SADLER ROBERT E JR
Form 4
January 04, 2018

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
SADLER ROBERT E JR

(Last) (First) (Middle)

ONE M&T PLAZA

(Street)

BUFFALO, NY 14203-2399

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
M&T BANK CORP [MTB]

3. Date of Earliest Transaction (Month/Day/Year)
01/02/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	01/02/2018		A (1)		148	A	$ 170.99	52,197	D	
Common Stock								33,993	I	By Wife
Common Stock	12/19/2017		G		545	D	$ 0 (2)	26,157	I	See footnote (3)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SADLER ROBERT E JR ONE M&T PLAZA BUFFALO, NY 14203-2399	X			

Signatures

By: Brian R. Yoshida, Esq. (Attorney-In-Fact)	01/04/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) This transaction represents stock received by the reporting person in lieu of cash fees pursuant to the M&T Bank Corporation 2008 Directors' Stock Plan.

(2) The reported transaction involved a transfer of securities by gift for which no payment of consideration was received by the reporting person.

(3) The indicated shares are held by the Sadler Family Foundation, a charitable trust in which the reporting person has no pecuniary interest. The reporting person is a trustee of the Sadler Family Foundation and holds voting and dispositive power over the shares held by it.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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2007

2006

2007

2006

Components of periodic benefit costs

Service cost

$

1,910

$

1,852

$

355

$

393

Interest cost

3,863

3,704

460

432

Expected return on plan assets

(4,748

)

(4,292

)

-

-

Transition obligation

-

-

5

Explanation of Responses:

5

Prior period service cost

212

247

(515
)

(506
)
Net loss

468

129

250

212

Net periodic benefit cost

$
1,705

$
1,640

$
555

$
536

Since Cleco Power is the pension plan sponsor and the related trust holds the assets, the prepaid benefit cost of the pension plan is reflected at Cleco Power. The liability of Cleco Corporation's other subsidiaries is transferred, with a like amount of assets, to Cleco Power monthly. The expense of the pension plan related to Cleco Corporation's other subsidiaries for the three months ended March 31, 2007, and 2006, was $0.5 million and $0.6 million, respectively. Cleco Corporation is the plan sponsor for the other benefits. There are no assets set aside in a trust, and the liabilities are reported on the individual subsidiaries' financial statements. The expense related to other benefits reflected on Cleco Power's Condensed Statements of Income for the three months ended March 31, 2007, and 2006, was $0.5 million.

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SERP

Certain key executives and key managers are covered by the SERP. The SERP is a non-qualified, non-contributory, defined benefit pension plan. Benefits under the plan reflect an employee's years of service, age at retirement, and the sum of the highest base salary paid out of the last five calendar years and the average of the three highest bonuses paid during the last 60 months prior to retirement, reduced by benefits received from any other defined benefit pension plan. Cleco Corporation does not fund the SERP liability, but instead pays for current benefits out of the general funds available. Cleco Power has formed a "rabbi trust" designated as the beneficiary for life insurance policies issued on the SERP participants. Proceeds from the life insurance policies are expected to be used to pay SERP participants' life insurance benefits, as well as future SERP payments. However, since this is a non-qualified plan, the assets of the trust could be used to satisfy general creditors of Cleco Power in the event of insolvency. No contributions to the SERP were made during the three months ended March 31, 2007, and 2006. Cleco Power is considered the plan sponsor, and Support Group is considered the plan administrator.

The components of the net SERP cost are as follows:

	FOR THE THREE MONTHS ENDED MARCH 31,	
(THOUSANDS)	**2007**	2006
Components of periodic benefit costs		
Service cost	**$ 290**	$ 340
Interest cost	**438**	368
Prior period service cost	**12**	14
Net loss	**243**	202
Net periodic benefit cost	**$ 983**	$ 924

The SERP has no assets, and liabilities are reported on the individual subsidiaries' financial statements. The expense related to the SERP reflected on Cleco Power's Condensed Statements of Income for the three months ended March 31, 2007, and 2006, was $0.3 million.

401(k) Plan/ESOP

Most employees are eligible to participate in the 401(k) Plan, which was amended in April 1991 to include a leveraged ESOP. The ESOP was established with 300,000 shares of ESOP preferred stock which served as Cleco Corporation's match to employees' 401(k) Plan contributions and funded dividend payments on allocated shares. Compensation expense related to the 401(k) Plan is based upon the value of the shares of ESOP preferred stock allocated to 401(k) Plan participants and the amount of interest incurred by the ESOP, less dividends on unallocated shares held by the ESOP.

At March 31, 2006, substantially all of the shares of ESOP preferred stock were fully allocated to current and former 401(k) Plan participants. Beginning April 1, 2006, Cleco Corporation made matching contributions to, and funded dividend reinvestments by, 401(k) Plan participants with Cleco common stock. Compensation expense related to the newly issued common shares is based upon the fair market value of the common stock issued to 401(k) Plan participants. At March 31, 2007, and December 31, 2006, Cleco Corporation had issued 186,207 and 140,189 shares of Cleco common stock, respectively, to 401(k) Plan participants, including dividend reinvestments.

On March 26, 2007, the ESOP trustee converted all outstanding 190,372 shares of ESOP preferred stock into 1.8 million shares of Cleco common stock. For more information on the conversion, see Note 10 — "Preferred Stock."

