricity,
- the ability to recover costs of compliance with environmental laws and regulations, including those through the EAC,
- financial or regulatory accounting principles or policies imposed by FASB, the SEC, FERC, the LPSC, or similar entities with regulatory or accounting oversight,
- changing market conditions and a variety of other factors associated with physical energy, financial transactions, and energy service activities, including, but not limited to, price, basis, credit, liquidity, volatility, capacity, transmission, interest rates, and warranty risks,
- legal, environmental, and regulatory delays and other obstacles associated with acquisitions (including the NRG South Central acquisition), reorganizations, investments in joint ventures, or other capital projects,
- costs and other effects of legal and administrative proceedings, settlements, investigations, claims, and other matters,
- the availability and use of alternative sources of energy and technologies, such as wind, solar, battery storage, and distributed generation,
- changes in federal, state, or local laws (including the TCJA and other tax laws), changes in tax rates, disallowances of

tax positions, or changes in other regulating policies that may result in a change to tax benefits or expenses,

- the restriction on the ability of Cleco Power to make distributions to Cleco Holdings in certain instances, as a result of the Merger Commitments,
- Cleco Holdings' dependence on the earnings, dividends, or distributions from its subsidiaries to meet its debt obligations,
- acts of terrorism, cyber attacks, data security breaches or other attempts to disrupt Cleco's business or the business of third parties, or other man-made disasters,
- nonperformance by and creditworthiness of the guarantor counterparty of the NMTC Fund,
- credit ratings of Cleco Holdings and Cleco Power,
- the ability to remain in compliance with debt covenants,
- the availability or cost of capital resulting from changes in global markets, Cleco's business or financial condition, interest rates, or market perceptions of the electric utility industry and energy-related industries, and
- employee workforce factors, including aging workforce, changes in management, and inadequate resources.

For more discussion of these factors and other factors that could cause actual results to differ materially from those contemplated in the Registrants' forward-looking statements, see Part I, Item 1A, "Risk Factors" and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Comparison of the Years Ended December 31, 2017, and 2016 — Cleco Power — Significant Factors Affecting Cleco Power" in this Annual Report.

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

Any forward-looking statement is considered only as of the date of this Combined Annual Report on Form 10-K and, except as required by law, the Registrants undertake no obligation to update any forward-looking statements, whether as a result of changes in actual results, changes in assumptions, or other factors affecting such statements.

PART
I
ITEM
1. BUSINESS

GENERAL
Cleco Holdings' predecessor was incorporated on October 30, 1998, under the laws of the state of Louisiana. Cleco Holdings is a public utility holding company which holds investments in several subsidiaries, including Cleco Power. Substantially all of its operations are conducted through Cleco Power. Cleco Holdings, subject to certain limited exceptions, is exempt from regulation as a public utility holding company pursuant to provisions of the Public Utility Holding Company Act of 2005.
On April 13, 2016, Cleco Holdings completed its merger with Merger Sub whereby Merger Sub merged with and into Cleco Corporation, with Cleco Corporation surviving the Merger, and Cleco Corporation converting to a limited liability company and changing its name to Cleco Holdings, as a direct, wholly owned subsidiary of Cleco Group and an indirect, wholly owned subsidiary of Cleco Partners. For more information on the Merger, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 3 — Business Combinations."
Cleco Energy was organized on December 28, 2017, under the laws of the state of Louisiana. On February 6, 2018, Cleco Energy entered into the Purchase and Sale Agreement with NRG Energy and NRG South Central. For more information on the Purchase and Sale Agreement and related transactions, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 20 — Subsequent Event - Plan of Acquisition."
Cleco Power's predecessor was incorporated on January 2, 1935, under the laws of the state of Louisiana. Cleco Power was organized on December 12, 2000. Cleco Power is an electric utility engaged principally in the generation, transmission, distribution, and sale of electricity within Louisiana. In December 2012, Cleco Power and Evangeline executed definitive agreements to transfer ownership and control of Coughlin from Evangeline to Cleco Power. The transfer was completed in March 2014. Coughlin consists of two generating units with a total nameplate capacity of 775 MW.
In 2013, Cleco Power integrated its generation dispatch and transmission operations with MISO. Cleco Power is regulated by the LPSC and FERC, along with other governmental authorities. The rates Cleco Power can charge its retail customers are determined by the LPSC, and its transmission tariffs are regulated by FERC. The rates Cleco Power charges its wholesale customers are subject to FERC's triennial market power analysis. Cleco Power serves approximately 290,000 customers in Louisiana through its retail business and supplies wholesale power in Louisiana and Mississippi. Cleco Power's operations are described below. For more information on MISO, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Transmission Rates of Cleco Power."
At December 31, 2017, Cleco had 1,204 employees. Cleco's mailing address is P.O. Box 5000, Pineville, Louisiana 71361-5000, and its telephone number is (318) 484-7400. Cleco's website is located at https://www.cleco.com. Cleco

and Cleco Power's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings with the SEC are available, free of charge, through Cleco's website after those reports or filings are filed electronically with or furnished to the SEC. Cleco's filings also can be obtained at the SEC's Office of Investor Education and Advocacy at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Office of Investor Education and Advocacy may be obtained by calling the SEC at 1-800-SEC-0330. Cleco's electronically filed reports can also be obtained on the SEC's website located at https://www.sec.gov. Cleco's governance guidelines, code of conduct for financial managers, ethics and business standards, and the charters of its boards of managers' audit, leadership development and compensation, business planning and budget review, governance and public affairs, and asset committees are available on its website and available in print upon request. Information on Cleco's website or any other website is not incorporated by reference into this Annual Report on Form 10-K and does not constitute a part of this Annual Report on Form 10-K.

At December 31, 2017, Cleco Power had 1,015 employees. Cleco Power’s mailing address is P.O. Box 5000, Pineville, Louisiana, 71361-5000, and its telephone number is (318) 484-7400.

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

OPERATIONS

Cleco Power

Segment Financial Information
Summary financial results of the Cleco Power segment for years 2017, 2016, and 2015 are presented in the following table:

(THOUSANDS)	2017	2016	2015
Revenue			
Electric operations	$1,108,389	$1,091,229	$1,142,389
Other operations	77,522	68,573	67,109
Electric customer credits	(1,566)	(1,513)	(2,173)
Affiliate revenue	851	884	1,142
Operating revenue, net	$1,185,196	$1,159,173	$1,208,467
Depreciation and amortization	$157,999	$146,142	$147,839
Interest charges	$69,362	$76,446	$76,560
Interest income	$1,283	$860	$725
Federal and state income tax expense	$67,331	$18,369	$79,294
Net income	$150,738	$39,128	$141,350
Additions to property, plant, and equipment	$235,252	$186,143	$156,357
Equity investment in investee	$18,172	$18,672	$16,822
Goodwill	$1,490,797	$1,490,797	$—
Segment assets	$5,679,538	$5,758,245	$4,233,337

For more information on Cleco Power's results of operations, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Comparison of the Years Ended December 31, 2017, and 2016 — Cleco Power."

Certain Factors Affecting Cleco Power
As an electric utility, Cleco Power is affected, to varying degrees, by a number of factors influencing the electric utility industry in general. For more information on these factors, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Comparison of the Years Ended December 31, 2017, and 2016 — Cleco Power — Significant Factors Affecting Cleco Power."

Power Generation
As of December 31, 2017, Cleco Power's aggregate net electric generating capacity was 3,181 MW. This amount reflects the maximum production capacity these units can sustain over a specified period of time. The following table sets forth certain information with respect to Cleco Power's generating facilities:

GENERATING STATION	YEAR OF INITIAL OPERATION	NAMEPLATE CAPACITY (MW) [1]	NET CAPACITY (MW) [2]	PRIMARY FUEL USED FOR GENERATION	GENERATION TYPE
Brame Energy Center					
Nesbitt Unit 1	1975	440	422	natural gas	steam
	1982	157 [3]	148 [3]	coal	steam

Rodemacher Unit 2							
Madison Unit 3	2010	641		630		petroleum coke/coal	steam
Acadia Unit 1	2002	580		559		natural gas	combined cycle
Coughlin Unit 6	2000	264		252		natural gas	combined cycle
Coughlin Unit 7	2000	511		480		natural gas	combined cycle
Teche Unit 3	1971	359		335		natural gas	steam
Teche Unit 4	2011	33		34		natural gas	combustion
Dolet Hills Power Station	1986	325	(4)	321	(4)	lignite	steam
Total generating capability		3,310		3,181			

(1) Nameplate capacity is the capacity at the start of commercial operations.
(2) Based on capacity testing of the generating units and operational tests performed during May, June, and July 2017. These amounts do not represent generating unit capacity for MISO planning reserve margins.
(3) Represents Cleco Power's 30% ownership interest in the capacity of Rodemacher Unit 2, a 523-MW generating unit.
(4) Represents Cleco Power's 50% ownership interest in the capacity of Dolet Hills, a 650-MW generating unit.

The following table sets forth the amounts of power generated by Cleco Power for the years indicated:

YEAR	THOUSAND MWh	PERCENT OF TOTAL ENERGY REQUIREMENTS	
2017	10,864	91.1	%
2016	12,759	103.6	%
2015	12,564	100.2	%
2014	9,858	74.9	%
2013	9,736	83.8	%

In 2013, Cleco Power integrated its generation dispatch and transmission operations with MISO. The amount of power generated by Cleco Power is dictated by the availability of Cleco Power's generating fleet and the manner in which MISO dispatches each generating unit. Depending on how generating units are dispatched by MISO, the amount of power generated may be greater than or less than total energy requirements. Generating units are dispatched by referencing

each unit's economic efficiency as it relates to the overall MISO market. For more information on MISO, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Transmission Rates of Cleco Power."

Fuel and Purchased Power

Changes in fuel expenses reflect fluctuations in the amount, type, and pricing of fuel used for electric generation; fuel transportation and delivery costs; and deferral of expenses for recovery from customers through the FAC in subsequent months. Changes in purchased power expenses are a result of the quantity and price of economic power purchased from the MISO market. These quantity changes can be affected by Cleco plant outages and plant performance. For a discussion of certain risks associated with changes in fuel costs and their impact on utility customers, see Item 1A, "Risk Factors — Transmission Constraints" and "— LPSC Audits."

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The following table sets forth the percentages of power generated from various fuels at Cleco Power's electric generating plants, the cost of fuel used per MWh attributable

to each such fuel, and the weighted average fuel cost per MWh:

	LIGNITE			COAL			NATURAL GAS			PETROLEUM COKE			WEIG AVER
YEAR	COST PER MWh	PERCENT OF GENERATION		COST PER MWh	PERCENT OF GENERATION		COST PER MWh	PERCENT OF GENERATION		COST PER MWh	PERCENT OF GENERATION		COST PER MWh
2017	$44.70	8.9	%	$24.75	12.4	%	$27.19	51.3	%	$22.50	27.4	%	$27.16
2016	$50.39	13.0	%	$28.13	9.3	%	$20.84	52.9	%	$18.77	24.8	%	$24.86
2015	$46.87	16.9	%	$28.68	9.7	%	$21.37	50.6	%	$19.80	22.8	%	$26.04
2014	$44.79	14.6	%	$27.34	15.6	%	$37.00	35.0	%	$21.52	34.8	%	$31.19
2013	$42.44	15.6	%	$29.42	18.2	%	$34.60	34.4	%	$21.54	31.8	%	$30.72

Power Purchases

In 2013, Cleco Power integrated its generation dispatch and transmission operations with MISO. Consequently, MISO now makes economic and routine dispatch decisions regarding Cleco Power's generating units. Since joining MISO, power purchases have been made at prevailing market prices, also referred to as LMP, which are highly correlated to natural gas prices. LMP includes a component directly related to congestion on the transmission system. Pricing zones with greater transmission congestion may have a higher LMP. Physical transmission constraints present in the MISO market could increase energy costs within Cleco Power's pricing zones. For information on Cleco Power's ability to pass on to its customers substantially all of its fuel and purchased power expenses, see "— Regulatory Matters, Industry Developments, and Franchises — Rates." For information on the cost benefit analysis of Cleco Power's MISO membership, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Retail Rates of Cleco Power — MISO Cost Benefit Analysis."

Coal, Petroleum Coke, and Lignite Supply

Cleco Power uses coal for generation at Rodemacher Unit 2. During 2017, Cleco Power contracted with Cloud Peak Energy, Arch Coal Sales, and Coal Network LLC to provide Cleco Power's coal needs at Rodemacher Unit 2, utilizing short-term spot coal agreements. The coal supply agreements were fixed-price contracts. With respect to transportation of coal, Cleco Power has an agreement with Union Pacific Railroad Company for transportation of coal from Wyoming's Powder River Basin to Rodemacher Unit 2. The agreement is for a term of three years and expires on December 31, 2019. Cleco Power leases 200 railcars to transport its coal under two leases. One lease expires on March 31, 2021, and the newest lease, which was entered into on April 1, 2017, expires on March 31, 2020.

The continuous supply of coal may be subject to interruption due to adverse weather conditions or other factors that may disrupt transportation to the plant site. At December 31, 2017, Cleco Power's coal inventory at Rodemacher Unit 2 was approximately 55,000 tons (approximately a 23-day supply).

Cleco Power uses a combination of petroleum coke and Illinois Basin coal for generation at Madison Unit 3. Petroleum coke is a by-product of the oil refinery process and is not considered a fuel specifically produced for a market; however, ample petroleum coke supplies are produced from refineries each year throughout the world, particularly in the Gulf Coast region. During 2017, Cleco received its petroleum coke supply from refineries located along the upper and lower Mississippi River. Cleco purchased slightly more than one million tons of

petroleum coke during 2017, all of which were either an evergreen extension of a previous agreement or a newly negotiated agreement for one year ending December 31, 2017. All existing contracts have been extended and newly negotiated contracts have been completed for petroleum coke supply in 2018. The agreements are priced according to the Jacobs Consultancy Petroleum Coke Quarterly Monthly Price Index or the "PACE" Monthly Index.
During 2017, Cleco purchased approximately 323,000 tons of Illinois Basin coal. Cleco Power uses Louisiana waterways, such as the Mississippi River and the Red River, to deliver both petroleum coke and Illinois Basin coal to the Madison Unit 3 plant site. The continuous supply of petroleum coke and Illinois Basin coal may be subject to interruption due to adverse weather conditions or other factors that may disrupt transportation to the plant site. Savage Services is Cleco Power's exclusive transportation coordinator and provider. The amended and restated logistics agreement dated December 28, 2012, with Savage Services renews monthly beyond the original expiration date of August 31, 2017. A new agreement is expected to be completed during the first quarter of 2018. At December 31, 2017, Cleco Power's petroleum coke inventory at Madison Unit 3 was approximately 452,000 tons and Cleco Power's Illinois Basin coal inventory at Madison Unit 3 was approximately 63,000 tons. The total fuel inventory was 515,000 tons (approximately a 103-day supply).
Cleco Power uses lignite for generation at the Dolet Hills Power Station. Cleco Power and SWEPCO each own an undivided 50% interest in the other's leased and owned lignite reserves within the Dolet Hills mine in northwestern Louisiana. Additionally, through Oxbow, which is owned 50% by Cleco Power and 50% by SWEPCO, Cleco Power and SWEPCO control 74 million tons of estimated recoverable lignite reserves also located in northwestern Louisiana. Cleco Power and SWEPCO have entered into a long-term agreement with DHLC for the mining and delivery of lignite reserves at both mines, which are operated by SWEPCO. The Amended Lignite Mining Agreement requires Cleco Power and SWEPCO to purchase the lignite mined and delivered by DHLC at cost plus a specified management fee. The term of this contract runs until all economically mineable lignite has been mined. The reserves from these mines are expected to be sufficient to fuel the Dolet Hills Power Station until at least 2036. At December 31, 2017, Cleco Power's investment in Oxbow was $18.2 million. For information regarding deferred mining costs and obligations associated with this mining agreement see, Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 4 — Regulatory Assets and Liabilities — Mining Costs," No
15 — "Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Off-Balance Sheet Commitments and

Guarantees," and "— Long-Term Purchase Obligations." For more information on Oxbow, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 13 — Variable Interest Entities."
The continuous supply of lignite may be subject to interruption due to adverse weather conditions or other factors that may disrupt mining operations or transportation to the plant site. At December 31, 2017, Cleco Power's lignite inventory at Dolet Hills was approximately 437,000 tons (approximately a 70-day supply). Lignite inventory was higher at December 31, 2017, than prior years due to lower plant run-time at Dolet Hills Power Station.