The table below contains information about the 401(k) Plan and the ESOP:

FOR THE THREE MONTHS ENDED MARCH 31,

(THOUSANDS)		2007		2006
401(k) Plan expense	**$**	**899**	$	100
Dividend requirements to ESOP on convertible preferred stock	**$**	**411**	$	449
Interest incurred by ESOP on its indebtedness	**$**	**-**	$	9

Cleco Power is the plan sponsor for the 401(k) Plan. The expense of the 401(k) Plan related to Cleco Corporation's other subsidiaries for the three months ended March 31, 2007, and 2006, was $0.2 million and less than $0.1 million, respectively. The expense related to the dividend requirements on the shares of ESOP preferred stock is reflected on Cleco Corporation's Condensed Consolidated Statements of Income for the three months ended March 31, 2007, and 2006.

Note 12 — Income Taxes

The following table summarizes the effective income tax rates for Cleco Corporation and Cleco Power for the three-month periods ended March 31, 2007, and March 31, 2006.

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2007	2006
Cleco Corporation	**19.9%**	33.3%
Cleco Power	**20.2%**	33.7%

Cleco Corporation's and Cleco Power's effective income tax rates for the three months ended March 31, 2007, decreased compared to the three months ended March 31, 2006, as shown in the chart above. A common contributing factor includes the flow-through of tax benefits associated with AFUDC equity recorded as a result of the construction of Rodemacher Unit 3. Tax rates also were affected by the relative size of pre-tax income related to this item. Effective January 1, 2007, Cleco adopted the provisions of FIN 48 which provides guidance on accounting for uncertain tax positions. During 2006, Cleco included all interest related to uncertain tax positions as a component of tax expense and taxes payable. Subsequent to the adoption of FIN 48, Cleco classified all interest related to uncertain tax positions as a component of interest expense and interest payable. During the first quarter of 2006, $0.7 million of interest expense was included in tax expense and was not reclassified in the financial statements. The total amount of interest associated with tax positions recognized on the balance sheets of Cleco Corporation and Cleco Power as of the date of adoption was $16.7 million and $10.2 million, respectively, and $19.1 million and $12.2 million as of March 31, 2007, respectively. There was no additional interest expense recognized at the date of

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adoption. The total amount of unrecognized tax benefits for Cleco Corporation and Cleco Power as of the date of adoption was $62.3 million and $30.9 million, respectively, and $97.9 million and $66.2 million as of March 31, 2007, respectively. Approximately $33.9 million of the change was mainly due to adjustments taken on the 2005 federal income tax return for an indirect cost study and a casualty loss deduction. Approximately $1.5 million was due to a request for refund filed with the Internal Revenue Service due to the deduction for the tax life of street lights and meters from a 1997 cost segregation study. Due to settlement discussions with the Internal Revenue Service, management believes that some of these unrecognized benefits may be recognized, resulting in an approximate $1.0 million benefit to the effective tax rate.

The federal income tax years that remain subject to examination by the Internal Revenue Service are 2001-2006. The Louisiana state income tax years that remain subject to examination by the Louisiana Department of Revenue are 1998-2006.

During the three months ended March 31, 2007, there were no decreases in unrecognized tax benefits relating to settlements or a lapse of the applicable statute of limitation, and there were no material changes to tax years that remain subject to examination by major tax jurisdictions.

Note 13 — Deferred Fuel and Purchased Power Costs

The cost of fuel used for electric generation and the cost of power purchased for utility customers are recovered through the LPSC-established fuel adjustment clause, which enables Cleco Power to pass on to its customers substantially all such charges. For the three months ended March 31, 2007, approximately 97% of Cleco Power's total fuel cost was regulated by the LPSC, while the remainder was regulated by the FERC. Deferred fuel and purchased power costs recorded at March 31, 2007, and December 31, 2006, were under-recoveries of $34.9 million and $77.4 million, respectively, and are scheduled to be collected from customers in future months. The $42.5 million decrease in the unrecovered costs was primarily the result of a $47.1 million increase in the market value of open natural gas hedge positions along with $4.5 million of lower losses in closed natural gas hedge positions, both due to increases in natural gas prices since December 31, 2006. The increase in market value and lower losses were partially offset by the deferral of $9.1 million in additional fuel and purchased power costs.

For additional information on Cleco Power's treatment of natural gas hedges, see Note 1 — "Summary of Significant Accounting Policies — Risk Management."

Note 14 — Affiliate Transactions

Cleco has affiliate balances that were not eliminated as of March 31, 2007. The balances were not eliminated due to the use of the equity method of accounting for Evangeline, Perryville, Attala, and Acadia. For information on the Evangeline, Perryville, Attala, and Acadia equity investments, see Note 4 — "Equity Investment in Investees." At March 31, 2007, the payable to Evangeline was $6.0 million, and the payable to Perryville was $13.4 million. Also, at March 31, 2007, the receivable from Evangeline was $0.8 million, the receivable from Perryville was $9.6 million, and the receivable from Acadia was $3.6 million.

Cleco Power has affiliate balances that are payable to or due from its affiliates. At March 31, 2007, the payable to Support Group was $8.1 million, the payable to Cleco Corporation was $10.6 million, and the payable to other affiliates was less than $0.1 million. Also, at March 31, 2007, the receivable from Cleco Corporation was $2.7 million, the receivable from Support Group was $2.2 million, and the receivable from other affiliates was less than $0.1 million.

Note 15 — Calpine Bankruptcy

Bankruptcy Proceedings

In December 2005, the Calpine Debtors filed for protection under Chapter 11 of the U.S. Bankruptcy Code in the Calpine Debtors Bankruptcy Court. Subsequently, the Calpine Debtors filed a motion with the bankruptcy court seeking to reject the Calpine Tolling Agreements in addition to six other power supply contracts with other entities. The rejection motion was referred to the U.S. District Court for the Southern District of New York, and in January 2006, a federal judge dismissed the motion. The Calpine Debtors have appealed the decision to the U.S. Court of Appeals for the Second Circuit, where it remains pending.

In March 2006, Acadia filed a motion with the Calpine Debtors Bankruptcy Court to compel CES to perform under the Calpine Tolling Agreements, and to pay all amounts due under such agreements since the commencement of the Calpine Debtors' bankruptcy cases. On March 22, 2006, the Calpine Debtors Bankruptcy Court approved amendments to each of the Calpine Tolling Agreements which permitted Acadia to suspend its obligations under those tolling agreements in view of CES' non-performance. Acadia has postponed indefinitely its request for a hearing on the motion to compel pending the outcome of the proposed settlement agreement between Cleco Corporation and Calpine.

Outstanding Claims

As of March 31, 2007, Acadia had invoiced CES a total of $86.2 million for obligations performed under the Calpine Tolling Agreements.

		(THOUSANDS)
Pre-petition claims		
December 2005	$	3,581
Post-petition claims		
December 2005		1,962
Twelve months ended December 31, 2006		64,478
Three months ended March 31, 2007		16,143
Total	$	86,164

As of March 31, 2007, Acadia has recorded a reserve for uncollectible accounts of $71.2 million, net of the full amount drawn by APH during 2006 against the $15.0 million letter of credit issued by Calpine.

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Other

For information regarding a dispute over electric metering at Acadia, see Note 8 — "Litigation and Other Commitments and Contingencies — Acadia."

For a discussion of a preliminary settlement reached between Cleco Corporation and Calpine associated with Calpine's bankruptcy filing and its effect on the Acadia facility, see Note 16 — "Subsequent Event."

Note 16 — Subsequent Event

On April 23, 2007, Cleco announced that a settlement had been reached with Calpine that resolves issues related to the Acadia power plant. The settlement is subject to approval by the Calpine Debtors Bankruptcy Court.

The first part of the settlement involves claims of Acadia against CES, which is the counterparty to the suspended Calpine Tolling Agreements for CES' breaches of such agreements, and Calpine's guarantee of CES' obligations thereunder. Under the proposal, APH will receive a pre-petition general unsecured claim against each of Calpine and CES for $85.0 million (which is net of draws made by APH under a letter of credit in the aggregate amount of $15.0 million), which represents APH's share of Acadia's allowed claims against each of CES and Calpine for $185.0 million on account of CES's breaches of its obligations under the Calpine Tolling Agreements.

Additionally, APH has agreed to serve as the "stalking horse" bidder for Calpine's membership interest in Acadia for $60.0 million plus assumed liabilities through a bankruptcy-court sponsored auction. APH's $60.0 million offer, in effect, values an unencumbered 50% interest in the Acadia power plant at $145.0 million, taking into account the agreed value of certain priority distributions and payments due APH. The terms of the auction, which includes a $2.9 million breakup fee in favor of APH, are scheduled to be considered for approval at a bankruptcy court hearing on May 9, 2007. The auction process is expected to be completed in late July 2007. Until the auction process is complete, a third party marketer will continue to provide energy management services for the Acadia power plant.

If APH is not the successful bidder, APH will retain its 50% membership interest in Acadia and receive payment from the successful bidder in the amount of $85.0 million, which represents the agreed upon value of the priority distributions and payments due APH under the current Acadia agreement with Calpine. This $85.0 million payment is in addition to APH's $85.0 million pre-petition general unsecured claims against Calpine and CES for CES' non-performance under the Calpine Tolling Agreements.

Whether APH or another bidder is the successful purchaser at the auction, upon closing of the sale, a subsidiary of Cleco will assume operations and project management functions of the Acadia facility. At the closing of the sale APH will acquire, for an agreed value of $1.25 million (subject, in certain circumstances, to reduction), Calpine's interest in the claim against Cleco Power regarding a potential electric metering error at the Acadia facility.

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

The following discussion and analysis should be read in combination with the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006, and Cleco Corporation's and Cleco Power's Condensed Financial Statements contained in this Form 10-Q. The information included therein is essential to understanding the following discussion and analysis. Below is information concerning the consolidated results of operations of Cleco for the three months ended March 31, 2007, and March 31, 2006.

OVERVIEW

Cleco is a regional energy services holding company that conducts substantially all of its business operations through its two principal operating business segments:

§ Cleco Power, an integrated electric utility services subsidiary regulated by the LPSC and the FERC, among other regulators, which also engages in energy management activities; and
§ Midstream, a merchant energy subsidiary regulated by the FERC, that owns and operates a merchant generation station and invests in a joint venture that owns and operates a merchant generation station.

While management believes that Cleco remains a strong company, Cleco continues to focus on several significant factors affecting Cleco Power and Midstream as described below.

Cleco Power

Many factors affect the opportunities, challenges, and risks of Cleco Power's primary business of selling electricity. These factors include the presence of a stable regulatory environment, which includes recovery of costs and maintenance of a competitive return on equity; the ability to achieve energy sales growth while containing costs; and the ability to recover costs related to growing demand and rising fuel prices and increasingly stringent regulatory and environmental standards.