Natural Gas Supply
During 2017, Cleco Power purchased 28.0 million MMBtu of natural gas for the generation of electricity. The annual and average per-day quantities of gas purchased by Cleco Power from each supplier are shown in the following table:

NATURAL GAS SUPPLIER	2017 PURCHASES (MMBtu)	AVERAGE AMOUNT PURCHASED PER DAY (MMBtu)	PERCENT OF TOTAL NATURAL GAS USED	
Tenaska Marketing Ventures	7,774,729	21,301	27.8	%
ENSTOR Energy Services	6,620,134	18,137	23.7	%
DTE Energy Trading, Inc.	5,176,000	14,181	18.5	%
CIMA Energy Ltd	2,150,700	5,892	7.7	%
Shell Energy North America	1,994,199	5,464	7.1	%
BP Energy Company	1,527,700	4,185	5.5	%
Sequent Energy Management	583,395	1,598	2.1	%
Others	2,123,506	5,818	7.6	%
Total	27,950,363	76,576	100.0	%

Cleco Power owns natural gas pipelines and interconnections at all of its generating facilities that allow it to access various natural gas supply markets and maintain a reliable, economical fuel supply for Cleco Power's customers. Natural gas was available without interruption throughout 2017. Cleco Power expects to continue to meet its natural gas requirements with purchases on the spot market through daily, monthly, and seasonal contracts with various natural gas suppliers. However, future supplies to Cleco Power remain vulnerable to disruptions due to weather events and transportation issues. Large industrial users of natural gas, including electric utilities, generally have low priority among gas users in the event pipeline suppliers are forced to curtail deliveries due to inadequate supplies. As a result, prices may increase rapidly in response to temporary supply interruptions. During 2017, in order to partially address potential natural gas fuel curtailments and interruptions, Cleco contracted for natural gas firm transportation with several interstate pipelines for a period of one year ending in late 2018. In order to supply gas to Cleco Power's generating facilities in the event of an interruption of supply due to events of force majeure and to operationally balance gas supply to the units, gas storage will continue to be used. The storage volume is contracted by paying a capacity reservation charge at a fixed rate. There are also variable charges incurred to withdraw and inject gas from storage. At December 31, 2017, Cleco Power had 1.3 million MMBtu of gas in storage. Currently, Cleco Power anticipates that its diverse supply options and gas storage, combined with its solid-fuel generation resources, are adequate to meet its generation needs during any temporary interruption of natural gas supplies.

Sales
Cleco Power's 2017 and 2016 system peak demands, which occurred on July 20, 2017, and August 2, 2016, were 2,508 MW and 2,490 MW, respectively. Sales and system peak demand are affected by weather and are typically highest during the summer air-conditioning season; however, peaks may occur during the winter season as well. In 2017 and 2016, Cleco Power experienced warmer than normal summer weather conditions and warmer than normal

winter weather conditions. For information on the effects of future energy sales on Cleco Power's results of operations, financial condition, and cash flows, see Item 1A, "Risk Factors — Future Electricity Sales" and "— Weather Sensitivity." For information on the financial effects of seasonal demand on Cleco Power's quarterly operating results, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 19 — Miscellaneous Financial Information (Unaudited)."
Reserve margin is the net capacity resources (either owned or purchased) less native load demand, divided by native load demand. Members of MISO submit their forecasted native load demand to MISO each year. During 2017, Cleco Power's reserve margin was 17.9%, which was above MISO's unforced planning reserve margin benchmark of 7.8.%. During 2016, Cleco Power's reserve margin was 23.8%, which was above MISO's unforced planning reserve margin benchmark of 7.6%. Cleco Power expects to meet or exceed MISO's unforced planning reserve margin benchmark of 8.4% in 2018.

Capital Investment Projects
For a discussion of certain Cleco Power major capital investment projects, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Cleco Power — Cenla Transmission Expansion Project," "— St. Mary Clean Energy Center Project," "— Terrebonne to Bayou Vista Transmission Project," "— Coughlin Pipeline Project," and "— START Project."

Customers
No single customer accounted for 10% or more of Cleco or Cleco Power's consolidated revenue in 2017, 2016, or 2015. Cleco Power has a significant wholesale customer that accounted for 9% of Cleco and Cleco Power's consolidated revenue in 2017, 2016, and 2015. For more information regarding Cleco's sales and revenue, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations."

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

REGULATORY MATTERS, INDUSTRY DEVELOPMENTS, AND FRANCHISES

Rates
Cleco Power's electric operations are subject to the jurisdiction of the LPSC with respect to retail rates, standards of service, accounting, and other matters. Also, Cleco Power is subject to the jurisdiction of FERC with respect to transmission tariffs,

accounting, interconnections with other utilities, reliability, and the transmission of power. Periodically, Cleco Power has sought and received from both the LPSC and FERC increases in retail rates and transmission tariffs, respectively, to cover increases in operating costs and costs associated with additions to generation, transmission, and distribution facilities. The rates Cleco Power charges its wholesale customers are subject to FERC's triennial market power analysis.

Cleco Power's annual retail earnings are subject to the terms of an FRP established by the LPSC. Effective July 1, 2014, under the terms of the FRP extension, Cleco Power's retail rates were adjusted based on a target ROE of 10.0%, while providing the opportunity to earn up to 10.9%. Additionally, 60% of retail earnings between 10.9% and 11.75% and all retail earnings over 11.75% are required to be refunded to customers. The amount of credits due to customers, if any, is determined by Cleco Power and the LPSC annually. Credits are typically included on customers' bills the following summer, but the amount and timing of the refunds are ultimately subject to LPSC approval. The capital structure assumes an equity ratio of 51%. The FRP extension includes a mechanism allowing for recovery of incremental capacity costs above the level included in base rates and allows Cleco Power to request recovery of additional capital project costs. Cleco Power will file an application with the LPSC for a new FRP by June 30, 2019, with anticipated new rates being effective on July 1, 2020.

Generally, the cost of fuel used for electric generation and the cost of power purchased for utility customers are recovered through the LPSC-established FAC that enables Cleco Power to pass on to its customers substantially all such charges. Recovery of FAC costs is subject to periodic fuel audits by the LPSC.

For more information on the FAC and the most recent fuel audit, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 15 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation — LPSC Audits — Fuel Audit."

In 2009, the LPSC issued Docket No. U-29380 Subdocket A, which provides for an EAC to recover from customers certain costs of environmental compliance. These expenses are eligible for recovery through Cleco Power's EAC and are subject to periodic review by the LPSC. For more information on the EAC and the most recent environmental audit, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 15 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation — LPSC Audits — Environmental Audit."

In April 2016, the LPSC issued Docket No. R-34026 to investigate double leveraging issues for all LPSC-jurisdictional utilities. Also, in April 2016, the LPSC issued Docket No. R-34029 to investigate tax structure issues for all LPSC-jurisdictional utilities.

For more information about amounts accrued and refunded by Cleco Power as a result of the FRP, information on the LPSC Staff's FRP reviews, and information on the double leveraging and tax dockets, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 12 — Regulation and Rates — FRP" and "— Other."

For more information on Cleco Power's retail and wholesale rates, including Cleco Power's FRP, see Item 1A,

"Risk Factors — LPSC Audits," "— Cleco Power's Rates," "— Retail Electric Service," and "— Wholesale Electric Service" a Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Retail Rates of Cleco Power," and "— Wholesale Rates of Cleco Power."

Franchises

Cleco Power operates under nonexclusive franchise rights granted by governmental units, such as municipalities and parishes (counties), and enforced by state law. These franchises are for fixed terms, which vary from 10 years to more than 50 years. Historically, Cleco Power has been substantially successful in the timely renewal of franchises as each neared the end of its term. Cleco Power's next municipal franchise expires in July 2021.

Franchise Renewals

Cleco Power renewed the following franchise agreements during 2016 and 2017:

DATE	CITY/TOWN/VILLAGE	TERM	NUMBER OF CUSTOMERS
May 2016	Elizabeth	10 years[(1)]	219
July 2016	McNary	30 years	89
April 2017	Slidell	35 years	13,823
July 2017	Rosepine	33 years	916
July 2017	Cheneyville	33 years	356
October 2017	New Llano[(2)]	15 years	7

[(1)] Effective date May 2018, expiring May 2028

[(2)] This new franchise agreement provides Cleco Power the opportunity to compete for future growth opportunities in the town.

Industry Developments

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

Wholesale Electric Competition

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

Retail Electric Competition

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

Legislative and Regulatory Changes and Matters

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

- the ability of electric utilities to recover stranded costs,
- the role of electric utilities, independent power producers, and competitive bidding in the purchase, construction, and operation of new generating capacity,
- the role of electric utilities and independent transmission providers in competitive bidding in the construction of new transmission facilities,

- the pricing of transmission service on an electric utility's transmission system, or the cost of transmission services provided by an RTO/ISO,
- FERC's assessment of market power and a utility's ability to buy generation assets,
- mandatory transmission reliability standards,
- NERC's imposition of additional reliability and cybersecurity standards,
- the authority of FERC to grant utilities the power of eminent domain,
- increasing requirements for renewable energy sources,
- demand response and energy efficiency standards,
- comprehensive multi-emissions environmental regulation in the areas of air, water, and waste,
- regulation of greenhouse gas emissions,
- regulation of the disposal and management of CCRs from coal-fired power plants,
- FERC's increased ability to impose financial penalties, and
- the Dodd-Frank Act.

At this time, management is unable to predict the outcome of such issues or the effects thereof on the results of operations, financial condition, or cash flows of the Registrants.

For information on certain regulatory matters and regulatory accounting affecting Cleco, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters."

ENVIRONMENTAL MATTERS

Environmental Quality

Cleco is subject to federal, state, and local laws and regulations governing the protection of the environment. Violations of these laws and regulations may result in substantial fines and penalties. Cleco has obtained the environmental permits necessary for its operations, and management believes Cleco is in compliance in all material respects with these permits, as well as all applicable environmental laws and regulations. Environmental requirements affecting electric power generating facilities are complex, change frequently, and have become more stringent over time as a result of new legislation, administrative actions, and judicial interpretations. Therefore, the capital costs and other expenditures necessary to comply with existing and new environmental requirements are difficult to determine. Cleco Power may request recovery of the costs to comply with certain environmental laws and regulations from its retail customers. If revenue relief were to be approved by the LPSC, then Cleco Power's retail rates could increase. If the LPSC were to deny Cleco Power's request to recover all or part of its environmental compliance costs, then Cleco Power would bear those costs directly. Such a decision could negatively impact the results of operations, financial condition, or cash flows of the Registrants. Cleco Power's capital expenditures, including AFUDC, related to environmental compliance were $6.2 million during 2017 and are estimated to be $1.8 million in 2018.

Air Quality

Air emissions from each of Cleco's generating units are strictly regulated by the EPA and the LDEQ. The LDEQ has authority over and implements certain air quality programs established by the EPA under the federal CAA, as well as its own air quality

regulations. The LDEQ establishes standards of performance and requires permits for EGUs in Louisiana. All of Cleco's generating units are subject to these requirements.

The EPA has proposed and adopted rules under the authority of the CAA relevant to the emissions of SO_2 and NO_x from Cleco's generating units. The CAA contains a regional haze program with the goal of returning certain areas of the nation to natural visibility by 2064. States are required to develop regional haze State Implementation Plans (SIP) and revise them every ten years. A SIP must include requirements for the installation of Best Available Retrofit Technology (BART) for applicable EGUs in Louisiana. Because the Louisiana SIP, approved by the EPA, mandates use of existing controls and participation in the Cross State Air Pollution rule as BART, Cleco does not believe the Louisiana SIP will have a material impact on the results of operations, financial condition, or cash flows of the Registrants. The CAA also established the Acid Rain Program to address the effects of acid rain and imposed restrictions on acid rain-causing SO_2 emissions from certain generating units.

The CAA requires these EGUs to possess a regulatory allowance for each ton of SO_2 emitted beginning in the year 2000. The EPA allocates a set number of allowances to each affected unit based on its historic emissions. Cleco expects to have sufficient allowances for 2018 operations under the Acid Rain Program.

The Acid Rain Program also established emission rate limits on NO_x emissions for certain generating units. Cleco Power is able to achieve compliance with the acid rain permit limits for NO_x at all of its affected facilities.

In December 2015, the EPA published the proposed CSAPR update for the 2008 ozone NAAQS in the Federal Register. The EPA finalized the rule in October 2016, with publication in the Federal Register. The EPA proposed Federal Implementation Plans (FIP) that update the existing EGU CSAPR NO_x ozone season emission budgets and implement the budgets through the existing CSAPR NO_x ozone-season allowance trading program. The FIP required implementation began with the 2017 ozone season. Cleco is in compliance with the rule. This rule did not have a material impact on the results of operations, financial condition, or cash flows of the Registrants.

In February 2012, the EPA finalized the MATS ruling that requires affected EGUs to meet strict emission limits on new and existing coal- and liquid oil-fired EGUs for mercury, acid gases, and non-mercury metallic pollutants. Cleco Power units impacted by the rule included Rodemacher Unit 2, Madison Unit 3, and Dolet Hills. MATS controls equipment was installed, and Cleco Power’s three EGUs affected by the MATS rule were compliant by the April 16, 2015, deadline. In February 2016, the LPSC approved Cleco Power’s request for authorization to recover the revenue requirements associated with the MATS equipment. As of December 31, 2017, this project was complete at a cost of $106.2 million. In March 2016, the Sierra Club filed a petition for judicial review in the 19th Judicial District Court, state of Louisiana, requesting that the LPSC’s approval of MATS be vacated. Cleco believes the LPSC’s approval was neither arbitrary nor capricious and, as such, believes the Sierra Club’s request to be without merit. On January 8, 2018, the Court affirmed the LPSC ruling in the Cleco MATS cost recovery case.

For more information on the legal proceedings of the MATS ruling, see Part II, Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements —

Note 15 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation — LPSC Audits — Environmental Audit."

In August 2015, the EPA released the final guidelines referred to as the CPP. These guidelines provide each state with standards for CO_2 emissions from the state's utility industry. The EPA derived the limits for each state through a strategy involving a combination of unit efficiency improvements, dispatching away from boilers to combined cycle units, and applying renewable energy. The CPP requires significant reductions of CO_2 emissions. The CPP sets interim and final CO_2 emission goals for each state. The interim emission goals begin in 2022, with final emission goals required by 2030. In February 2016, the U.S. Supreme Court issued a stay of the CPP, which will stay in place until the D.C. Circuit Court of Appeals rules on the merits, followed by a U.S. Supreme Court ruling.

In August 2015, the EPA released the New Source Performance Standards (NSPS) rules for CO_2 emissions from new, modified, or reconstructed units. The rules set requirements and conditions with respect to CO_2 emission standards for new units and those that are modified or reconstructed. Cleco does not anticipate a modification or reconstruction of its existing sources that would trigger the application of the CO_2 emission limits.

On March 28, 2017, the President signed a broad executive order. Among other measures, the order directed the EPA to review the CPP, the proposed Federal Implementation Plan for the CPP, and the greenhouse gas new source performance standards (GHG NSPS). The executive order also gave the U.S. Department of Justice discretion to request that the U.S. Court of Appeals of the D.C. Circuit stay or otherwise delay the litigation challenging the CPP and the GHG NSPS while the administrative review is underway. On April 28, 2017, the Court began the postponement of the litigation. On October 16, 2017, following a review as directed by the President, the EPA published a proposed rule to repeal the CPP. Whether the EPA will finalize its proposed rule to repeal the CPP or proceed with a rulemaking to replace the CPP with different rules regulating greenhouse gas emissions from existing EGUs remains uncertain. As a result, the CPP rule is not currently in force and the future regulation of greenhouse gas emissions from existing EGUs is uncertain.

Until all directions of the executive order are carried out, management cannot predict what the final standards will entail or what controls the EPA and the state of Louisiana may require of Cleco in a final state implementation plan. However, any new rules that require significant reductions of CO_2 emissions could require significant capital expenditures or curtailment of operations of certain EGUs to achieve compliance.

The enactment of federal or state renewable portfolio standards (RPS) mandating the use of renewable and alternative fuel sources such as wind, solar, biomass, and geothermal energy could result in certain changes in Cleco's business or its competitive position. These changes could include additional costs for renewable energy credits, alternate compliance payments, or capital expenditures for renewable generation resources. RPS legislation has been enacted in many states, and Congress is considering various bills that would create a national RPS. Cleco continues to evaluate the impacts of potential RPS legislation on its business based on the RPS programs in other states.

A revised primary NAAQS for NO_2 promulgated by the EPA took effect in April 2010. The EPA established a new one-hour standard at a level of 100 ppb to supplement the existing annual standard. In January 2012, the EPA determined that no area in the country was violating the standard. The EPA may redesignate areas based on new data it receives from states. Due to the fact that fossil fuel-fired EGUs are a significant source of NO_2 emissions in the country, a non-attainment designation could result in utilities such as Cleco being required to substantially reduce their NO_2 emissions. However, because the EPA has not yet completed any new designations, Cleco cannot predict the likelihood or potential impacts of such a rule on its generating units at this time.

The EPA revised the NAAQS for SO_2 in June 2010. The new standard is now a one-hour health standard of 75 ppb, designed to reduce short-term exposures to SO_2 ranging from five minutes to 24 hours. An important aspect of the new SO_2 standard is a revised emission monitoring network combined with a new ambient air modeling approach to determine compliance with the new standard. The EPA expects to use monitoring or modeling data developed in the future to confirm the status of areas that currently have no monitoring data. Classification of those areas without adequate data will be deferred until adequate data has been developed. On January 9, 2018, the EPA published a final rule designating all areas containing Cleco generation as either attainment/unclassifiable or unclassifiable. Therefore, there is no adverse impact to Cleco's generating units.

In the past, Cleco Power received notices from the EPA requesting information relating to the Brame Energy Center and the Dolet Hills Power Station. The purpose of the data requests was to determine whether Cleco Power complied with the New Source Review permitting program and NSPS requirements under the CAA in connection with capital expenditures, modifications, or operational changes made at these facilities. Cleco Power has completed its responses to the initial data requests. Cleco Power is unable to predict whether the EPA will take further action as a result of the information provided.

Water Quality

Cleco's facilities are subject to federal and state laws and regulations regarding wastewater discharges. Cleco has received, from the EPA and the LDEQ, permits required under the federal Clean Water Act (CWA) for wastewater discharges from its generating stations. Wastewater discharge permits have fixed dates of expiration, and Cleco applies for renewal of these permits within the applicable time periods.