As part of its plan to resolve long-term capacity needs, Cleco Power began construction of Rodemacher Unit 3 in May 2006, which, upon completion, will provide a portion of the utility’s future power supply needs and help stabilize customer fuel costs. The project’s capital cost, including carrying costs during construction, is estimated at $1.0 billion. Cleco Power anticipates the plant will be operational no later than the fourth quarter of 2009. For additional information, see “— Financial Condition — Liquidity and Capital Resources — Regulatory Matters — Rodemacher Unit 3.”

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Cleco Power continues to evaluate a range of other power supply options for 2008 and beyond. As such, Cleco Power is continuing to update its IRP to look at future sources of supply. Cleco Power has issued a RFP to meet its 2008 capacity and energy requirements. Cleco Power also plans to release an additional RFP in 2007 to identify long-term resources to fill the needs forecasted by the latest IRP.

In 2005, Hurricanes Katrina and Rita caused catastrophic damage to the Gulf Coast region, including Cleco Power's service territory. Storm restoration costs from Hurricanes Katrina and Rita are currently estimated to total $158.7 million, a decrease from the original estimate of $161.8 million filed with the LPSC. In March 2007, Cleco Power and the LPSC Staff filed a settlement agreement allowing the recovery of $158.7 million of storm restoration costs. For additional information, see Item 1, "Financial Statements and Supplementary Data — Notes to the Unaudited Condensed Financial Statements — Note 2 — Regulatory Assets and Liabilities."

Cleco Power is exploring the potential reimbursement of storm restoration costs from the U.S. Government to reduce the amount to be recovered from customers. In addition, Cleco Power is exploring the possibility of financing the storm restoration costs with tax-exempt bonds through the Gulf Opportunities Zone Act of 2005 (the Act). The Louisiana State Bond Commission has granted preliminary approval to Cleco Power for the issuance of up to $160.0 million of tax-exempt bonds under the Act. Cleco Power cannot predict with certainty that any reimbursement from the U.S. Government, securitization of costs, or any other financing will be given final approval, and if approved, the certainty that any such financing can be consummated.

Midstream

In December 2005, the Calpine Debtors filed for protection under Chapter 11 of the Bankruptcy Code and subsequently filed a motion with the Calpine Debtors Bankruptcy Court to reject the Calpine Tolling Agreements. In March 2006, Acadia and CES executed amendments to the Calpine Tolling Agreements, which were approved by the Calpine Debtors Bankruptcy Court, permitting Acadia to suspend its obligations under the agreements.

On April 23, 2007, Cleco announced that a settlement, subject to bankruptcy court approval, had been reached with Calpine that resolves issues surrounding the Calpine bankruptcy filing. Under the proposed settlement, APH will receive allowed unsecured claims against Calpine of $85.0 million in connection with the Calpine Tolling Agreements and Calpine's guaranty of those agreements. Additionally, APH has agreed to purchase Calpine's ownership interest in Acadia for $60.0 million, subject to any higher or better offers Calpine may receive in a bankruptcy court-sponsored auction. The auction process is anticipated to begin in May, with the bankruptcy auction expected in July. The terms of the auction will be considered at a May 9, 2007, bankruptcy court hearing. If APH is not the successful bidder, APH will retain its 50% ownership in Acadia and receive payment from the successful bidder in the amount of $85.0 million representing the value of its priority distributions from the partnership. In either outcome, a Cleco subsidiary will assume operations and project management functions of the Acadia facility. Until the auction process is complete, a third party marketer will continue to provide energy management services for the Acadia power plant. For additional information on Acadia and the Calpine bankruptcy, see Item 1, "Notes to the Unaudited Condensed Financial Statements — Note 15 — Calpine Bankruptcy" and Note 16 — "Subsequent Event."

Cleco continues to assess the ongoing credit condition of the Evangeline Tolling Agreement counterparty, as Midstream's merchant energy business is heavily dependent on the performance of this tolling agreement. For additional information on the risks associated with this tolling agreement counterparty, see Item 1, "Financial Statements and Supplementary Data — Notes to the Unaudited Condensed Financial Statements — Note 8 — Litigation and Other Commitments and Contingencies — Risks and Uncertainties."

Effective February 1, 2007, the ownership interests of Midstream's transmission interconnection facilities were transferred to Cleco Corporation. In accordance with SFAS No. 131, the net operating results for Midstream for the first quarter of 2006 have been adjusted to reflect this organizational change.

Comparison of the Three Months Ended March 31, 2007, and 2006

Cleco Consolidated

	FOR THE THREE MONTHS ENDED MARCH 31,			
			FAVORABLE/(UNFAVORABLE)	
(THOUSANDS)	**2007**	2006	VARIANCE	CHANGE
Operating revenue, net	**$ 223,750**	$ 223,418	$ 332	0.15 %
Operating expenses	**206,096**	197,445	(8,651)	(4.38)%
Operating income	**$ 17,654**	$ 25,973	$ (8,319)	(32.03)%
Allowance for other funds used during construction	**$ 5,131**	$ 669	$ 4,462	666.97 %
Equity (loss) income from investees	**$ (1,399)**	$ 373	$ (1,772)	(475.07)%
Other expense	**$ 1,266**	$ 328	$ (938)	(285.98)%
Interest charges	**$ 11,987**	$ 10,949	$ (1,038)	(9.48)%
Federal and state income taxes	**$ 2,143**	$ 6,113	$ 3,970	64.94 %
Net income applicable to common stock	**$ 8,223**	$ 11,679	$ (3,456)	(29.59)%