In March 2011, the EPA proposed regulations which would establish standards for cooling water intake structures at existing power plants and other facilities pursuant to Section 316(b) of the CWA. The EPA published its final rule in August 2014. The standards are intended to protect fish and other aquatic wildlife by minimizing capture, both in screens attached to intake structures (impingement mortality) and in the actual intake structures themselves (entrainment mortality). The proposed standards would (1) set a performance standard, dealing with fish impingement mortality or reduce the flow velocity at cooling water intakes to less than 0.5 feet per second and (2) require entrainment standards to be determined on a case-by-case basis by state-delegated permitting authorities. Facilities subject to the proposed standards are required to complete a number of studies within a 45-month period and then comply with the rule as soon as possible after the next discharge permit renewal, by a date determined by the permitting authorities. Portions of the final rule could apply to a number of Cleco's fossil fuel steam electric generating stations. Until the required studies are conducted, including technical and economic evaluations of the control options available, and regulatory agency officials have reviewed the studies and made determinations, Cleco remains uncertain as to which technology options or retrofits will be required to be installed on its affected facilities. The costs of required technology options and retrofits may be significant, particularly if closed cycle cooling is required.

The CWA requires the EPA to periodically review and, if appropriate, revise technology-based effluent limitations guidelines for categories of industrial facilities, including power generating facilities. In September 2015, the EPA released the revised steam electric effluent limitation guidelines. The rule is focused on reducing the discharge of metals in wastewater from generating facilities to surface waters. On April 12, 2017, the EPA Administrator indicated that it is appropriate and in the public interest to reconsider the rule.

On September 18, 2017, the EPA published a rule postponing for a two year period the earliest compliance dates for some of the wastewater streams that fall under the rule. The EPA intends to conduct a rulemaking to potentially revise certain effluent limitations for those particular wastewater streams. The rule may require costly technological upgrades at Cleco's facilities, particularly if additional wastewater treatment systems are required to be installed or if waste streams must be eliminated. Until the EPA finalizes the rule, management cannot predict what the final standards will entail, what controls the EPA and the state of Louisiana may require of Cleco, or if the new rule will have a material impact on the results of operations, financial condition, or cash flows of the Registrants.

Solid Waste Disposal

In the course of operations, Cleco's facilities generate solid and hazardous waste materials requiring eventual disposal. The Solid Waste Division of the LDEQ has adopted a permitting system for the management and disposal of solid waste generated by power stations. Cleco has received all required permits from the LDEQ for the on-site disposal of solid waste from its generating stations.

In April 2015, the EPA published a final rule in the
Federal Register for regulating the disposal and management of CCRs from coal-fired power plants. The federal regulation classifies CCRs as nonhazardous waste under Subtitle D of the Resource Conservation and Recovery Act and allows beneficial use of CCRs with some restrictions. The rule establishes extensive requirements for existing and new CCR landfills and surface impoundments and all lateral expansions consisting of location restrictions, design and operating criteria, groundwater monitoring and corrective action, closure requirements and post closure care, and recordkeeping, notification, and Internet posting requirements. Management is currently evaluating the effect of the final rule requirements and is not able to predict if the rule will have a material impact on the results of operations, financial condition, or cash flows of the Registrants.

On September 13, 2017, the EPA Administrator indicated that it is appropriate and in the public interest to reconsider the provisions of the final CCR rule. However, until the EPA has completed its evaluation of the CCR rule and made a decision on revising the provisions of the final rule,

Cleco cannot determine if the rule will have a material impact on the results of operations, financial condition, or cash flows of the Registrants.

Cleco Power continues to be subject to state regulations pertaining to the disposal of coal ash. As a result, Cleco Power has an ARO for the retirement of certain ash disposal facilities. All costs of the CCR rule are expected to be recovered from customers in future rates. The actual asset retirement costs related to the CCR rule requirements may vary substantially from the estimates used to record the increased obligation due to the uncertainty about the compliance strategies that will be used and the preliminary nature of available data used to estimate costs. Cleco Power will continue to gather additional data in future periods and will make decisions about compliance strategies and the timing of closure activities. As additional information becomes available and management makes decisions

about compliance strategies and the timing of closure activities, Cleco Power will update the ARO balance to reflect these changes in estimates. However, management does not expect any required adjustment to the ARO to have a material effect on the results of operations, financial condition, or cash flows of the Registrants. At December 31, 2017, management's analysis confirmed that no additional adjustments were needed to update Cleco Power's ARO balance.
In December 2016, the Water Infrastructure Improvements for the Nation Act (WIIN Act), including the WIIN Act's provisions regarding CCRs was signed into law. The Act's CCR provisions allow for implementation of the federal CCR rule through a state-based permit program. However, until the state of Louisiana has evaluated the Act and made a decision on implementing a state-based option, Cleco cannot determine if the rule will have a material impact on the results of operations, financial condition, or cash flows of the Registrants.
Cleco produces certain wastes that are classified as hazardous at its electric generating stations and at other locations. Cleco does not treat, store long-term, or dispose of these wastes on-site; therefore, no permits are required. Hazardous wastes produced by Cleco are properly disposed of at permitted hazardous waste disposal sites.

Toxic Substances Control Act (TSCA)
The TSCA directs the EPA to regulate the marketing, disposing, manufacturing, processing, distributing in commerce, and usage of various toxic substances, including PCBs. Cleco operates and may continue to operate equipment containing PCBs under the TSCA. Once the equipment reaches the end of its useful life, the EPA regulates handling and disposing of the equipment and fluids containing PCBs. Within these regulations, handling and disposing is allowed only through facilities approved and permitted by the EPA. Cleco properly disposes of its PCB waste material at TSCA-permitted disposal facilities.

Emergency Planning and Community Right-to-Know Act (EPCRA)
Section 313 of the EPCRA requires certain facilities that manufacture, process, or otherwise use minimum quantities of listed toxic chemicals to file an annual report with the EPA called a Toxic Release Inventory (TRI) report. The TRI report requires industrial facilities to report on approximately 650 substances that the facilities release into the air, water, and land. The TRI report ranks companies based on the amount of

a particular substance they release on a state and parish (county) level. Annual reports are due to the EPA on July 1 following the reporting year-end. Cleco has submitted required TRI reports on its activities, and the TRI rankings are available to the public. The rankings do not result in any federal or state penalties.

Electric and Magnetic Fields (EMFs)
The possibility that exposure to EMFs emanating from electric power lines, household appliances, and other electric devices

may result in adverse health effects and damage to the environment has been a subject of some public attention. Lawsuits alleging that the presence of electric power transmission and distribution lines has an adverse effect on health and/or property values have arisen in several states. Cleco Power is not a party in any lawsuits related to EMFs.

ITEM
1A. RISK
FACTORS
The following risk factors could have a material adverse effect on results and cause results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Registrants.

Holding Company

Cleco Holdings is a holding company and its ability to meet its debt obligations is dependent on the cash generated by its subsidiaries.
Cleco Holdings is a holding company and conducts its operations primarily through its subsidiaries. Accordingly, Cleco Holdings' ability to meet its debt obligations is largely dependent upon the cash generated by these subsidiaries. Cleco Holdings' subsidiaries are separate and distinct entities and have no obligations to pay any amounts due on Cleco Holdings' debt or to make any funds available for such payment. In addition, Cleco Holdings' subsidiaries' ability to make dividend payments or other distributions to Cleco Holdings may be restricted by their obligations to holders of their outstanding securities and to other general business creditors. Substantially all of Cleco's consolidated assets are held by Cleco Power. Cleco Holdings' right to receive any assets of any subsidiary, and therefore the right of its creditors to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if Cleco Holdings were a creditor of any subsidiary, its rights as a creditor would be subordinated to any security interest in the assets of that subsidiary and any indebtedness of the subsidiary senior to that held by Cleco Holdings. Moreover, Cleco Power, Cleco Holdings' principal subsidiary, is subject to regulation by the LPSC, which may impose limits on the amount of dividends that Cleco Power may pay Cleco Holdings. The Merger Commitments provide for limitations on the amount of distributions that may be paid from Cleco Power to Cleco Holdings, depending on Cleco Power's common equity ratio and its corporate credit/issuer ratings. As a result, Cleco Power may be prohibited from making distributions to Cleco Holdings.

Purchase and Sale Agreement

Cleco Energy and Cleco may be unable to obtain the required governmental, regulatory and other approvals required to complete the Purchase and Sale Agreement.
On February 6, 2018, Cleco Energy entered into the Purchase and Sale Agreement with NRG Energy and NRG South Central to acquire all the outstanding membership interests in NRG South Central for approximately $1.0 billion, subject to customary working capital and other adjustments (the NRG Acquisition). The completion of the NRG Acquisition is subject to certain closing conditions and regulatory approvals, including (i) the expiration or

termination of the applicable

waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and (ii) receipt of required regulatory approvals, including approvals by FERC, the LPSC, the Committee on Foreign Investment in the United States, and the Public Utility Commission of Texas. If these conditions and regulatory approvals are not satisfied or waived, the NRG Acquisition may not be completed. If the closing of the NRG Acquisition is substantially delayed or does not occur at all, or if the terms of the NRG Acquisition are required to be modified substantially due to regulatory concerns, Cleco may not realize the anticipated benefits of the acquisition fully or at all.

Regulatory Compliance

Cleco operates in a highly regulated environment and adverse regulatory decisions or changes in applicable regulations could have a material adverse effect on the Registrants’ business or result in significant additional costs. Cleco’s business is subject to extensive federal, state, and local energy, environmental, and other laws and regulations. The LPSC regulates Cleco’s retail operations and FERC regulates Cleco’s wholesale operations. The construction, planning, and siting of Cleco’s power plants and transmission lines also are subject to the jurisdiction of the LPSC and FERC. Additional regulatory authorities have jurisdiction over some of Cleco’s operations and construction projects including the EPA, the U.S. Bureau of Land Management, the U.S. Fish and Wildlife Services, the DOE, the U.S. Coast Guard, the U.S. Army Corps of Engineers, the U.S. Department of Homeland Security, the Occupational Safety and Health Administration, the U.S. Department of Transportation, the U.S. Department of Agriculture, the U.S. Bureau of Economic Analysis, the Federal Communications Commission, the LDEQ, the Louisiana Department of Health and Hospitals, the Louisiana Department of Natural Resources, the Louisiana Department of Public Safety, the Louisiana Department of Agriculture, the Louisiana Bureau of Economic Analysis, regional water quality boards, and various local regulatory districts.
Cleco must periodically apply for licenses and permits from these various regulatory authorities and abide by their respective orders. Should Cleco be unsuccessful in obtaining necessary licenses or permits or should these regulatory authorities initiate any investigations or enforcement actions or impose penalties or disallowances on Cleco, Cleco’s business could be adversely affected. Existing regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to Cleco or Cleco’s facilities in a manner that may have a material adverse effect on the Registrants’ business or result in significant additional costs due to Cleco’s need to comply with those requirements.
As a result of the Merger, Cleco Holdings and Cleco Power made Merger Commitments to the LPSC including but

not limited to the extension of Cleco Power's current FRP for an additional two years, maintaining employee headcount, salaries, and benefits for ten years, and a limitation from incurring additional long-term debt, excluding non-recourse debt, unless certain financial ratios are achieved. A report on the status of the Merger Commitments must be filed annually by October 31 for the 12-month period ended June 30.

In April 2016, the LPSC issued Docket No. R-34026 to investigate the double leveraging issues for all LPSC-jurisdictional utilities whereby double leveraging is utilized to fund a utility's capital structure, and to consider whether any costs associated with such double leveraging should be included in the rates paid by the utility's retail ratepayers. Cleco Power has intervened in this proceeding, along with other Louisiana utilities. In April 2016, the LPSC also issued Docket No. R-34029 to investigate the tax structure issues for all LPSC-jurisdictional utilities to consider whether only the state and federal taxes included in a utility's retail rate will be those that do not exceed the utility's share of the actual taxes paid to those federal and state taxing authorities. Cleco Power filed a motion to intervene in this proceeding along with other Louisiana utilities. In October 2016, Cleco received the first set of data requests from the LPSC Staff for each of the above mentioned dockets. Cleco has filed responses to the non-confidential requests and is waiting on the completion of a confidentiality agreement to respond to the confidential requests. Cleco is unable to determine if or when the completion of this confidentiality agreement will occur. If the LPSC were to disallow such costs incurred by the utility to be included in retail rates, such disallowance could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

Hedging and Risk Management Activities

Cleco Power is subject to market risk associated with fuel cost hedges and FTRs.

Annually, Cleco Power receives Auction Revenue Rights, which can be converted to FTRs. 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 timeframe for a certain MW quantity. Cleco Power may purchase additional FTRs to further hedge its congestion cost risk.

Cleco Power may enter into fuel cost hedge positions to mitigate the volatility in fuel costs passed through to its retail customers. When these positions close, actual gains or losses are deferred and included in the FAC in the month the physical contract settles. Recovery of any of these FAC costs is subject to, and may be disallowed as part of, a prudency review or a periodic fuel audit conducted by the LPSC.

Cleco Power manages its exposure to energy commodity activities by maintaining risk management policies and establishing and enforcing risk limits and risk management procedures. However, these risk limits and risk management procedures cannot eliminate all risk associated with these activities.

Financial derivative reform could increase the liquidity needs and costs of Cleco Power's commercial trading operations.

In July 2010, Congress enacted the Dodd-Frank Act to reform financial markets. This legislation significantly altered the regulation of over-the-counter (OTC) derivatives, including

commodity swaps that could be used by Cleco Power to hedge and mitigate commodities risk. The Dodd-Frank Act increases regulatory oversight of OTC energy derivatives, including (1) requiring standardized OTC derivatives to be traded on registered exchanges regulated by the Commodity Futures Trading Commission (CFTC), (2) imposing new and potentially higher capital and margin requirements, and (3) authorizing the establishment of overall volume and position limits. These requirements could cause Cleco Power's future OTC transactions to be more costly and have an adverse effect on its liquidity due to additional capital requirements. In addition, by standardizing OTC products, these reforms could limit the effectiveness of Cleco Power's hedging programs because Cleco Power would have less ability to tailor OTC derivatives to match the precise risk it is seeking to protect. The law gives the CFTC authority to exempt end users of energy commodities. Cleco Power would qualify for the end-user exemption which reduces but does not eliminate the applicability of these measures. Management continues to monitor this law and its possible impacts on the Registrants.

Transmission Constraints

Transmission constraints could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.
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 may have a higher LMP. Physical transmission constraints present in the MISO market could increase energy costs within Cleco Power's pricing zones. Cleco Power purchases FTRs to mitigate the transmission congestion price risks. However, insufficient FTR allocations or increased FTR costs due to negative congestion flows may result in an unexpected increase in energy costs to Cleco Power's customers. If a disallowance of additional fuel costs associated with congestion is ordered resulting in a refund, any such refund could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

LPSC Audits

The LPSC conducts fuel audits that could result in Cleco Power making substantial refunds of previously recorded revenue.
Generally, fuel and purchased power expenses are recovered through the LPSC-established FAC, that enables Cleco Power to pass on to its customers substantially all such charges. Recovery of FAC costs is subject to periodic fuel audits by the LPSC. The LPSC FAC General Order issued in November 1997, in Docket No. U-21497 provides that an audit will be performed at least every other year.
Cleco Power has FAC filings for 2016 and thereafter that are subject to audit. Management is unable to predict or give a reasonable estimate of the possible range of the disallowance, if any, related to these filings. If a disallowance of fuel costs is ordered, resulting in a refund, any such refund could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

The LPSC conducts audits of environmental costs that could result in Cleco Power making substantial refunds of previously recorded revenue.
In 2009, the LPSC issued Docket No. U-29380 Subdocket A, which provides for an EAC to recover from customers certain costs of environmental compliance. The costs eligible for recovery are prudently incurred air emissions credits associated with complying with federal, state, and local air emission regulations that apply to the generation of electricity reduced by the sale of such allowances. Also eligible for recovery are variable emission mitigation costs, which are the costs of reagents such as ammonia and limestone that are a part of the fuel mix used to reduce air emissions, among other things. Cleco Power began incurring additional environmental compliance expenses beginning in 2015 for reagents associated with compliance with MATS. These expenses are eligible for recovery through Cleco Power's EAC and subject to periodic review by the LPSC.
Cleco Power has EAC filings for 2016 and thereafter that are subject to audit. Management is unable to predict or give a reasonable estimate of the possible range of the disallowance, if any, related to these filings. If a disallowance of environmental costs is ordered resulting in a refund, any such refund could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

Commodity Prices

Cleco Power is subject to the fluctuation in the market prices of fuel or reagent commodities which may increase the cost of producing power.
Cleco Power purchases natural gas, petroleum coke, lignite, coal, and limestone under fuel supply contracts and on the spot market. Historically, the markets for natural gas and petroleum coke have been volatile and are likely to remain volatile in the future. Cleco Power's retail and wholesale rates include an FAC that enables it to adjust rates for monthly fluctuations in the cost of fuel and purchased power. However, recovery of any of these LPSC FAC costs is subject to, and may be disallowed as part of, a prudency review or a periodic fuel audit conducted by the LPSC.

Global Economic Environment and Uncertainty; Access to Capital

Adverse capital market performance could result in reductions in the fair value of benefit plan assets and increase the Registrant's liabilities related to such plans. Sustained declines in the fair value of the plan's assets or sustained increases in plan liabilities could result in significant increases in funding requirements, which could adversely affect the Registrant's liquidity and results of operations.
Performance of the capital markets affects the value of assets that are held in trust to satisfy future obligations under Cleco's defined benefit pension plan. Sustained adverse market performance could result in lower rates of return for these assets than projected by Cleco and could increase Cleco's funding requirements related to the pension plan. Additionally, changes in interest rates affect the present value of Cleco's liabilities under the pension plan. As interest rates decrease, Cleco's liabilities increase, potentially requiring additional funding. Adverse changes in assumptions or adverse actual events could cause additional minimum contributions.