Consolidated net income applicable to common stock decreased $3.5 million, or 29.6%, in the first quarter of 2007 compared to the first quarter of 2006 primarily due to decreased Cleco Power, Midstream, and corporate earnings.
Operating expenses increased $8.7 million, or 4.4%, in the first quarter of 2007 compared to the first quarter of 2006 primarily due to increased depreciation expense and other operations and maintenance expenses at Cleco Power.
Allowance for other funds used during construction increased $4.5 million, or 667.0%, in the first quarter of 2007 compared to the same period of 2006 primarily due to increased construction activity at Rodemacher Unit 3.
Equity income from investees decreased $1.8 million, or 475.1%, in the first quarter of 2007 compared to the same period of 2006 primarily due to decreased equity earnings at

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APH, partially offset by increased equity earnings at Evangeline.
Other expense increased $0.9 million, or 286.0%, in the first quarter of 2007 compared to the same period of 2006 primarily due to increased corporate reserves.
Interest charges increased $1.0 million, or 9.5%, in the first quarter of 2007 compared to the same period of 2006 primarily due to the accrual of interest related to uncertain tax positions at Cleco Power.
Federal and state income taxes decreased $4.0 million, or 64.9%, in the first quarter of 2007 compared to the same period of 2006. The decrease was due to the flow-through of tax benefits associated with AFUDC equity recorded as a result of the construction of Rodemacher Unit 3.
Results of operations for Cleco Power and Midstream are more fully described below.

Cleco Power
Cleco Power's net income in the first quarter of 2007 decreased $1.6 million, or 11.5%, compared to the first quarter of 2006. Contributing factors include:

§ higher other operations and maintenance expenses,
§ absence of favorable customer credit adjustments,
§ higher depreciation expense,
§ lower interest income, and
§ higher interest charges.

These were partially offset by:

§ higher base revenue,
§ higher allowance for other funds used during construction,
§ higher other operations revenue, and
§ lower effective income tax rate.

	FOR THE THREE MONTHS ENDED MARCH 31,		FAVORABLE/(UNFAVORABLE)	
(THOUSANDS)	**2007**	2006	VARIANCE	CHANGE
Operating revenue				
Base	**$ 78,075**	$ 67,898	$ 10,177	14.99 %
Fuel cost recovery	**134,945**	143,091	(8,146)	(5.69)%
Electric customer credits	**-**	4,382	(4,382)	*
Other operations	**9,260**	6,549	2,711	41.40 %
Affiliate revenue	**12**	12	-	*
Intercompany revenue	**501**	500	1	0.20 %
Operating revenue, net	**222,793**	222,432	361	0.16 %
Operating expenses				
Fuel used for electric generation - recoverable	**53,367**	46,151	(7,216)	(15.64)%
Power purchased for utility customers - recoverable	**81,554**	96,967	15,413	15.90 %
Non-recoverable fuel and power purchased	**4,722**	5,077	355	6.99 %
Other operations	**25,613**	17,622	(7,991)	(45.35)%

Maintenance	**9,727**	5,347	(4,380)	(81.92)%
Depreciation	**19,761**	15,225	(4,536)	(29.79)%
Taxes other than income taxes	**8,902**	8,881	(21)	(0.24)%
Total operating expenses	**203,646**	195,270	(8,376)	(4.29)%
Operating income	**$ 19,147**	$ 27,162	$ (8,015)	(29.51)%
Interest income	**$ 1,406**	$ 2,336	$ (930)	(39.81)%
Allowance for other funds used during construction	**$ 5,131**	$ 669	$ 4,462	666.97 %
Interest charges	**$ 10,044**	$ 8,979	$ (1,065)	(11.86)%
Federal and state income taxes	**$ 3,116**	$ 7,057	$ 3,941	55.85 %
Net income	**$ 12,276**	$ 13,873	$ (1,597)	(11.51)%
* Not meaningful				

	FOR THE THREE MONTHS ENDED MARCH 31,		
(MILLION kWh)	**2007**	2006	FAVORABLE/ (UNFAVORABLE)
Electric sales			
Residential	**842**	750	12.27 %
Commercial	**543**	407	33.42 %
Industrial	**710**	692	2.60 %
Other retail	**33**	131	(74.81)%
Total retail	**2,128**	1,980	7.47 %
Sales for resale	**102**	117	(12.82)%
Unbilled	**(70)**	(82)	14.63 %
Total retail and wholesale customer sales	**2,160**	2,015	7.20 %

	FOR THE THREE MONTHS ENDED MARCH 31,		
(THOUSANDS)	**2007**	2006	FAVORABLE/ (UNFAVORABLE)
Electric sales			
Residential	**$ 33,265**	$ 30,340	9.64 %
Commercial	**22,295**	16,946	31.56 %
Industrial	**13,634**	13,383	1.88 %
Other retail	**1,440**	5,497	(73.80)%
Storm surcharge	**5,931**	-	*
Total retail	**76,565**	66,166	15.72 %
Sales for resale	**3,887**	4,240	(8.33)%
Unbilled	**(2,377)**	(2,508)	5.22 %
Total retail and wholesale customer sales	**$ 78,075**	$ 67,898	14.99 %
* Not meaningful			