Inflation
Annual inflation rates, as measured by the U.S. Consumer

Price Index, have averaged 1% during the three years ended December 31, 2017. Cleco believes inflation at this level does not materially affect its results of operations or financial condition. However, under established regulatory practice, historical costs have traditionally formed the basis for recovery from customers. As a result, Cleco Power's future cash flows designed to provide recovery of historical plant costs may not be adequate to replace property, plant, and equipment in future years.

Disruptions in the capital and credit markets may adversely affect the Registrants' cost of capital and ability to meet liquidity needs or access capital to operate and grow the business.

The Registrants' business is capital intensive and dependent upon its respective ability to access capital at reasonable rates and other terms. The Registrants' liquidity needs could significantly increase in the event of a hurricane or other weather-related or unforeseen disaster or when there are spikes in the price for natural gas and other commodities. The occurrence of one or more contingencies, including a delay in regulatory recovery of fuel, purchased power, or storm restoration costs; higher than expected required pension contributions; an acceleration of payments or decreased credit lines; less cash flow from operations than expected; or other unexpected events, could cause the financing needs of the Registrants to increase.

Events beyond the Registrants' control, such as political uncertainty in the U.S. (including the ongoing debates related to the U.S. federal government budget and debt ceiling), volatility and disruption in global capital and credit markets, may create uncertainty that could increase their cost of capital or impair their ability to access the capital markets, including the ability to draw on their respective bank credit facilities. The Registrants are unable to predict the degree of success they will have in renewing or replacing their respective credit facilities as they come up for renewal. Moreover, the size, terms, and covenants of any new credit facilities may not be comparable to, and may be more restrictive than, existing facilities. If the Registrants are unable to access the credit and capital markets on terms that are reasonable, they may have to delay raising capital, issue shorter-term securities, and/or bear an unfavorable cost of capital, which, in turn, could have a material adverse effect on the Registrants' ability to fund capital expenditures or to service debt, or on the Registrants' flexibility to react to changing economic and business conditions.

Future Electricity Sales

Cleco Power's future electricity sales and corresponding base revenue and cash flows could be adversely affected by general economic conditions.

General economic conditions can negatively impact the businesses of Cleco Power's residential, industrial, and commercial customers resulting in decreased power consumption, which causes a corresponding decrease in base revenue. Reduced production or the shutdown of any of these customers' facilities could substantially reduce Cleco Power's base revenue.

Energy conservation, energy efficiency efforts, and other factors that reduce energy demand could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.
Regulatory and legislative bodies have proposed or introduced requirements and incentives to reduce peak energy consumption. Conservation and energy efficiency programs are designed to reduce energy demand. Future electricity sales could be impacted by customers switching to alternative sources of energy, such as solar and wind, on-site power generation, and retail customers purchasing less electricity due to increased conservation efforts or expanded energy efficiency measures. Declining usage could result in an under-recovery of fixed costs at Cleco Power's rate regulated business. Macroeconomic factors resulting in low economic growth or contraction within Cleco's service territories could also reduce energy demand. An increase in energy conservation, energy efficiency efforts, and other efforts that reduce energy demand could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

Cleco Power's Generation, Transmission, and Distribution Facilities

Cleco Power's generation facilities are susceptible to unplanned outages, significant maintenance requirements, and interruption of fuel deliveries.
The operation of power generation facilities involves many risks, including breakdown or failure of equipment, fuel supply interruption, and performance below expected levels of output or efficiency. Approximately 25% of Cleco Power's net capacity was constructed before 1980. Aging equipment, even if maintained in accordance with good engineering practices, may require significant expenditures to operate at peak efficiency, or to comply with environmental permits. Newer equipment can also be subject to unexpected failures. Accordingly, in the event of such failures, Cleco Power may incur more frequent unplanned outages, higher than anticipated operating and maintenance expenditures, higher replacement costs of purchased power, increased fuel costs, MISO related costs, and the loss of potential revenue related to competitive opportunities. The costs of such repairs, maintenance, and purchased power may not be fully recoverable and could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.
Cleco Power's generating facilities are fueled primarily by coal, natural gas, petroleum coke, and lignite. The deliverability of these fuel sources may be constrained due to such factors as higher demand, decreased regional supply, production shortages, weather-related disturbances, railroad constraints, waterway levels, labor strikes, or lack of transportation capacity. If the suppliers are unable to deliver the contracted volume of fuel and associated inventories are depleted, Cleco Power may be unable to operate generating units which may cause Cleco Power to operate at higher overall energy costs, which would increase the cost to customers. Fuel and MISO procured/settled energy expenses, which are recovered from customers through the FAC, are subject to refund until either a prudency review or a periodic fuel audit is conducted by the LPSC.
Competition for access to other natural resources, particularly oil and natural gas, could negatively impact Cleco Power's ability to access its lignite reserves. Placement of drilling rigs and pipelines for developing oil and gas reserves

can preclude access to lignite in the same areas, making the right of first access critical with respect to extracting lignite. Additionally, Cleco Power could be indirectly liable for the impacts of other companies' activities on lands that have been mined and reclaimed by Cleco Power. Access to lignite reserves or the liability for impacts on reclaimed lands may not be recoverable and could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

The construction of, and capital improvements to, power generation and transmission and distribution facilities involve substantial risks. Should construction or capital improvement efforts be significantly more expensive than

planned, the financial condition, results of operations, or liquidity of Cleco Power could be materially affected.
Cleco Power's ability to complete construction of capital improvements to power generation and transmission and distribution facilities in a timely manner and within budget is contingent upon many variables and subject to substantial risks. These variables include, but are not limited to, engineering and project execution risk and escalating costs for materials, labor, and environmental compliance. Delays in obtaining permits, shortages in materials and qualified labor, suppliers and contractors not performing as set forth under their contracts, changes in the scope and timing of projects, inaccurate cost estimates, the inability to raise capital on favorable terms, changes in commodity prices affecting revenue, fuel or material costs, changes in the economy, changes in laws or regulations, including environmental compliance requirements, and other events beyond the control of Cleco Power may materially affect the schedule and cost of these projects. If these projects are significantly delayed or become subject to cost overruns or cancellation, Cleco Power could incur additional costs including termination payments, face increased risk of potential write-off of the investment in the project, or may not be able to recover such costs. Furthermore, failure to maintain various levels of generating unit availability or transmission and distribution reliability may result in various disallowances of Cleco Power's investments.

Cleco Credit Ratings

A downgrade in Cleco Holdings' or Cleco Power's credit ratings could result in an increase in their respective borrowing costs, a reduced pool of potential investors and funding sources, and a restriction could be placed on Cleco Power making distributions to Cleco Holdings.
Neither Cleco Holdings nor Cleco Power can assure that its current debt ratings will remain in effect for any given period of time or that one or more of its debt ratings will not be lowered or withdrawn entirely by a rating agency. If S&P or Moody's were to downgrade Cleco Holdings' or Cleco Power's long-term ratings, particularly below investment grade, the value of their debt securities would likely be adversely affected. Downgrades of either Cleco Holdings' or Cleco Power's credit ratings would result in additional fees and higher interest rates for borrowings under their respective credit facilities. In addition, Cleco Holdings or Cleco Power, as the case may be, would likely be required to pay higher interest rates in future debt financings, may be subject to more onerous debt covenants, and their pool of potential investors and funding sources could decrease. In addition, the Merger Commitments

provide for limitations on the amount of distributions that may be paid from Cleco Power to Cleco Holdings, depending on Cleco Power's common equity ratio and its corporate credit/issuer ratings. As a result, Cleco Power may be prohibited from making distributions to Cleco Holdings.

MISO

MISO market operations could have a material adverse effect on the results of operations, generation revenues, energy supply costs, financial condition, or cash flows of the Registrants.
Cleco Power is a member of the MISO market region referred to as "MISO South," which encompasses parts of Arkansas, Louisiana, Mississippi, and Texas. Dispatch of generation resources and generation volumes to the market is determined by MISO. Costs in the MISO South region are heavily influenced by commodity fuel prices, transmission congestion, dispatch of the generating assets owned not only by Cleco Power, but by all market participants in the MISO South region, and the overall demand and generation availability in the region.
MISO evaluates forced outage rates to assess generating unit capacity for planning reserve margins. If Cleco Power is subject to a significant amount of forced outages, Cleco Power may not possess sufficient planning reserves to serve its needs and could be forced to purchase capacity from the MISO resource adequacy auction. The costs of such capacity may not be recoverable and could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants. Using MISO's unforced capacity method for determining generating unit capacity, Cleco Power's fleet provided for 251 MW of capacity in excess of its peak, coincident to MISO's peak, in 2017.

Technology and Terrorism Threats

The operational and information technology systems on which Cleco relies to conduct its business and serve customers could fail to function properly due to technological problems, cyber attacks, physical attacks on Cleco's assets, acts of terrorism, severe weather, solar events, electromagnetic events, natural disasters, the age and condition of information technology assets, human error, or other reasons that could disrupt Cleco's operations and cause Cleco to incur unanticipated losses and expense.
The operation of Cleco's extensive electrical systems relies on evolving operational and information technology systems and network infrastructures that are becoming extremely complex as new technologies and systems are implemented to more safely and reliably deliver electric services. Cleco's business is highly dependent on its ability to process and monitor, on a real-time daily basis, a large number of tasks and transactions, many of which are highly complex. The failure of Cleco's operational and information technology systems and networks due to a physical or cyber attack, or other event would significantly disrupt operations; cause harm to the public or employees; result in outages or reduced generating output; result in damage to Cleco's assets or operations, or those of third parties; and subject Cleco to claims by customers or third parties, any of which could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.
Cleco's systems, including its financial information, operational systems, advanced metering, and billing systems, require constant maintenance, monitoring, security patches, modification or configuration of systems, and update and upgrade of systems, which can be costly and increase the risk of errors and malfunction. Any disruptions or deficiencies in existing systems, or disruptions, delays, or deficiencies in the modification or implementation of new systems, could result in increased costs, the inability to track or collect revenues, the diversion of management's and employees' attention and resources, and could adversely affect the effectiveness of Cleco's control environment, and/or its ability to accurately or timely file required regulatory reports.

Despite implementation of security and mitigation measures, all of Cleco's technology systems are vulnerable to inoperability and/or impaired operations or failures due to cyber and/or physical attacks on the facilities and equipment needed to operate the technology systems, viruses, human errors, acts of war or terrorism, and other events. If Cleco's information technology systems or network infrastructure were to fail, Cleco might be unable to fulfill critical business functions and serve its customers, which could have a material adverse effect on the financial conditions, results of operations, or cash flows of the Registrants.

In addition, in the ordinary course of its business, Cleco collects and retains sensitive information including personal identification information about customers and employees, customer energy usage, and other confidential information. The theft, damage, or improper disclosure of sensitive electronic data could subject Cleco to both penalties for violation of applicable privacy laws and claims from third parties, and/or harm Cleco's reputation.

Taxes

Changes in taxation as well as the inherent difficulty in quantifying potential tax effects of business decisions could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

The Registrants make judgments regarding the utilization of existing income tax credits and the potential tax effects of various financial transactions and results of operations to estimate their obligations to taxing authorities. Tax obligations include income, franchise, real estate, sales and use, and employment-related taxes. These judgments include reserves for potential adverse outcomes regarding tax positions that have been taken. Changes in federal, state, or local tax laws, adverse tax audit results, or adverse tax rulings on positions taken by the Registrants could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

Changes in taxation due to uncertain effects of the TCJA could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

The budget reconciliation act commonly referred to as the TCJA was signed into law on December 22, 2017, and is expected to have an impact on the Registrants' effective income tax rate and net income as reported under generally accepted accounting principles both in the first fiscal quarter of 2018 and subsequent reporting periods to which the TCJA is effective. The Registrants are assessing the regulatory treatment of the TCJA, which could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

Reliability and Infrastructure Protection Standards Compliance

Cleco is subject to mandatory reliability and critical infrastructure protection standards. Fines and civil penalties are imposed on those who fail to comply with these standards.
NERC serves as the ERO with authority to establish and enforce mandatory reliability and infrastructure protection standards, subject to FERC approval, for users of the nation's transmission system. FERC enforces compliance with these standards. New standards are being developed and existing standards are continuously being modified.
As these standards continue to be adopted and modified, they may impose additional compliance requirements on Cleco Power, which may result in an increase in capital expenditures and operating expenses. Failure to comply with these standards can result in the imposition of material fines and civil penalties. Furthermore, failure to maintain various levels of generating unit availability or transmission and distribution reliability may result in various disallowances of Cleco Power's investments.
The SPP RE conducts a NERC Reliability Standards audit and a NERC Critical Infrastructure Protection audit every three years. On July 23, 2017, the SPP RTO's board of directors and members committee voted to authorize the SPP's President and CEO to terminate the delegation agreement between the SPP and NERC, which will effectively dissolve the SPP RE by the end of 2018. On February 8, 2018, NERC approved Cleco Power's proposed RE. The selection must now be approved by FERC. Cleco Power anticipates the transfer to a new RE to be complete by January 2019. Cleco Power's next NERC Reliability Standards audit is scheduled to begin in 2019 and the next NERC Critical Infrastructure Protection audit is scheduled to begin in 2020. Management is unable to predict the outcome of these audits, or any future audits, or whether any findings will have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

Environmental Compliance

Cleco's costs of compliance with environmental laws and regulations are significant. The costs of compliance with new environmental laws and regulations, as well as the incurrence of incremental environmental liabilities, could be significant to the Registrants.
Cleco is subject to extensive environmental oversight by federal, state, and local authorities and is required to comply with numerous environmental laws and regulations related to air quality, water quality, waste management, natural resources, and health and safety. Cleco also is required to obtain and comply with numerous governmental permits in operating its facilities. Existing environmental laws, regulations, and permits could be revised or reinterpreted, and new laws and regulations could be adopted or become applicable to Cleco. For example, the EPA has issued the CPP to reduce CO_2 emissions from existing EGUs by 32% from 2005 levels of CO_2 emissions; however, on February 9, 2016, the U.S. Supreme Court issued orders staying implementation of the CPP pending resolution of challenges to the rule. On October 16, 2017, following a review as directed by the President, the EPA published a proposed rule to repeal the CPP. Whether the EPA will finalize its proposed rule to repeal the CPP or proceed with a rulemaking to replace the CPP with different rules regulating greenhouse gas emissions from existing EGUs remains uncertain. These proposed actions by the EPA could

also be subject to future legal challenges. As a result, the CPP rule is not currently in force and the future regulation of greenhouse gas emissions from existing EGUs is uncertain. Changes under the stayed CPP would have environmental regulations governing power plant emissions effective beginning 2022, with final emission goals required by 2030, and, if implemented, could render some of Cleco's EGUs uneconomical to maintain or operate and could prompt early retirement of certain generation units. Any legal obligation that would require Cleco to substantially reduce its emissions beyond present levels could require extensive mitigation efforts and could raise uncertainty about the future viability of some fossil fuels as fuel for new and existing electric generating facilities. Cleco will evaluate potential solutions to comply with such regulations and monitor rulemaking and any legal matters impacting the proposed regulations. Cleco may incur significant capital expenditures or additional operating costs to comply with such revisions, reinterpretations, and new requirements. If Cleco were to fail to comply, it could be subject to civil or criminal liabilities and fines or may be forced to shut down or reduce production from its facilities. Cleco cannot predict the timing or the outcome of pending or future legislative and rulemaking proposals.

Cleco Power may request from its customers recovery of its costs to comply with new environmental laws and regulations. If the LPSC were to deny Cleco Power's request to recover all or part of its environmental compliance costs, there could be a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

Cleco Power's Rates

The LPSC and FERC regulate the retail rates and wholesale transmission tariffs, respectively, that Cleco Power can charge its customers.

Cleco Power's ongoing financial viability depends on its ability to recover its costs in a timely manner from its LPSC-jurisdictional customers through LPSC-approved rates and its ability to recover its FERC-authorized revenue requirements from its FERC-jurisdictional wholesale transmission customers. Cleco Power's financial viability also depends on its ability to recover in rates an adequate return on capital, including long-term debt and equity. If Cleco Power is unable to recover any material amount of its costs in rates in a timely manner or recover an adequate return on capital, the results of operations, financial condition, or cash flows of the Registrants could be materially adversely affected.

Cleco Power's revenues and earnings are substantially affected by regulatory proceedings known as rate cases or, in some cases, a request for extension of an FRP. During those cases, the LPSC determines Cleco Power's rate base, depreciation rates, operation and maintenance costs, and administrative and general costs that Cleco Power may recover from its retail customers through its rates. In some instances, the outcome of a rate case or request for extension of an FRP may impact wholesale decisions of Cleco Power. These proceedings may examine, among other things, the prudence of Cleco Power's operation and maintenance practices, level of subject expenditures, allowed rates of return, and previously incurred capital expenditures. The LPSC has the authority to disallow costs found not to have been prudently incurred. Rate cases generally have timelines of approximately one year, and decisions are typically subject to appeal, potentially leading to additional uncertainty. The transmission tariffs of Cleco Power are regulated by FERC with its own regulatory proceedings. Both the LPSC and FERC regulatory proceedings can involve multiple parties, including governmental bodies and officials, consumer advocacy groups, and various consumers of energy, all of whom have differing concerns but who have the common objective of limiting rate increases or reducing rates. Transmission rates that MISO transmission owners may collect are regulated by FERC. Two complaints were filed with FERC seeking to reduce the ROE component of the transmission rates that MISO transmission owners, including Cleco, may collect under the MISO tariff. There is one complaint currently open. Any reduction to the ROE component of the transmission rates could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

Retail Electric Service

Cleco Power's retail electric rates and business practices are regulated by the LPSC and reviews may result in refunds to customers.
Cleco Power's retail rates for residential, commercial, and industrial customers and other retail sales are regulated by the LPSC, which conducts an annual review of Cleco Power's earnings and regulatory ROE. Cleco Power could be required to make a substantial refund of previously recorded revenue as a result of the LPSC review and such refund could result in a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

Wholesale Electric Service

Cleco Power's business practices are regulated by FERC, and its wholesale rates are subject to FERC's triennial market power analysis. Cleco could lose the right to sell wholesale generation at market-based rates.
FERC conducts a review of Cleco Power's generation market power every three years in addition to each time generation capacity changes. Cleco filed its triennial market power analysis with FERC on December 22, 2017. Cleco Power expects a determination from FERC in the second quarter of 2018. Management is unable to predict the outcome of this ruling. If FERC determines Cleco Power possesses generation market power in excess of certain thresholds, Cleco Power could lose the right to sell wholesale generation at market-based rates, which could result in a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

Weather Sensitivity

The operating results of Cleco Power are affected by weather conditions and may fluctuate on a seasonal basis.
Weather conditions directly influence the demand for electricity, particularly kWh sales to residential customers. In Cleco Power's service territory, demand for power typically peaks during the hot summer months. As a result, Cleco Power's financial results may fluctuate on a seasonal basis. In addition, Cleco Power has sold less power and, consequently, earned less income when weather conditions were milder. Unusually mild weather in the future could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

Severe weather, including hurricanes and winter storms, can affect transportation of fuel to plant sites and can be destructive, causing outages and property damage that can potentially result in additional expenses, lower revenue, and additional capital restoration costs. Extreme drought conditions can impact the availability of cooling water to support the operations of generating plants, which can also result in additional expenses and lower revenue.

The physical risks associated with global climate change could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

The Registrants recognize that certain groups associate severe weather with the concept of global climate change and forecast the possibility that these weather events could have a material impact on future results of operations should they occur more frequently and with greater severity. If there is an actual occurrence of such global climate change, it could result in one or more physical risks, such as an increase in sea level, wind and storm surge damages, wetland and barrier island erosion, risks of flooding, and changes in weather conditions, such as changes in temperature and precipitation patterns, and potential increased impacts of extreme weather conditions or storms, or could affect the Registrants' operations. The Registrants' assets are in and serve communities that are at risk from sea level rise, changes in weather conditions, storms, and loss of the protection offered by coastal wetlands. A significant portion of the nation's oil and gas infrastructure is located in these areas and is susceptible to storm damage that could be aggravated by wetland and barrier island erosion, which could give rise to fuel supply interruptions and price spikes. These and other physical changes could result in changes in customer demand, increased costs associated with repairing and maintaining generating facilities and transmission and distribution systems, resulting in increased maintenance and capital costs (and potential increased financing needs), limits on Cleco Power's ability to meet peak customer demand, increased regulatory oversight, and lower customer satisfaction. Also, to the extent that climate change would adversely impact the economic health of a region or result in energy conservation or demand side management programs, it may adversely impact customer demand and revenues. Such physical or operational risks could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

Litigation

Cleco is subject to litigation related to the Merger.

In connection with the Merger, four actions were filed in the Ninth Judicial District Court for Rapides Parish, Louisiana and three actions were filed in the Civil District Court for Orleans Parish, Louisiana. One of the actions filed in Rapides Parish has been dismissed. The remaining three actions in Rapides Parish have been consolidated. The three actions in Orleans Parish have been transferred to Rapides Parish and consolidated with the other litigation in Rapides Parish. The actions were filed against Cleco Corporation and, among others, Cleco Partners, Merger Sub, and members of the Board of Directors of Cleco Corporation. The petitions generally allege, among other things, that the members of

Cleco Corporation's Board of Directors breached their fiduciary duties by, among other things, conducting an allegedly inadequate sale process, agreeing to the Merger at a price that allegedly undervalues Cleco, and failing to disclose material information about the Merger. The petitions also allege that Cleco Partners, Cleco, and Merger Sub and, in some cases, certain of the investors in Cleco Partners, either aided and abetted or entered into a civil conspiracy to advance those supposed breaches of duty. The petitions seek various remedies, including monetary damages, which includes attorneys' fees and expenses. In September 2016, the District Court granted the exceptions filed by Cleco and dismissed all claims asserted by the former shareholders. The plaintiffs appealed the District Court's ruling and on December 13, 2017, the Third Circuit Court of Appeal issued an order reversing and remanding the case back to the District Court for further proceedings. On January 12, 2018, Cleco filed a writ with the Louisiana Supreme Court seeking review of the Third Circuit Court of Appeal's decision.

It is possible that additional claims beyond those that have already been filed will be brought by the current plaintiffs or by others in an effort to seek monetary relief from Cleco. Cleco is not able to predict the outcome of these actions, or others, nor can Cleco predict the amount of time and expense that will be required to resolve the actions. In addition, the cost to Cleco of defending the actions, even if resolved in Cleco's favor, could be substantial. Such actions could also divert the attention of Cleco's management and resources from day-to-day operations.

The outcome of legal proceedings cannot be predicted. An adverse finding could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

The Registrants are party to various litigation matters arising out of the ordinary operations of their business. The ultimate outcome of these matters cannot presently be determined, nor, in many cases, can the liability that could potentially result from a negative outcome in each case presently be reasonably estimated. The liability that the Registrants may ultimately incur with respect to any of these cases in the event of a negative outcome may be in excess of amounts currently reserved and insured against with respect to such matters and, as a result, these matters may have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

Government Reform

Changes in environmental, fiscal, and tax policies could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

The current Administration has called for substantial changes to environmental, fiscal, and tax policies. It is possible that these changes could adversely affect Cleco's business. Until changes are enacted, management is unable to determine the impact of the changes on the Registrants' business, results of operations, financial condition, or cash flows.

Cleco may experience increased costs arising from health care reform.

The PPACA, enacted in 2010, has had a significant impact on health care providers, insurers, and others associated with the health care industry. Cleco continues to evaluate the impact of this comprehensive law on its business and has made the required changes to its health plan. Congress and state governments may propose other health care initiatives and

revisions to the health care and health insurance systems. It is uncertain what legislative programs, if any, will be adopted in the future, or what action Congress or state legislatures may take regarding other health care reform proposals or legislation. Management is unable to estimate the comprehensive effects of the PPACA or any future health care reform and their impact on the Registrants' business, results of operations, financial condition, or cash flows.

Workforce

Failure to attract and retain an appropriately qualified workforce could have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.
Certain events, such as an aging workforce without appropriate replacements, matching of skill set or complement to future needs, or unavailability of contract resources may lead to operating challenges and increased costs. The challenges include lack of resources, loss of knowledge, and a lengthy time period associated with skill development. In this case, costs, including costs for contractors to replace employees, productivity costs, and safety costs, may rise. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to new employees, or the future availability and cost of contract labor may adversely affect the ability to manage and operate the Registrants' businesses. If the Registrants are unable to successfully attract and retain an appropriately qualified workforce, the results of operations, financial condition, or cash flows of the Registrants could be materially adversely affected.

Alternative Generation Technology

Changes in technology may have a material adverse effect on the value of Cleco Power's generating facilities.
A basic premise of Cleco's business is that generating electricity at central power plants achieves economies of scale and produces electricity at a relatively low price. There are alternative technologies to produce electricity, most notably wind turbines, photovoltaic cells, and other solar generated power. Many companies and organizations conduct research and development activities to seek improvements in alternative technologies. As new technologies are developed and become available, the quantity and pattern of electricity purchased by customers could decline, with a corresponding decline in revenues derived by generating assets. As a result, the value of Cleco Power's generating facilities could be reduced.

Insurance

Cleco's insurance coverage may not be sufficient.
Cleco currently has property, casualty, cyber security and liability insurance policies in place to protect its employees, directors, and assets in amounts that it considers appropriate. Such policies are subject to certain limits and deductibles and do not include business interruption coverage. Insurance coverage may not be available in the future at current costs or on commercially reasonable terms, and the insurance proceeds received for any loss of, or any damage to, any of Cleco's facilities may not be sufficient to restore the loss or

damage without a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

Like other utilities that serve coastal regions, Cleco does not have insurance covering its transmission and distribution system, other than substations, because it believes such insurance to be cost prohibitive. In the future, Cleco may not be able to recover the costs incurred in restoring transmission and distribution properties following hurricanes or other natural disasters through issuance of storm recovery bonds or a change in Cleco Power's regulated rates or otherwise, or any such recovery may not be timely granted. Therefore, Cleco may not be able to restore any loss of, or damage to, any of its transmission and distribution properties without a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

Cleco Power LLC's Unsecured and Unsubordinated Obligations

Cleco Power LLC's unsecured and unsubordinated obligations, including, without limitation, its senior notes, will be effectively subordinated to any secured debt of Cleco Power LLC, certain unsecured debt of Cleco Power LLC, and any preferred equity of any of Cleco Power LLC's subsidiaries.

Some of Cleco Power LLC's senior notes and its obligations under various loan agreements and refunding agreements with the Rapides Finance Authority, the Louisiana Public Facilities Authority, and other issuers of tax-exempt bonds for the benefit of Cleco Power LLC are unsecured and rank equally with all of Cleco Power LLC's existing and future unsecured and unsubordinated indebtedness. As of December 31, 2017,

Cleco Power LLC had an aggregate of $1.31 billion of unsecured and unsubordinated indebtedness net of debt discount and debt expense. The unsecured and unsubordinated indebtedness of Cleco Power LLC will be effectively subordinated to, and thus have a junior position to, any secured debt that Cleco Power LLC may have outstanding from time to time (including any mortgage bonds) with respect to the assets securing such debt. Certain agreements entered into by Cleco Power LLC with other lenders that are unsecured provide that if Cleco Power LLC issues secured debt, Cleco Power is obligated to grant these lenders the same security interest in certain assets of Cleco Power LLC. If such a security interest were to arise, it would further subordinate Cleco Power LLC's unsecured and unsubordinated obligations.

As of December 31, 2017, Cleco Power LLC had no secured indebtedness outstanding. Cleco Power LLC may issue mortgage bonds in the future under any future Indenture of Mortgage, and holders of mortgage bonds would have a prior claim on certain Cleco Power LLC material assets upon dissolution, winding up, liquidation, or reorganization. Additionally, Cleco Power LLC's ability (and the ability of Cleco Power LLC's creditors, including holders of its senior notes) to participate in the assets of Cleco Power LLC's subsidiary, Cleco Katrina/Rita, is subject to the prior claims of the subsidiary's creditors. As of December 31, 2017, Cleco Katrina/Rita had $50.4 million of indebtedness outstanding, net of debt discount and debt expense.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

All of Cleco Power's electric generating stations and all other electric operating properties are located in Louisiana. Cleco Power considers all of its properties to be well maintained, in good operating condition, and suitable for their intended purposes.

Electric Generating Stations

As of December 31, 2017, Cleco Power either owned or had an ownership interest in five steam electric generating stations, three combined cycle units, and one gas turbine with a combined nameplate capacity of 3,310 MW, and a combined electric net generating capacity of 3,181 MW. The nameplate capacity is the capacity at the start of commercial operations, and the net generating capacity is the result of capacity tests and operational tests performed during 2017, as required by MISO. This amount reflects the maximum production capacity these units can sustain over a specified period of time. For more information on Cleco Power's generating facilities, see Item 1, "Business — Operations — Cleco Power — Power Generation."

Electric Substations

As of December 31, 2017, Cleco Power owned 86 active transmission substations and 239 active distribution substations.

Electric Lines

As of December 31, 2017, Cleco Power's transmission system consisted of 67 circuit miles of 500-kiloVolt (kV) lines; 549

circuit miles of 230-kV lines; 672 circuit miles of 138 kV lines; and 29 circuit miles of 69-kV lines. Cleco Power's distribution system consisted of 3,658 circuit miles of 34.5-kV lines and 8,337 circuit miles of other lines.

General Properties

Cleco Power owns various properties throughout Louisiana, which include a headquarters office building, regional offices, service centers, telecommunications equipment, and other general-purpose facilities.

Title

Cleco Power's electric generating plants and certain other principal properties are owned in fee simple. Electric transmission and distribution lines are located either on private rights-of-way or along streets or highways by public consent.

Substantially all of Cleco Power's property, plant, and equipment are subject to a lien of Cleco Power's Indenture of Mortgage, which does not impair the use of such properties in the operation of its business. As of December 31, 2017, no mortgage bonds were outstanding under the Indenture of Mortgage. Some of the unsecured and unsubordinated indebtedness of Cleco Power will be effectively subordinated to, and thus have a junior position to, any mortgage bonds that Cleco Power may have outstanding from time to time with respect to the assets subject to the lien of the Indenture of Mortgage. Cleco Power may issue mortgage bonds in the future under its Indenture of Mortgage, and holders of mortgage bonds would have a prior claim on certain Cleco

Power material assets upon dissolution, winding up, liquidation, or reorganization.

ITEM 3. LEGAL PROCEEDINGS

CLECO

For information on legal proceedings affecting Cleco, see Item I, “Business — Environmental Matters — Air Quality,” Item 1A, “Risk Factors — Litigation,” and Part II, Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 15 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation.”

CLECO POWER

For information on legal proceedings affecting Cleco Power, see Item I, “Business — Environmental Matters — Air Quality” and Part II, Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 15 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation.”

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 of this Annual Report on Form 10-K.

PART II

ITEM 5. MARKET FOR REGISTRANTS' COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

CLECO HOLDINGS

On April 13, 2016, upon completion of the Merger, Cleco Corporation's common stock was delisted from trading on the New York Stock Exchange. There is no established public trading market for Cleco Holdings' membership interests.

In connection with the Merger, Cleco Holdings replaced its credit facility. Cleco Holdings' new credit facility still requires a total indebtedness of less than or equal to 65% of total capitalization in order to declare dividend payments. Additionally, in accordance with the Merger Commitments, Cleco Holdings is subjected to certain provisions limiting the amount of distributions that may be paid from Cleco Holdings to Cleco Group or Cleco Partners, depending on Cleco Holdings' debt to EBITDA ratio and its corporate credit ratings.

On January 28, 2016, Cleco Corporation's Board of Directors declared a quarterly dividend of $0.40 per share of common stock payable on February 16, 2016, to common shareholders of record at the close of business on February 8, 2016.

Cleco made $84.1 million and $88.8 million of distribution payments to Cleco Group in 2017 and 2016, respectively. Cleco received no equity contributions in 2017, and $100.7 million of equity contributions in 2016 from Cleco Group.

For more information about the Merger, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 3 — Business Combinations."

CLECO POWER

There is no market for Cleco Power's membership interests. All of Cleco Power's outstanding membership interests are owned by Cleco Holdings. Distributions on Cleco Power's membership interests are paid when and if declared by Cleco Power's Board of Managers. Any future distributions also may be restricted by any credit or loan agreements into which Cleco Power may enter.

Some provisions in Cleco Power's debt instruments restrict the amount of equity available for distribution to Cleco Holdings by Cleco Power by requiring Cleco Power's total indebtedness to be less than or equal to 65% of total capitalization. In addition, the Merger Commitments provide for limitations on the amount of distributions that may be paid from Cleco Power to Cleco Holdings, depending on Cleco Power's common equity ratio and its corporate credit ratings.

During 2017, 2016, and 2015, Cleco Power made $135.0 million, $110.0 million, and $135.0 million, respectively, of distribution payments to Cleco Holdings.

Cleco Power received no equity contributions from Cleco Holdings in 2017, $50.0 million in 2016, and none in 2015.

ITEM 6. SELECTED FINANCIAL DATA

CLECO

The information set forth in the following table should be read in conjunction with the Consolidated Financial Statements and the related Notes in Item 8, "Financial Statements and Supplementary Data."

Five-Year Selected Financial Data

	SUCCESSOR		PREDECESSOR			
(THOUSANDS, EXCEPT PER SHARE AND PERCENTAGES)	FOR THE YEAR ENDED DEC. 31, 2017	APR. 13, 2016 - DEC. 31, 2016	JAN. 1, 2016 - APR. 12, 2016	FOR THE YEAR ENDED DEC. 31, 2015	FOR THE YEAR ENDED DEC. 31, 2014	FOR THE YEAR ENDED DEC. 31, 2013
Operating revenue, net (excluding intercompany revenue)						
Cleco Power	$1,184,345	$859,006	$299,283	$1,207,325	$1,267,323	$1,094,621
Midstream [(1)]	—	—	—	—	5,467	31,672
Other	(8,699)	(6,001)	587	2,077	(3,305)	(29,579)
Total	$1,175,646	$853,005	$299,870	$1,209,402	$1,269,485	$1,096,714
Income (loss) before income taxes	$145,159	$(46,935)	$(492)	$211,373	$221,855	$240,260
Net income (loss)	$138,080	$(24,113)	$(3,960)	$133,669	$154,739	$160,685
Capitalization						
Member's equity/Common shareholders' equity	42.50 %	42.77 %		56.92 %	54.86 %	54.89 %
Long-term debt [(2)]	57.50 %	57.23 %		43.08 %	45.14 %	45.11 %
Member's equity/Common shareholders' equity	$2,096,357	$2,046,763		$1,674,841	$1,627,270	$1,586,197
Long-term debt, net [(2)]	$2,836,105	$2,738,571		$1,267,703	$1,338,998	$1,303,786
Total assets	$6,278,382	$6,343,144		$4,323,354	$4,368,418	$4,203,548
Cash dividends declared per common share	N/A	N/A	$0.40	$1.60	$1.5625	$1.425

(1) Effective March 15, 2014, upon the transfer of Coughlin to Cleco Power, Midstream had minimal operations.