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

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

	FOR THE THREE MONTHS ENDED MARCH 31,			2007 CHANGE	
	2007	2006	NORMAL	PRIOR YEAR	NORMAL
Heating degree-days	**869**	688	977	26.31%	(11.05)%
Cooling degree-days	**112**	110	70	1.82%	60.00 %

Base

Base revenue during the first quarter of 2007 increased $10.2 million, or 15.0%, compared to the same period in 2006. The increase primarily was due to the recovery of storm restoration costs through a monthly customer surcharge that began in May 2006. These storm-related costs are being amortized to expense based on the amounts collected monthly from customers through this surcharge. Also contributing to the increase in base revenue were higher retail and wholesale kWh sales, primarily from colder weather as compared to last winter. During 2007, Cleco Power is expected to begin providing service to expansions of current customers' operations, as well as services to new commercial and new industrial customers. As a result of the expansions and new customers described above, the addition of 13 MWs, which approximates $1.4 million of base revenue annually, is expected during 2007. This addition partially offsets the loss of customers described below.

In late January 2007, one of Cleco Power's largest industrial customers closed one of its three wood product plants. The closure of the plant was a result of a downturn in its product market, largely due to decreased home construction in various regions of the country. The load for this customer was 8 MW, generating base revenue of approximately $1.0 million annually.

In the third quarter of 2007, a large industrial customer is expected to begin operations of a cogeneration project. The project is a 15-MW unit on site fueled by waste heat. The project will displace the customer's load of 12 MW, and the remaining 3 MW will be purchased by Cleco Power under a power purchase agreement. The annual base revenue loss from this customer is expected to be approximately $1.3 million. Another industrial customer is also expected to begin construction of a cogeneration project in 2007. This project is designed to displace all of the customer's 38-MW load. Potential annual base revenue loss from this customer is expected to be approximately $5.0 million. The project is expected to be operational eighteen months after construction begins.

Cleco Power began selling fixed-priced power to a 30-MW wholesale customer on January 1, 2006. As a result of the fixed-price contract, the new customer is expected to increase base revenue while potentially diluting earnings in years 2007 and 2008. In years 2009 through 2012, Cleco Power anticipates earnings accretion related to this contract. For additional information on Cleco's energy commodity activities, see Item 3, "Quantitative and Qualitative Disclosures about Market Risk — Risk Overview — Commodity Price Risks."

For information on the effects of future energy sales on Cleco Power's financial condition, results of operations, and cash flows, see "Risk Factors — Future Electricity Sales" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Fuel Cost Recovery

Fuel cost recovery revenue billed to customers during the first quarter of 2007 compared to the same period in 2006 decreased $8.1 million, or 5.7%, primarily due to decreases in the per-unit cost of power purchased for utility customers. Partially offsetting the decrease were increased volumes of power purchased for utility customers and increases in the per-unit cost of fuel used for electric generation. 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 fuel adjustment clause, which enables Cleco Power to pass on to its customers substantially all such charges. Approximately 97% of Cleco Power's total fuel cost is regulated by the LPSC, while the remainder is regulated by the FERC. Recovery of fuel adjustment clause costs is subject to refund until monthly approval is received from the LPSC. For information on Cleco Power's ongoing 2003-2004 fuel audit, see Item 1, "Notes to the Unaudited Condensed Financial Statements — Note 8 — Litigation and Other Commitments and Contingencies — Fuel Audit."

Electric Customer Credits

The $4.4 million change in electric customer credits is the result of the absence in the first quarter of 2007 of favorable adjustments made during the first quarter of 2006 related to prior RSP filing periods. The potential refunds associated with the RSP are based on results for each 12-month period ended September 30. For additional information on the accrual of electric customer credits, see Item 1, "Notes to the Unaudited Condensed Financial Statements — Note 7 — Electric Customer Credits."

Other Operations

Other operations revenue increased $2.7 million, or 41.4%, in the first quarter of 2007 compared to the first quarter of 2006 primarily due to a $1.5 million mark-to-market gain in the first quarter of 2007 as compared to a $1.9 million mark-to-market loss in the first quarter of 2006 relating to economic hedge transactions associated with fixed-price power being provided to a wholesale customer. This increase was partially offset by lower transmission services revenue. For information on Cleco's energy commodity activities, see Item 3, "Quantitative and Qualitative Disclosures about Market Risk — Risk Overview — Commodity Price Risks."

Operating Expenses

Operating expenses increased $8.4 million, or 4.3%, in the first quarter of 2007 compared to the same period of 2006. Fuel used for electric generation (recoverable) increased $7.2 million, or 15.6%, primarily due to higher per-unit costs and volumes of fuel used as compared to the same period of 2006. Power purchased for utility customers (recoverable) decreased $15.4 million, or 15.9%, largely due to lower per-unit costs of purchased power. Fuel used for electric generation and power purchased for utility customers generally are influenced by natural gas prices. However, other factors such as unscheduled outages, unusual maintenance or repairs, or other developments may affect fuel used for electric generation and power purchased for utility customers. Other operations expense increased $8.0 million, or 45.4%, primarily due to the absence in the first quarter of 2007 of the $3.5 million recognition of previously recorded storm restoration expenses as a regulatory asset as a result of the LPSC's February 22, 2006, approval of Cleco Power's request to recover these storm restoration costs. Also contributing to the increase were higher professional fees, higher employee benefit costs, and higher payroll and administrative expenses. Maintenance expenses during the first quarter of 2007 increased $4.4 million, or 81.9%, compared to the same period of 2006 primarily due to the absence of the $3.0 million recognition of previously recorded storm restoration expenses as a regulatory asset as a result of the LPSC's February 22, 2006 order. Also contributing to the increase was more generating station maintenance work performed during the first quarter of 2007. Depreciation expense increased $4.5 million, or 29.8%, primarily as a result of $4.1 million of storm amortization costs and $0.4 million of normal recurring additions to fixed assets.