(2) For 2017, long-term debt excludes debt due within one year. For 2016, 2015, 2014, and 2013, long-term debt includes obligations for capital leases and excludes debt due within one year.

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CLECO
POWER
The information called for by Item 6 with respect to Cleco Power is omitted pursuant to General Instruction I(2)(a) to Form 10-K (Omission of Information by Certain Wholly Owned Subsidiaries).

ITEM 7. 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 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 informational purposes and does not intend for the address to be an active link. The contents of the website are not incorporated into this Annual Report on Form 10-K.

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 that owns nine generating units with a total nameplate capacity of 3,310 MW and serves approximately 290,000 customers in Louisiana through its retail business and supplies wholesale power in Louisiana and Mississippi.

Recent Developments

On February 6, 2018. Cleco Energy entered into the Purchase and Sale Agreement with NRG Energy and NRG South Central. Pursuant to the terms of the Purchase and Sale Agreement, Cleco Energy agreed to acquire from NRG Energy all of the outstanding membership interests in NRG South Central, which indirectly owns (i) a 176-MW natural-gas-fired generating station located in Sterlington, Louisiana, (ii) a 220-MW natural-gas-fired facility and a 210-MW natural-gas-fired peaking facility both located in Jarreau, Louisiana, (iii) a 580-MW coal-fired generating facility, a 540-MW natural-gas-fired generating station, and 58% of a 588-MW coal-fired generating station all located in New Roads, Louisiana, (iv) 75% of a 300-MW natural-gas-fired peaking facility located in Jennings, Louisiana, and (v) a 1,263-MW natural-gas-fired generating station located in Deweyville, Texas (the Cottonwood Plant), for approximately $1.0 billion, subject to customary working capital and other adjustments (the NRG Acquisition). Cleco expects to fund the NRG Acquisition with proceeds from the Debt Financing (as defined below), equity contributions, and cash on hand.

Cleco Energy, NRG Energy, and NRG South Central have each made customary representations, warranties and covenants in the Purchase and Sale Agreement, which includes customary indemnification provisions. The transaction is subject to customary closing conditions, including (i) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and (ii) receipt of required regulatory approvals, including approvals by FERC, the LPSC, the Committee on Foreign Investment in the United States, and the Public Utility Commission of Texas. Cleco Holdings has agreed to guarantee the obligations of Cleco Energy, subject to certain limitations. In addition, the closing is conditioned upon the execution and delivery of a lease agreement between Cottonwood Energy and a special-purpose entity that is a subsidiary of NRG Energy pursuant to which NRG Energy will

lease back the Cottonwood Plant and will operate it until May 2025. Upon closing, Cottonwood Energy will become a subsidiary of Cleco Energy.
The Purchase and Sale Agreement also contains certain customary termination rights for both Cleco Energy and NRG Energy, including a termination right for each if the closing does not occur by February 6, 2019. The parties expect the transaction to close before the end of 2018.
In connection with the Purchase and Sale Agreement, Cleco Holdings entered into a debt commitment letter, dated as of February 6, 2018, with Mizuho Bank, Ltd. (Mizuho), Credit Agricole Corporate and Investment Bank (CA-CIB) and The Bank of Nova Scotia (Scotiabank), pursuant to which Mizuho, CA-CIB, and Scotiabank have committed to provide (a) an acquisition loan facility in the aggregate principal amount of up to $300.0 million (the Acquisition Loan Facility), (b) a term loan facility in the aggregate principal amount of up to $300.0 million (the Term Loan Facility), and (c) an incremental revolving facility under Cleco Holding's existing bank credit agreement with availability of $75.0 million (and together with the Acquisition Loan Facility and the Term Loan Facility, the Debt Financing). The Debt Financing is subject to various conditions, including the execution of definitive documentation and other customary closing conditions.

Merger
On April 13, 2016, Cleco Holdings completed its merger with Merger Sub whereby Merger Sub merged with and into Cleco Corporation, with Cleco Corporation surviving the Merger, and Cleco Corporation converting to a limited liability company and changing its name to Cleco Holdings, as a direct, wholly owned subsidiary of Cleco Group and an indirect, wholly owned subsidiary of Cleco Partners. For more information on the Merger, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 3 — Business Combinations."

Cleco Power
Many factors affect Cleco Power's primary business of generating, delivering, and selling electricity. These factors include weather and the presence of a stable regulatory environment, which impacts cost recovery and the ROE, 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 reliably deliver power to its jurisdictional customers; the ability to comply with increasingly stringent regulatory and environmental standards; and the ability to successfully perform in MISO while subject to the related operating challenges and uncertainties, including increased wholesale competition. Key initiatives on which Cleco Power is currently working include continuing construction on the St. Mary Clean Energy Center project; initiating construction of the Terrebonne to Bayou Vista Transmission project and the Coughlin Pipeline project; continuing the START project; and maintaining and growing its

wholesale and retail business. These initiatives are discussed below.

Cenla Transmission Expansion Project
The Cenla Transmission Expansion project includes the construction of transmission lines and a transmission substation within the central Louisiana area. The project is expected to improve reliability to customers by relieving forecasted overloads and mitigating potential load shedding events while providing flexibility to allow routine maintenance outages and serve future growth in the central Louisiana area. The final phase of the project was placed into service in December 2017. As of December 31, 2017, Cleco Power had spent $30.9 million on the project.

St. Mary Clean Energy Center Project
The St. Mary Clean Energy Center project includes Cleco Power constructing, owning, and operating a 50-MW generating unit to be fueled by waste heat from Cabot Corporation’s carbon black manufacturing plant in Franklin, Louisiana. Construction began in October 2016 and the unit is expected to be commercially operational in the third quarter of 2018 at an estimated cost of $104.1 million. The project is expected to generate more than 300,000 MWh of zero additional carbon emitting energy each year. As of December 31, 2017, Cleco Power had spent $72.6 million on the project.

Terrebonne to Bayou Vista Transmission Project
The Terrebonne to Bayou Vista Transmission project includes the construction of additional transmission interconnection facilities south of Teche Power Station. The project is expected to increase reliability, reduce congestion, and provide hurricane hardening of the 230 kilovolt transmission system for customers in south Louisiana. The project team is continuing negotiations on the right-of-way and land acquisition agreements. Cleco Power’s portion of the joint project with Entergy Louisiana was expected to cost $48.0 million. However, line construction proposals were higher than originally estimated, and the total project cost has increased to $61.5 million. Construction is expected to be complete in the fourth quarter of 2018. As of December 31, 2017, Cleco Power had spent $13.0 million on the project.

Coughlin Pipeline Project
The Coughlin Pipeline project includes construction of a pipeline directly connecting the Pine Prairie Energy Center to Cleco’s Coughlin Power Station. The project is expected to increase reliability for fuel delivery and mitigate exposure to transportation cost increases. On June 28, 2017, the LPSC approved the establishment of a regulatory asset for the revenue requirement associated with the Coughlin Pipeline project until Cleco Power seeks recovery in its next rate case. The project is expected to be complete in the second quarter of 2019 with an estimated cost of $30.1 million. As of December 31, 2017, Cleco Power had spent $0.4 million on the project.

START Project (formerly Enterprise Business Applications Project)
The START project includes replacement of and improvement to Cleco’s enterprise business applications. The project’s objectives are to gain efficiencies through consistent, industry leading work processes and practices; enable better decision making through data transparency across business functions;

mitigate risk through knowledge transfer and better process documentation; provide a modernized, flexible platform to support future growth and changing business models; and provide customer-centric focus through technology and flexibility. Management expects the project to be complete in the third quarter of 2019. The total estimated project cost is $130.0 million. As of December 31, 2017, Cleco had spent $31.6 million on the project.

Other

Cleco Power is working on securing load growth opportunities that include renewing existing franchises and wholesale contracts, pursuing new wholesale contracts and franchises, and adding new retail load opportunities with large industrial, commercial, and residential load. The retail opportunities include sectors such as agriculture, oil and gas, chemicals, metals, national accounts, government and military, wood and paper, health care, information technology, transportation, and other manufacturing.

RESULTS OF OPERATIONS

All of Cleco's financial information is presented such that pre-merger activity is shown as "Predecessor" and post-merger activity is shown as "Successor." The purchase price of the Merger was allocated to the related assets and liabilities based on their respective estimated fair values on the Merger date, with the remaining consideration recorded as goodwill. The fair values of assets are being amortized over their estimated useful lives in a manner that best reflects the economic benefits derived from such assets. Goodwill is not amortized, but is subject to annual impairment testing during the third quarter. Such adjustments to fair value and the allocation of purchase price between identifiable intangibles and goodwill will have an impact on Cleco's expenses and profitability. For more information on Goodwill, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 17 — Intangible Assets and Goodwill."

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

CLECO
CLECO POWER 2017 FORM 10-K

Comparison of the Years Ended December 31, 2017, and 2016
Cleco

	SUCCESSOR		PREDECESSOR
(THOUSANDS)	FOR THE YEAR ENDED DEC. 31, 2017	APR. 13, 2016 - DEC. 31, 2016	JAN. 1, 2016 - APR. 12, 2016
Operating revenue, net	$1,175,646	$853,005	$ 299,870
Operating expenses	921,357	816,714	279,507
Operating income	$254,289	$36,291	$ 20,363
Allowance for equity funds used during construction	$8,320	$3,735	$ 723
Other income, net	$4,039	$1,965	$ 280
Interest income	$1,424	$840	$ 265
Interest charges	$122,913	$89,766	$ 22,123
Federal and state income tax expense (benefit)	$7,079	$(22,822)	$ 3,468
Net income (loss)	$138,080	$(24,113)	$ (3,960)

Cleco’s net income attributable to the successor year ended December 31, 2017, was $138.1 million. There were no significant changes in the underlying trends impacting net income with the exception of the impact of a $46.3 million tax benefit for an adjustment related to the TCJA. The effective income tax rate for the period was 4.9%.
Cleco’s net loss attributable to the successor period April 13, 2016, through December 31, 2016, was $24.1 million. There were no significant changes in the underlying trends impacting net loss with the exception of the change in pretax loss primarily related to:

- $174.7 million of merger transaction and commitment costs,
- $34.0 million of interest costs related to debt obtained as a result of the Merger,
- $7.5 million of an offset to operating revenue related to the amortization of the intangible asset recorded for the fair value adjustment of wholesale power supply agreements as a result of the Merger, and
- $6.4 million of amortization of the fair value adjustment made as a result of the Merger to record the stepped-up basis for the Coughlin assets.

The effective income tax rate for the period was 48.6%.
Cleco’s net loss attributable to the predecessor period January 1, 2016, through April 12, 2016, was $4.0 million. There were no significant changes in the underlying trends impacting net loss with the exception of the change in pretax loss primarily related to $34.9 million of merger transaction costs. The effective income tax rate for the period was (704.9)%.
Results of operations for Cleco Power are more fully described below.

Cleco Power

Significant Factors Affecting Cleco Power

Revenue is primarily affected by the following factors:
As an electric utility, Cleco Power is affected, to varying degrees, by a number of factors influencing the electric utility industry. These factors include, among others, an increasingly competitive business environment; the ability to

recover costs through rate-setting proceedings; the ability to successfully perform in MISO and the related operating challenges; the cost of compliance with environmental and reliability

regulations; conditions in the credit markets and global economy; changes in the federal and state regulation of generation, transmission, and the sale of electricity; the regulatory treatment of the TCJA, and the increasing uncertainty of future federal and state regulatory and environmental policies. For a discussion of various regulatory changes and competitive forces affecting Cleco Power and other electric utilities, see "Cautionary Note Regarding Forward-Looking Statements," Part I, Item 1, "Business — Regulatory Matters, Industry Developments, and Franchises," and "— Financial Condition — Regulatory and Other Matters — Market Restructuring." For a discussion of risk factors affecting Cleco Power's business, see Part I, Item 1A, "Risk Factors." For more information about the TCJA, see "— Financial Condition — Liquidity and Capital Resources — General Considerations and Credit-Related Risks — 2017 Tax Reform."

Cleco Power's residential customers' demand for electricity is affected largely by weather. Weather is generally 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 readily available, and winter energy is typically 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.

Over the last five years, Cleco Power has experienced moderate growth in retail non-industrial sales and anticipates the same over the next five years. For the retail industrial class, Cleco Power expects new industrial load to be added in 2018, principally driven by developments in the oil and gas industry. In addition, Cleco Power expects to begin providing service to expansions of current customers' operations, as well as service to new retail customers. Cleco Power's expectations and projections regarding retail sales are dependent upon factors such as weather conditions, natural gas prices, customer conservation efforts, retail marketing and business development programs, and the economy of Cleco Power's service area. Cleco Power is pursuing load growth opportunities that include renewal of existing franchises and wholesale contracts as well as adding new wholesale customers and franchises. For more information on other expectations of future energy sales on Cleco Power, see "— Base," "Cautionary Note Regarding Forward-Looking Statements," and Part I, Item 1A, "Risk Factors — Future Electricity Sales."

Other issues facing the electric utility industry that could affect sales include:

- imposition of federal and/or state renewable portfolio standards,
- imposition of energy efficiency mandates,
- legislative and regulatory changes,
- increases in environmental regulations and compliance costs,
- cost of power impacted by the price movement of fuels and the addition of new generation capacity,
- transmission congestion costs,

- increases in capital and operations and maintenance costs due to higher construction and labor costs,
- changes in electric rates compared to customers' ability to pay, and
- changes in the credit markets and local and global economies.

For more information on energy legislation in regulatory matters that could affect Cleco, see Part I, Item 1, "Business — Regulatory Matters, Industry Developments, and Franchises — Legislative and Regulatory Changes and Matters."
Cleco Power's revenues and earnings are substantially affected by regulatory proceedings known as rate cases, or in some cases, a request for extension of an FRP. During those cases, the LPSC determines Cleco Power's rate base, depreciation rates, operation and maintenance costs, and administrative and general costs that Cleco Power may recover from its retail customers through its rates. In some instances, the outcome of a rate case or request for extension of an FRP may impact wholesale decisions of Cleco Power. These proceedings may examine, among other things, the prudence of Cleco Power's operation and maintenance practices, level of expenditures, allowed rates of return, and previously incurred capital expenditures. The LPSC has the authority to disallow costs found not to have been prudently incurred. Rate cases generally have timelines of approximately one year, and decisions are typically subject to appeal, potentially leading to additional uncertainty. The transmission tariffs of Cleco Power are regulated by FERC with its own regulatory proceedings. Both the LPSC and FERC regulatory proceedings can involve multiple parties, including governmental bodies and officials, consumer advocacy groups, and various consumers of energy, all of whom have differing concerns but who have the common objective of limiting rate increases or reducing rates.

Other expenses are primarily affected by the following factors:
The majority of Cleco Power's non-fuel cost recovery expenses consist of other operations, maintenance, depreciation and amortization, and taxes other than income taxes. Other operations expenses are affected by, among other things, the cost of employee benefits, insurance expense, and the costs associated with energy delivery and customer service. Annual maintenance expenses associated with Cleco Power's plants generally depend upon their physical characteristics, maintenance practices, and the effectiveness of their preventive maintenance programs. Transmission and distribution maintenance expenses are generally affected by the level of repair and rehabilitation of lines to maintain reliability. Depreciation and amortization expense is primarily affected by the cost of the facilities in service, the time the facilities were placed in service, and the estimated useful life of the facilities. Taxes other than income taxes generally includes payroll taxes, franchise taxes, and property taxes. Cleco Power anticipates certain non-fuel cost recovery expenses to be higher in 2018 compared to 2017. These expenses include higher generation operations and maintenance expense, higher miscellaneous expense, higher interest expense, higher customer relations expense, higher transmission maintenance expense, higher administration and general maintenance expense, and higher other taxes, partially offset by lower administration and general operations expense and lower amortization expense.

	FOR THE YEAR ENDED DEC. 31,			
			FAVORABLE/(UNFAVORABLE)	
(THOUSANDS)	2017	2016	VARIANCE	CHANGE
Operating revenue				
Base	$651,732	$660,974	$ (9,242)	(1.4)%
Fuel cost recovery	456,657	430,255	26,402	6.1 %
Electric customer credits	(1,566)	(1,513)	(53)	(3.5)%
Other operations	77,522	68,573	8,949	13.1 %
Affiliate revenue	851	884	(33)	(3.7)%
Operating revenue, net	$1,185,196	$1,159,173	$ 26,023	2.2 %
Operating expenses				

Recoverable fuel and power purchased	456,509	430,422	(26,087)	(6.1)%
Non-recoverable fuel and power purchased	35,750	35,684	(66)	(0.2)%
Other operations	123,192	125,892	2,700	2.1%
Maintenance	87,574	93,340	5,766	6.2%
Depreciation and amortization	157,999	146,142	(11,857)	(8.1)%
Taxes other than income taxes	46,539	48,287	1,748	3.6%
Merger commitment costs	—	151,501	151,501	100.0%
Gain on sale of asset	—	(1,095)	(1,095)	(100.0)%
Total operating expenses	907,563	1,030,173	122,610	11.9%
Operating income	$277,633	$129,000	$ 148,633	115.2%
Allowance for equity funds used during construction	$8,320	$4,458	$ 3,862	86.6%
Other income (expense), net	$195	$(375)	$ 570	152.0%
Interest charges	$69,362	$76,446	$ 7,084	9.3%
Federal and state income tax expense	$67,331	$18,369	$ (48,962)	(266.5)%
Net income	$150,738	$39,128	$ 111,610	285.2%

Cleco Power’s net income for 2017 increased $111.6 million compared to 2016 primarily as a result of the following factors:

- the absence of merger commitment costs,
- higher other operations revenue,
- lower interest charges,
- lower maintenance expense,
- higher allowance for equity funds used during construction,
- lower other operations expense, and
- lower taxes other than income taxes.

These increases were partially offset by:

- higher income taxes,
- higher depreciation and amortization,
- lower base revenue, and
- the absence of a gain on sale of asset.

The following table shows the components of Cleco Power's retail and wholesale customer sales related to base revenue:

	FOR THE YEAR ENDED DEC. 31,		
(MILLION kWh)	2017	2016	FAVORABLE/ (UNFAVORABLE)
Electric sales			
Residential	3,526	3,671	(3.9)%
Commercial	2,650	2,724	(2.7)%
Industrial	2,078	1,988	4.5 %
Other retail	131	133	(1.5)%
Total retail	8,385	8,516	(1.5)%
Sales for resale	2,959	3,143	(5.9)%
Total retail and wholesale customer sales	11,344	11,659	(2.7)%

The following table shows the components of Cleco Power's base revenue:

	FOR THE YEAR ENDED DEC. 31,		
(THOUSANDS)	2017	2016	FAVORABLE/ (UNFAVORABLE)
Electric sales			
Residential	$286,587	$292,397	(2.0)%
Commercial	188,431	191,440	(1.6)%
Industrial	87,528	86,299	1.4 %
Other retail	10,592	10,589	— %
Surcharge	20,965	21,175	(1.0)%
Total retail	594,103	601,900	(1.3)%
Sales for resale	57,629	59,074	(2.4)%
Total base revenue	$651,732	$660,974	(1.4)%

The following chart shows how cooling and heating degree-days varied from normal conditions and from the prior period. Cleco Power uses weather data provided by NOAA to determine cooling and heating degree-days.

	FOR THE YEAR ENDED DEC. 31,				
				2017 CHANGE	
	2017	2016	NORMAL	PRIOR YEAR	NORMAL
Cooling degree-days	3,044	3,309	2,779	(8.0)%	9.5 %
Heating degree-days	1,029	1,145	1,546	(10.1)%	(33.4)%

Base

Base revenue decreased $9.2 million in 2017 compared to 2016 primarily due to $5.8 million of lower rates to a site specific industrial customer, $4.3 million of lower usage as a result of milder weather and lower sales to wholesale customers, $0.8 million due to lower revenue related to MATS, and $0.1 million of lower other revenue. These decreases were partially offset by $1.8 million for annual rate adjustments.

Cleco Power expects to begin providing service to expansions of current customers' operations, as well as service to new retail customers. These expansions of current customers' operations and service to new retail customers are expected to contribute additional base revenue of $3.2 million in 2018 and an additional $1.9 million in 2019. Cleco Power also expects increased base revenue of $7.1 million in 2018 and an additional $8.5 million in 2019 through an

FRP rider associated with the recovery of expenditures for capital projects. In 2018, Cleco Power expects wholesale revenue to decrease by $0.9 million primarily due to the restructuring of contracts. Cleco Power expects $1.7 million of additional

wholesale revenue in 2019 and an additional $1.2 million of wholesale revenue in 2020 due to contractual increases and normal growth. For information on other expectations of future energy sales on Cleco Power, see "— Significant Factors Affecting Cleco Power," "Cautionary Note Regarding Forward-Looking Statements," and Part I, Item 1A, "Risk Factors — Future Electricity Sales."

Fuel Cost Recovery/Recoverable Fuel and Power Purchased

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 76% of Cleco Power's total fuel costs during 2017 was regulated by the LPSC. Recovery of FAC costs is subject to periodic fuel audits by the LPSC which may result in a refund to customers. Generally, fuel and purchased power expenses are impacted by customer usage, the per unit cost of fuel used for electric generation, and the dispatch of Cleco Power's generating facilities by MISO. For more information on the accounting for MISO transactions, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 2 — Summary of Significant Accounting Policies — Accounting for MISO Transactions." For more information on Cleco Power's fuel audit, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 15 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation — LPSC Audits — Fuel Audit."

Other Operations Revenue

Other operations revenue increased $8.9 million in 2017 compared to 2016 primarily due to $9.4 million of generation revenue from SSR payments, $1.7 million of higher forfeited discounts and reconnect fees mostly due to the absence of the 2016 customer rate credits as a result of the Merger and the absence of LPSC executive orders relating to 2016 flooding, and $0.5 million of higher miscellaneous revenue. These increases were partially offset by $2.3 million of lower transmission revenue from wholesale customers as a result of issuing customer credits relating to the MISO ROE complaints and $0.4 million of lower net transmission revenue. For more information on the SSR, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 12 — Regulation and Rates — SSR."

Non-recoverable Fuel and Power Purchased

Non-recoverable fuel and power purchased increased $0.1 million in 2017 compared to 2016 primarily due to $4.1 million of MISO SSR transmission expenses, $0.8 million related to higher MISO administrative fees, and $0.6 million of expenses related to flood damages. These increases were partially offset by a $2.3 million refund from MISO for wholesale customers relating to the MISO ROE complaints, $1.8 million of lower MISO transmission expenses, and $1.3 million due to the absence of expenses related to fuel accounting software. For more information on the SSR, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 12 — Regulation and Rates — SSR."

Other Operations Expense

Other operations expense decreased $2.7 million in 2017 compared to 2016 primarily due to $2.1 million of higher capitalized administrative and general expenses, $1.5 million for flood related uncollectible accounts deferred to regulatory assets, $1.5 million of lower employee benefits expenses, $1.3 million for lower provision for other uncollectible accounts, $0.9 million of higher company use of electricity, and $0.6 million of lower other operations expenses. These decreases were partially offset by $4.0 million of higher salaries and $1.2 million for higher fees for outside services.

Maintenance
Maintenance expense decreased $5.8 million in 2017 compared to 2016 primarily due to $5.4 million of lower net generating station outage and routine maintenance expenses and $0.5 million of lower transmission and distribution routine maintenance expenses, partially offset by $0.1 million of higher miscellaneous maintenance expenses.

Depreciation and Amortization
Depreciation and amortization expense increased $11.9 million in 2017 compared to 2016 primarily due to $6.8 million of lower deferrals of production operations and maintenance expenses to a regulatory asset, $4.5 million of higher depreciation due to additions to fixed assets, $2.0 million of lower deferrals of corporate franchise taxes, and $0.3 million of higher amortization of storm damages which is based on collections from customers. Theses increases were partially offset by $1.7 million due to the absence of amortization related to applicable income tax guidance transition assets.

Taxes Other than Income Taxes
Taxes other than income taxes decreased $1.7 million in 2017 compared to 2016 primarily due to $2.0 million of lower corporate franchise taxes and $0.4 million of lower property taxes. These decreases were partially offset by higher payroll taxes of $0.7 million.

Merger Commitment Costs
Merger commitment costs decreased $151.5 million in 2017 compared to 2016 due to the close of the Merger in April 2016.

Allowance for Equity Funds Used During Construction
Allowance for equity funds used during construction increased $3.9 million in 2017 compared to 2016 primarily due to higher costs related to the St. Mary Clean Energy Center and other capital projects, partially offset by the completion of the Cenla Transmission Expansion project.

Other Income (Expenses), Net
Other income, net increased $0.6 million in 2017 compared to 2016 primarily due to $0.7 million of higher royalty income, $0.4 million of higher mutual assistance income, and $0.3 million due to the absence of a decrease in cash surrender value of life insurance policies. These increases were partially offset by $0.4 million due to the absence of a death benefit recognized on life insurance policies, $0.3 million of higher mutual assistance expenses, and $0.1 million due to higher miscellaneous expenses.

Interest Charges
Interest charges decreased $7.1 million in 2017 compared to 2016 primarily due to lower interest of $7.1 million due to long-term debt redeemed and replaced with lower interest rate debt in the fourth quarter of 2016, $1.0 million of higher allowance for borrowed funds used during construction, and $0.9 million

due to scheduled repayments of Cleco Katrina/Rita storm recovery bonds. These decreases were partially offset by a $1.9 million increase of debt expense amortizations.

Income Taxes
Federal and state income taxes increased $49.0 million in 2017 compared to 2016 primarily due to $62.5 million for the change in pretax income, excluding AFUDC equity and $2.4 million for adjustments for tax returns filed. These increases were partially offset by $14.3 million for adjustments related to TCJA, $1.3 million for the flowthrough of state tax benefits, and $0.3 million for adjustments for permanent tax differences. The effective income tax rate is 30.9% which is different than the federal statutory rate primarily due to the TCJA, permanent tax differences, the flowthrough of benefits associated with AFUDC equity, adjustments for tax returns as filed, and state tax expense.

Comparison of the Years Ended December 31, 2016, and 2015
Cleco

	SUCCESSOR	PREDECESSOR	
(THOUSANDS)	APR. 13, 2016 - DEC. 31, 2016	JAN. 1, 2016 - APR. 12, 2016	FOR THE YEAR ENDED DEC. 31, 2015
Operating revenue, net	$ 853,005	$299,870	$1,209,402
Operating expenses	816,714	279,507	922,063
Operating income	$ 36,291	$20,363	$287,339
Allowance for equity funds used during construction	$ 3,735	$723	$3,063
Other income (expense), net	$ 1,965	$280	$(1,933)
Interest charges	$ 89,766	$22,123	$77,991
Federal and state income tax (benefit) expense	$ (22,822)	$3,468	$77,704
Net (loss) income	$ (24,113)	$(3,960)	$133,669

Cleco’s net loss attributable to the successor period April 13, 2016, through December 31, 2016, was $24.1 million. There were no significant changes in the underlying trends impacting net loss with the exception of the change in pretax loss primarily related to:

- $174.7 million of merger transaction and commitment costs,
- $34.0 million of interest costs related to debt obtained as a result of the Merger,
- $7.5 million of an offset to operating revenue related to the amortization of the intangible asset recorded for the fair value adjustment of wholesale power supply agreements as a result of the Merger, and
- $6.4 million of amortization of the fair value adjustment made as a result of the Merger to record the stepped-up basis for the Coughlin assets.

The effective income tax rate for the period was 48.6%.
Cleco’s net loss attributable to the predecessor period January 1, 2016, through April 12, 2016, was $4.0 million. There were no significant changes in the underlying trends impacting net loss with the exception of the change in pretax loss primarily related to $34.9 million of merger transaction costs. The effective income tax rate for the period was (704.9%).
Cleco’s net income attributable to the predecessor year ended December 31, 2015, was $133.7 million. There were no significant changes in the underlying trends impacting net

income. The effective income tax rate for the period was 36.8%.
Results of operations for Cleco Power are more fully described below.
Cleco Power

	FOR THE YEAR ENDED DEC. 31,			
			FAVORABLE/(UNFAVORABLE)	
(THOUSANDS)	2016	2015	VARIANCE	CHANGE
Operating revenue				
Base	$660,974	$670,530	$ (9,556)	(1.4)%
Fuel cost recovery	430,255	471,859	(41,604)	(8.8)%
Electric customer credits	(1,513)	(2,173)	660	30.4%
Other operations	68,573	67,109	1,464	2.2%
Affiliate revenue	884	1,142	(258)	(22.6)%
Operating revenue, net	$1,159,173	$1,208,467	$ (49,294)	(4.1)%
Operating expenses				
Recoverable fuel and power purchased	430,422	471,864	41,442	8.8%
Non-recoverable fuel and power purchased	35,684	31,348	(4,336)	(13.8)%
Other operations	125,892	128,697	2,805	2.2%
Maintenance	93,340	87,416	(5,924)	(6.8)%
Depreciation and amortization	146,142	147,839	1,697	1.1%
Taxes other than income taxes	48,287	47,102	(1,185)	(2.5)%
Merger commitment costs	151,501	—	(151,501)	—%
Gain on sale of asset	(1,095)	—	1,095	—%
Total operating expenses	1,030,173	914,266	(115,907)	(12.7)%
Operating income	$129,000	$294,201	$ (165,201)	(56.2)%
Allowance for equity funds used during construction	$4,458	$3,063	$ 1,395	45.5%
Federal and state income tax expense	$18,369	$79,294	$ 60,925	76.8%
Net income	$39,128	$141,350	$ (102,222)	(72.3)%

Cleco Power’s net income for 2016 decreased $102.2 million compared to 2015 primarily as a result of the following factors:

- higher merger commitment costs,
- lower base revenue,
- higher maintenance expense,
- higher non-recoverable fuel and power purchased, and
- higher taxes other than income taxes.

These decreases were partially offset by:

- lower income taxes,
- lower other operations expense,
- lower depreciation and amortization,
- higher other operations revenue,
- higher allowance for equity funds used during construction, and
- higher gain on sale of an asset.

The following table shows the components of Cleco Power's retail and wholesale customer sales related to base revenue:

	FOR THE YEAR ENDED DEC. 31,		
(MILLION kWh)	2016	2015	FAVORABLE/ (UNFAVORABLE)
Electric sales			
Residential	3,671	3,745	(2.0)%
Commercial	2,724	2,732	(0.3)%
Industrial	1,988	1,916	3.8 %
Other retail	133	133	— %
Total retail	8,516	8,526	(0.1)%
Sales for resale	3,143	3,345	(6.0)%
Total retail and wholesale customer sales	11,659	11,871	(1.8)%

The following table shows the components of Cleco Power's base revenue:

	FOR THE YEAR ENDED DEC. 31,		
(THOUSANDS)	2016	2015	FAVORABLE/ (UNFAVORABLE)
Electric sales			
Residential	$292,397	$298,172	(1.9)%
Commercial	191,440	192,389	(0.5)%
Industrial	86,299	85,675	0.7 %
Other retail	10,589	10,637	(0.5)%
Storm surcharge	21,175	21,121	0.3 %
Total retail	601,900	607,994	(1.0)%
Sales for resale	59,074	62,536	(5.5)%
Total base revenue	$660,974	$670,530	(1.4)%

The following chart shows how cooling and heating degree-days varied from normal conditions and from the prior period. Cleco Power uses weather data provided by NOAA to determine cooling and heating degree-days.

	FOR THE YEAR ENDED DEC. 31,				
				2016 CHANGE	
	2016	2015	NORMAL	PRIOR YEAR	NORMAL
Cooling degree-days	3,309	3,272	2,779	1.1 %	19.1 %
Heating degree-days	1,145	1,271	1,546	(9.9)%	(25.9)%

Base

Base revenue decreased $9.6 million in 2016 compared to 2015 primarily due to $6.4 million of lower sales due to usage, including warmer winter weather and lower sales to wholesale customers and $3.2 million driven by lower revenue related to the absence of additional MATS revenue recognized in 2015.

Fuel Cost Recovery/Recoverable Fuel and Power Purchased

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 75% of Cleco Power's total fuel cost during 2016 was regulated by the LPSC. Recovery of FAC costs is subject to periodic fuel audits by the LPSC which may result in a refund to customers. Generally, fuel and purchased power expenses are impacted by customer usage, the per unit cost of fuel used for electric generation, and the dispatch of Cleco Power's generating facilities by MISO. For more information on the accounting for MISO transactions, see Item 8, "Financial Statements and

Supplementary Data — Notes to the Financial Statements — Note 2 — Summary of Significant Accounting Policies — Accounting for MISO Transactions.” For more information on Cleco Power’s fuel audit, see Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 15 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation — LPSC Audits — Fuel Audit.”

Other Operations Revenue
Other operations revenue increased $1.5 million in 2016 compared to 2015 primarily due to $2.8 million of higher transmission revenue from a wholesale customer and $0.6 million of higher pole attachment rentals. These increases were partially offset by $1.7 million of lower forfeited discounts mostly due to customer rate credits in the third quarter of 2016 as a result of the Merger and $0.2 million of lower miscellaneous revenue.

Non-Recoverable Fuel and Power Purchased
Non-recoverable fuel and power purchased increased $4.3 million in 2016 compared to 2015 primarily related to $3.1 million of higher expenses related to MISO transmission costs and $1.3 million of expenses related to fuel accounting software, partially offset by $0.1 million of lower miscellaneous expenses.

Other Operations Expense
Other operations expense decreased $2.8 million in 2016 compared to 2015 primarily due to $5.4 million of lower administrative and general expenses driven by lower salaries and benefits expense and $0.1 million of lower miscellaneous expense. These decreases were partially offset by $1.6 million of higher generation expense and $1.1 million of higher customer service expense primarily related to an increase in the provision for uncollectible accounts.

Maintenance
Maintenance expense increased $5.9 million in 2016 compared to 2015 primarily due to higher generating station outage expenses.

Depreciation and Amortization
Depreciation and amortization expense decreased $1.7 million in 2016 compared to 2015 primarily due to $5.5 million of higher deferrals of production operations and maintenance expenses to a regulatory asset, $1.3 million of higher deferrals of corporate franchise taxes to a regulatory asset, and $0.5 million of lower amortization of the corporate franchise taxes regulatory asset. These decreases were partially offset by $3.1 million of normal recurring additions to fixed assets, $1.6 million of higher amortization of the production operations and maintenance regulatory asset, $0.8 million of higher amortization of storm damages which is based on collections from customers, and $0.1 million of miscellaneous amortizations.

Taxes Other Than Income Taxes
Taxes other than income taxes increased $1.2 million in 2016 compared to 2015 primarily due to higher property taxes.

Merger Commitment Costs
Merger commitment costs increased $151.5 million in 2016 compared to 2015 due to $136.0 million of customer rate

credits, a $7.0 million one-time contribution for economic development in Cleco Power’s service territory to be administered by the LED, a $6.0 million accrual of charitable contributions to be disbursed over five years, and $2.5 million of contributions for economic development for Louisiana state and local organizations to be disbursed over five years.