Interest Income

Interest income decreased $0.9 million, or 39.8%, during the first quarter of 2007 compared to the same period of 2006 primarily due to lower average investment balances.

Allowance for Other Funds Used During Construction

Allowance for other funds used during construction increased $4.5 million, or 667.0%, during the first quarter of 2007 compared to the same period of 2006 primarily due to increased construction activity at Rodemacher Unit 3. Allowance for other funds used during construction equaled 41.8% of Cleco Power's net income for the first quarter of 2007, compared to 4.8% for the first quarter of 2006.

Interest Charges

Interest charges increased $1.1 million, or 11.9%, during the first quarter of 2007 compared to the same period of 2006 primarily due to the accrual of interest related to uncertain tax positions, which was previously reported in tax expense. For additional information, see Item 1, "Notes to the Unaudited Condensed Financial Statements — Note 12 — Income Taxes."

Income Taxes

Income tax expense decreased $3.9 million, or 55.9%, during the first quarter of 2007 compared to the same period of 2006. Cleco Power's effective income tax rate decreased from 33.7% to 20.2% during the first quarter of 2007 compared to the same period of 2006. The decrease in the rate was primarily due to the flow-through of tax benefits associated with AFUDC equity recorded as a result of the construction of Rodemacher Unit 3. Tax rates also were affected by the relative size of pre-tax income related to this item. Pre-tax income during the first quarter of 2007 decreased $5.5 million compared to the same period of 2006.

Midstream

Midstream's net loss for the first quarter of 2007 increased $1.4 million, or 40.4%, compared to the first quarter of 2006. Factors affecting Midstream during the first quarter of 2007 are described below.

	FOR THE THREE MONTHS ENDED MARCH 31,			
			FAVORABLE/(UNFAVORABLE)	
(THOUSANDS)	**2007**	2006	VARIANCE	CHANGE
Operating revenue				
Other operations	**$ 7**	$ 4	$ 3	75.00 %
Affiliate revenue	**986**	1,050	(64)	(6.10) %
Operating revenue	**993**	1,054	(61)	(5.79)%
Operating expenses				
Other operations	**1,200**	1,123	(77)	(6.86)%
Maintenance	**460**	502	42	8.37 %
Depreciation	**75**	78	3	3.85 %
Taxes other than income taxes	**55**	57	2	3.51 %
Total operating expenses	**1,790**	1,760	(30)	(1.70)%
Operating loss	**$ (797)**	$ (706)	$ (91)	(12.89)%
Equity loss from investees	**$ (1,827)**	$ (28)	$ (1,799)	*
Interest charges	**$ 5,042**	$ 4,231	$ (811)	(19.17)%
Federal and state income tax benefit	**$ 2,953**	$ 1,695	$ 1,258	74.22 %
Loss from discontinued operations	**$ -**	$ (87)	$ 87	*
Net loss	**$ (4,714)**	$ (3,358)	$ (1,356)	(40.38)%
* Not meaningful				

***Equity* Loss from Investees**

Equity loss from investees increased $1.8 million in the first quarter of 2007 compared to the first quarter of 2006. The increase was due to a $2.3 million decrease in equity earnings at APH, partially offset by a $0.5 million increase at Evangeline. The decrease in earnings at APH primarily was due to the absence in the first quarter of 2007 of APH's $2.8 million drawdown against the $15.0 million letter of credit issued by

Calpine. The increase at Evangeline primarily was due to lower gas and turbine maintenance expenses, as well as decreased heat rate penalties. For additional information on Evangeline and Acadia, see Item 1, "Notes to the Unaudited Condensed Financial Statements — Note 4 — Equity Investment in Investees." As previously discussed, Midstream's ownership interests in Perryville and Attala were transferred to Cleco Corporation effective February 1, 2007, and are no longer reported as equity income from investees on Midstream's financial statements. In accordance with SFAS No. 131, operating results for the first quarter of 2006 have been adjusted to reflect this new structure. For additional information, see Item 1, "Notes to the Unaudited Condensed Financial Statements — Note 3 — Disclosures about Segments."

Interest Charges
Interest charges increased $0.8 million, or 19.2%, during the first quarter of 2007 compared to the same period of 2006 primarily due to a higher interest rate and a higher balance on affiliate debt relating to APH's investment in Acadia.

Income Taxes
Income tax benefit increased $1.3 million, or 74.2%, during the first quarter of 2007 compared to the same period of 2006. Midstream's effective income tax rate increased from 34.1% to 38.5% during the first quarter of 2007 compared to the same period of 2006. The difference in the tax rate is primarily due to interest related to tax positions being accounted for as interest expense in 2007, compared to tax expense in 2006. Tax rates also were affected by the relative size of pre-tax income to this item. Pre-tax loss during the first quarter of 2007 increased $2.7 million compared to the same period of 2006.