Allowance for Equity Funds Used During Construction

Allowance for equity funds used during construction increased $1.4 million in 2016 compared to 2015 primarily due to higher construction costs related to various projects.

Income Taxes

Federal and state income taxes decreased $60.9 million in 2016 compared to 2015. Tax expense decreased primarily due to $64.5 million for the change in pretax income, excluding AFUDC equity and $2.3 million for adjustments for tax returns filed. These decreases were partially offset by $4.5 million for the flowthrough of state tax benefits, $0.9 million for tax credits, $0.3 million for miscellaneous tax items, and $0.2 million for adjustments for permanent tax differences. The effective income tax rate is 32.0%, which is lower than the federal statutory rate primarily due to permanent tax differences, the flowthrough of benefits associated with AFUDC equity, adjustments for tax returns as filed, tax credits, and state tax expense.

CLECO POWER — NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS

For a narrative analysis of the results of operations explaining the reasons for material changes in the amount of revenue and expense items of Cleco Power between the year ended December 31, 2017, and the year ended December 31, 2016, see “— Results of Operations — Comparison of the Years Ended December 31, 2017, and 2016 — Cleco Power.”

For a narrative analysis of the results of operations explaining the reasons for material changes in the amount of revenue and expense items of Cleco Power between the year ended December 31, 2016, and the year ended December 31, 2015, see “— Results of Operations — Comparison of the Years Ended December 31, 2016, and 2015 — Cleco Power.”

The narrative analysis referenced above should be read in combination with Cleco Power’s Financial Statements and the Notes contained in this Form 10-K.

CRITICAL ACCOUNTING POLICIES

Cleco’s critical accounting policies include accounting policies that are important to Cleco’s financial condition and results of operations and 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. The preparation of financial statements contained in this report requires management 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. For more information on Cleco’s accounting policies, see Item 8,

"Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 2 — Summary of Significant Accounting Policies."
Cleco believes that the following are the most significant critical accounting policies:

- To determine assets, liabilities, and expenses relating to pension and other postretirement benefits, management must make assumptions about future trends. Assumptions and estimates include, but are not limited to, discount rates, expected return on plan assets, mortality rates, future rate of compensation increases, and medical inflation trend rates. These assumptions are reviewed and updated on an annual basis. Changes in the rates from year-to-year and newly-enacted laws could have a material effect on Cleco's financial condition and results of operations by changing the recorded assets, liabilities, expense, or required funding of the pension plan obligation. One component of pension expense is the expected return on plan assets. It is an assumed percentage return on the market-related value of plan assets. The market-related value of plan assets differs from the fair value of plan assets by the amount of deferred asset gains or losses. Actual asset returns that differ from the expected return on plan assets are deferred and recognized in the market-related value of assets on a straight-line basis over a five-year period. The 2017 return on plan assets was 16.32% compared to an expected long-term return of 6.08%. For 2016, the return on plan assets was 10.90% compared to an expected long-term return of 6.21%. For the calculation of the 2018 periodic expense, Cleco decreased the expected long-term return on plan assets to 5.86%.

Management uses a theoretical bond portfolio in order to calculate the discount rate for the measurement of liabilities. As a result of the annual review of assumptions, the pension plan discount rate decreased from 4.27% to 3.73% for the December 31, 2017, measurement of liabilities.

A change in the assumed discount rate creates a deferred actuarial gain or loss. Generally, when the assumed discount rate decreases compared to the prior measurement date, a deferred actuarial loss is created. When the assumed discount rate increases compared to the prior measurement date, a deferred actuarial gain is created. Actuarial gains and losses also are created when actual results, such as compensation increases, differ from assumptions. Historically, Cleco Power has been allowed to recover pension plan expenses; therefore, deferred actuarial gains and losses are recorded as a regulatory asset or liability. The net of the deferred gains and losses is amortized to pension expense over the average service life of the remaining plan participants (approximately 10 years as of December 31, 2017, for Cleco's plan) when it exceeds certain thresholds. This approach of amortizing gains and losses has the effect of reducing the volatility of pension expense. Over time, it is not expected to reduce or increase the pension expense relative to an approach that immediately recognizes losses and gains.

In October 2015, the Society of Actuaries released an updated mortality improvement scale which indicated lower mortality improvements than previously indicated in the 2014 mortality scale. As a result, in December 2015, Cleco updated its mortality assumptions using the new data released by the Society of Actuaries. The update resulted in a decrease of $7.2 million in the pension plan obligation at December 31, 2015.

In October 2016, the Society of Actuaries released another updated mortality improvement scale which indicated lower mortality improvements than previously indicated in the 2015 mortality improvement scale. As a result, in December 2016, Cleco updated its mortality assumptions using the new data released by the Society of Actuaries. The update resulted in a decrease of $6.8 million in the pension plan obligation at December 31, 2016.

In October 2017, the Society of Actuaries released another updated mortality improvement scale which indicated lower mortality improvements than previously indicated in the 2016 mortality improvement scale. As a result, in December 2017, Cleco updated its mortality assumptions using the new data released by the Society of Actuaries. The update resulted in a decrease of $3.1 million in the pension plan obligation at December 31, 2017.

The following table shows the impact of a 0.5% change in Cleco's pension plan discount rate, salary scale, and rate of return on plan assets:

ACTUARIAL ASSUMPTION (THOUSANDS)	CHANGE IN ASSUMPTION	CHANGE IN PROJECTED BENEFIT OBLIGATION	CHANGE IN ESTIMATED BENEFIT COST
Discount rate	0.5% increase	$ (39,325)	$ (3,630)
	0.5% decrease	$ 44,193	$ 4,005
Salary scale	0.5% increase	$ 8,992	$ 1,678
	0.5% decrease	$ (8,199)	$ (1,532)
Expected return on assets	0.5% increase	$ —	$ (2,030)
	0.5% decrease	$ —	$ 2,030

Cleco Power did not make any required or discretionary contributions to the pension plan in 2017, 2016, or 2015. Based on current funding assumptions, management estimates that $8.3 million in pension contributions will be required through 2022. Future discretionary contributions may be made depending on changes in assumptions, the ability to utilize the contribution as a tax deduction, and requirements concerning recognizing a minimum pension liability. Future required contributions are driven by liability funding target percentages set by law which could cause the required contributions to change from year-to-year. The ultimate amount and timing of the contributions will be affected by changes in the discount rate, changes in the funding regulations, and actual returns on fund assets. Adverse changes in assumptions or adverse actual events could cause additional minimum contributions.
For more information on pension and other postretirement benefits, see Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 9 — Pension Plan and Employee Benefits.”

Cleco has concluded it is probable that regulatory assets can be recovered from ratepayers in future rates. At December 31, 2017, Cleco Power had $146.8 million in regulatory assets, net. As a result of the Merger, Cleco Holdings recognized regulatory assets. At December 31, 2017, Cleco Holdings had $183.8 million of regulatory assets. Actions by the LPSC could limit the recovery of Cleco’s regulatory assets, causing Cleco to record a loss on some or all of the regulatory assets. If future recovery of costs ceases to be probable, Cleco Holdings could be required to record a loss of its regulatory assets associated with acquisition adjustments. For more information on the LPSC and regulatory assets, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 2 — Summary of Significant Accounting Policies — Regulation," and "Note 4 — Regulatory Assets and Liabilities."

- Income tax expense and related balance sheet amounts are comprised of a "current" portion and a "deferred" portion. The current portion represents Cleco's estimate of the income taxes payable or receivable for the current year. The deferred portion represents Cleco's estimate of the future income tax effects of events that have been recognized in the financial statements or income tax returns in the current or prior years. Cleco makes assumptions and estimates when it records income taxes, such as its ability to deduct items on its tax returns, the timing of the deduction, and the effect of regulation on income taxes. Cleco's income tax expense and related assets and liabilities could be affected by changes in its assumptions and estimates and by ultimate resolution of assumptions and estimates with taxing authorities. The actual results may differ from the estimated results based on these assumptions and may have a material effect on Cleco's results of operations.

For more information on income taxes, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 10 — Income Taxes."

- Cleco is currently involved in certain legal proceedings and management has estimated the probable costs for the resolution of these claims. These estimates are based on an analysis of potential results, assuming a combination of litigation and settlement assumptions. For more information on legal proceedings affecting Cleco, see Part I, Item 1, "Business — Environmental Matters — Air Quality," Item 1A, "Risk Factors — Litigation," and Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 15 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation."

- Assets acquired and liabilities assumed in an acquired business are recorded at their estimated fair values on the date of acquisition. The difference between the purchase price amount and the net fair value of assets acquired and liabilities assumed is recognized as goodwill on the balance sheet if it exceeds the estimated fair value. On April 13, 2016, in connection with the completion of the Merger, Cleco recognized goodwill of $1.49 billion. Goodwill is required to be tested for impairment at the reporting segment level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting segment below its carrying value. Additionally, on the date of the Merger, intangible assets were recognized for fair value adjustments of the Cleco trade name and long-term wholesale power supply contracts. Determining the fair value of assets acquired and liabilities assumed requires management's judgment, often utilizing independent valuation experts, and involves the use of significant estimates and assumptions. Management's judgments and estimates can materially impact the financial statements in periods after acquisition, such as through depreciation, amortization, and goodwill

impairment. For more information on intangible assets and goodwill recorded in connection with the Merger, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 17 — Intangible Assets and Goodwill."

Cleco Power

Cleco Power's retail rates are regulated by the LPSC. Future rate changes could have a material impact on the results of operations, financial condition, or cash flows of Cleco Power. Areas that could be materially impacted by future actions of regulators are described below:

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The LPSC determines the ability of Cleco Power to recover prudent costs incurred in developing long-lived assets. If the LPSC were to rule that the cost of current or future long-lived assets was imprudent and not recoverable, Cleco Power could be required to write down the imprudent cost and incur a corresponding impairment loss. At December 31, 2017, the carrying value of Cleco Power's long-lived assets was $3.18 billion. Currently, Cleco Power has concluded that none of its long-lived assets are impaired.

- The LPSC determines the amount and type of fuel and purchased power expenses that Cleco Power can charge customers through the FAC. Changes in the determination of allowable costs already incurred by Cleco Power could cause material changes in fuel revenue. Cleco Power has FAC filings for 2016 and thereafter that are subject to audit. Management is unable to predict or give a reasonable estimate of the possible range of the disallowance, if any, related to these filings. For more information on LPSC fuel audits, see Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 15 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees —Litigation — LPSC Audits." For information on fuel revenue, see "— Results of Operations — Comparison of the Years Ended December 31, 2017, and 2016 — Cleco Power — Cleco Power's Results of Operations — Fuel Cost Recovery/Recoverable Fuel and Power Purchased."

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 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 Holdings' and Cleco Power's credit ratings, cash flows from routine operations, and credit ratings of project counterparties. After assessing the current operating performance, liquidity, and credit ratings of Cleco Holdings and Cleco Power, management believes that Cleco 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 Holdings and Cleco Power at December 31, 2017:

	SENIOR UNSECURED DEBT		CORPORATE CREDIT
	MOODY'S	S&P	S&P
Cleco Holdings	Baa3	BBB-	BBB-
Cleco Power	A3	BBB+	BBB+

On February 7, 2018, taking into consideration the pending NRG South Central acquisition, Moody's placed Cleco Holdings' Baa3 credit rating on review for downgrade and affirmed Cleco Power at A3 (stable). Also on February 7, 2018, S&P affirmed Cleco Holdings' and Cleco Power's credit ratings at BBB- (stable) and BBB+ (stable), respectively.

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.

Cleco Holdings and Cleco Power pay fees and interest under their bank credit agreements based on the highest rating held. Savings are dependent upon the level of borrowings. If Cleco Holdings or Cleco Power's credit ratings were to be downgraded by Moody's or S&P, Cleco Holdings and/or Cleco Power would be required to pay additional fees and incur higher interest rates for borrowings under their respective credit facilities.

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

Cleco Power participates in the MISO market, which operates a fully functioning RTO market with two major market processes: the Day-Ahead Energy and Operating Reserves Market and the Real-Time Energy and Operating Reserves Market. Both use market-based mechanisms to manage transmission congestion across the MISO market area. MISO requires Cleco Power to provide credit support which may increase or decrease due to the timing of the settlement schedules. At December 31, 2017, Cleco Power had a $2.0 million letter of credit to MISO pursuant to the credit requirements of FTRs. The letter of credit automatically renews each year. For more information about MISO, see "— Regulatory and Other Matters — Transmission Rates of Cleco Power."

Global and U.S. Economic Environment

Global and domestic economic conditions may have an impact on Cleco's business and financial condition. Access to capital markets is a significant source of funding for both short- and long-term capital requirements not satisfied by operating cash flows. During periods of capital market volatility, the availability of capital could be limited and the costs of capital may increase 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 to which the Registrants have been exposed have been beneficial to debt issuances; however, these rates have negatively affected interest income for the Registrants' short-term investments.

2017 Tax Reform

The TCJA was signed into law on December 22, 2017. The provisions of the law reduce the top statutory corporate income tax rate from 35% to 21%, generally allow for 100% bonus depreciation for new and used equipment purchased after September 27, 2017, generally restrict deduction of interest expense to 30% of adjusted taxable EBITDA, and repeal the corporate alternative minimum tax. The regulatory treatment for the change in the statutory corporate income tax rate could decrease Cleco Power's future retail rates, resulting in lower cash flows. As defined by the TCJA, rate regulated activities are not allowed to utilize 100% bonus depreciation and are not subject to the restricted interest deduction. At December 31, 2017, Cleco reduced net accumulated deferred income tax assets and liabilities (ADIT) because of the reduction in the income tax rate from 35% to 21%. While activities not subject to cost of service rate regulation record the reduction in accumulated deferred income tax assets and liabilities in income tax expense, Cleco Power is required to recognize a regulatory liability for the portion of the net reduction subject to regulatory treatment. The table below summarizes the effects on Cleco and Cleco Power for the TCJA:

Cleco				(THOUSANDS)
ADIT BEFORE INCOME TAX REFORM	ADIT AFTER INCOME TAX REFORM	NET REDUCTION	RECOGNIZED AS REGULATORY LIABILITY	RECOGNIZED IN INCOME TAX EXPENSE
$(801,692)	$(406,811)	$(394,881)	$(348,590)	$(46,291)

Cleco Power				(THOUSANDS)
ADIT BEFORE INCOME TAX REFORM	ADIT AFTER INCOME TAX REFORM	NET REDUCTION	RECOGNIZED AS REGULATORY LIABILITY	RECOGNIZED IN INCOME TAX EXPENSE
$(811,079)	$(448,197)	$(362,882)	$(348,590)	$(14,292)

Cleco expects current and deferred income tax expense in future periods will be lower than in past periods. Cleco also expects lower cash taxes to be paid for federal income taxes; however, higher income taxes may be paid for state income taxes because of the lower federal income tax deduction.

The reduction to ADIT discussed above, including the effects on income tax expense, regulatory liabilities, and effects on future periods are provisional and subject to change. The accounting is not complete due to the timing of the final passage of the TCJA, the complexity of the TCJA, the complexity of remeasuring ADIT, and the uncertainty of regulatory treatment. Additional analysis of the TCJA, the inventory of items that give rise to temporary differences, and additional analysis of items requiring normalization is required before accounting for the TCJA is considered complete under the authoritative guidance for income taxes. Cleco expects any final adjustments to the provisional amounts to be recorded by the fourth quarter of 2018, which could have a material adverse effect on the results of operations of Cleco. Due to the uncertainty around the regulatory treatment, the entire regulatory liability is reflected in non-current liabilities.

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. 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 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 6 — 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 company purposes. Cleco and Cleco Power’s restricted cash and cash equivalents consisted of:

Cleco

	AT DEC. 31,	
(THOUSANDS)	2017	2016
Current		
Cleco Katrina/Rita’s storm recovery bonds	$8,597	$9,213
Cleco Power’s charitable contributions	1,200	1,200
Cleco Power’s rate credit escrow	3,284	12,671
Total current	13,081	23,084
Non-current		
Diversified Lands’ mitigation escrow	21	21
Cleco Power’s future storm restoration costs	14,456	17,379
Cleco Power’s charitable contributions	3,575	4,179
Cleco Power’s rate credit escrow	2,029	1,831
Total non-current	20,081	23,410
Total restricted cash and cash equivalents	$33,162	$46,494

Cleco Power

	AT DEC. 31,	
(THOUSANDS)	2017	2016
Current		
Cleco Katrina/Rita’s storm recovery bonds	$8,597	$9,213
Charitable contributions	1,200	1,200
Rate credit escrow	3,284	12,671
Total current	13,081	23,084
Non-current		
Future storm restoration costs	14,456	17,379
Charitable contributions	3,575	4,179

Rate credit escrow	2,029	1,831
Total non-current	20,060	23,389
Total restricted cash and cash equivalents	$33,141	$46,473

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. The change from December 31, 2016, to December 31, 2017, was due to Cleco Katrina/Rita using $9.1 million and $8.8 million in March and September 2017, respectively, for scheduled storm recovery bond principal payments and $1.9 million and $1.7 million, respectively, for related interest payments, partially offset by collecting $20.9 million net of administration fees.

In April 2016, in accordance with the Merger Commitments, Cleco Power established a $6.0 million charitable contribution fund to be disbursed over five years and deposited $136.0 million of rate credit funds into an escrow account. In April 2016, the LPSC voted to issue the rate credits equally to customers with service as of June 30, 2016, beginning in July 2016. As of December 31, 2017, $1.3 million of the charitable contributions and $130.8 million of the rate credits had been released from restricted cash.

Debt

Cleco Consolidated

Cleco had no short-term debt outstanding at December 31, 2017, or 2016. Cleco Holdings and