FINANCIAL CONDITION

Liquidity and Capital Resources

General Considerations and Credit-Related Risks

Credit Ratings and Counterparties
At March 31, 2007, Moody's outlook for both Cleco Corporation and Cleco Power was stable. Standard & Poor's ratings outlook for both companies was negative due to continued uncertainties surrounding Cleco's merchant energy activities and risks associated with the construction of Rodemacher Unit 3. If Cleco Corporation or Cleco Power's credit rating were to be downgraded by Moody's or Standard & Poor's, Cleco Corporation and/or Cleco Power would be required to pay additional fees and higher interest rates under their bank credit and other debt agreements.
Under the terms of the Amended EPC Contract, in the event Cleco Power does not maintain a senior unsecured credit rating of either: (i) Baa3 or better from Moody's or (ii) BBB- or better from Standard & Poor's, Cleco Power will be required to provide a letter of credit to Shaw in the amount of $20.0 million. In the event of further downgrade to both of its credit ratings to: (i) Ba2 or below from Moody's, and (ii) BB or below from Standard & Poor's, Cleco Power will be required to provide an additional $15.0 million letter of credit to Shaw.
With respect to any open power or gas positions that Cleco may initiate in the future, Cleco may be required to provide credit support (or pay liquidated damages). The amount of credit support that Cleco may be required to provide at any point in the future is dependent on the amount of the initial transaction, changes in the market price of power and gas, the changes in open power and natural gas positions, and changes in the amount counterparties owe Cleco. Changes in any of these factors could cause the amount of requested credit support to increase or decrease. For additional information, as well as a discussion of other factors affecting Cleco's financial condition relating to its credit ratings, the credit ratings of its counterparties, and other credit-related risks, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Liquidity and Capital Resources —

General Considerations and Credit-Related Risks — Credit Ratings and Counterparties" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Debt

At March 31, 2007, Cleco Corporation and Cleco Power were in compliance with the covenants in their credit facilities. If Cleco Corporation were to default under the covenants in its various credit facilities, it would be unable to borrow additional funds under the facilities. Further, if Cleco Power were to default under its credit facility, Cleco Corporation would be considered in default under its credit facility. The bonds issued by Evangeline are non-recourse to Cleco Corporation, and a default on these bonds would not be considered a default under Cleco Corporation's credit facility. If Cleco Corporation's credit rating were to be downgraded one level below investment grade, Cleco Corporation would be required to pay fees and interest at a rate of 0.45% higher than the current level for its $150.0 million credit facility. The same downgrade at Cleco Power would require Cleco Power to pay fees and interest at a rate of 0.70% higher than the current level on its $275.0 million credit facility.

Cleco Consolidated

Cleco had no short-term debt outstanding at March 31, 2007, or December 31, 2006. At March 31, 2007, and December 31, 2006, Cleco's long-term debt outstanding was $619.3 million. On March 15, 2007, Cleco repaid $10.0 million of 6.53% medium-term notes at maturity. These medium-term notes were classified as long-term debt due within one year; therefore, the repayment did not affect the total amount of long-term debt recorded. For additional information, see "— Cleco Corporation (Holding Company Level)" and "— Cleco Power" below.

At March 31, 2007, and December 31, 2006, Cleco had a working capital surplus of $65.8 million and $152.6 million, respectively. The $86.8 million decrease in working capital is primarily due to the payment of dividends, additions to

property, plant, and equipment, and construction costs for Rodemacher Unit 3.
Cash and cash equivalents available at March 31, 2007, were $98.6 million combined with $407.8 million facility capacity ($132.8 million from Cleco Corporation and $275.0 million from Cleco Power) for total liquidity of $506.4 million. Cash and cash equivalents decreased $93.9 million, when compared to December 31, 2006. This decrease is primarily due to repayment of debt, payment of dividends, an increase in inventory, and additions to property, plant and equipment, including Rodemacher Unit 3. This was partially offset by collection of customer accounts receivables and lower margin deposit requirements.

Cleco Corporation (Holding Company Level)

Cleco Corporation had no short-term debt outstanding at March 31, 2007, or December 31, 2006. At March 31, 2007, and December 31, 2006, Cleco Corporation had $100.0 million of long-term debt outstanding related to its 7.00% Senior Notes due May 1, 2008.
Cleco Corporation’s $150.0 million five-year credit facility matures on June 2, 2011. This facility provides for working capital and other needs. Cleco Corporation’s borrowing costs under the facility are equal to LIBOR plus 0.650%, including facility fees.
At March 31, 2007, off-balance sheet commitments reduced available borrowings by an additional $17.2 million, leaving available capacity of $132.8 million. For more information about these commitments, see “— Off-Balance Sheet Commitments.” An uncommitted line of credit with a bank in an amount up to $10.0 million also is available to support Cleco’s working capital needs. This line of credit is available to either Cleco Corporation or Cleco Power.
Cash and cash equivalents available at March 31, 2007, were $93.7 million, combined with $132.8 million facility capacity for total liquidity of $226.5 million. Cash and cash equivalents increased $3.1 million, when compared to December 31, 2006, primarily due to the settlement of affiliate payables and receivables. This was partially offset by the payment of dividends.

Cleco Power

There was no short-term debt outstanding at Cleco Power at March 31, 2007, or December 31, 2006. At March 31, 2007, and December 31, 2006, Cleco Power’s long-term debt outstanding was $519.3 million. On March 15, 2007, Cleco Power repaid $10.0 million of 6.53% medium-term notes at maturity. These medium-term notes were classified as long-term debt due within one year; therefore, the repayment did not affect the total amount of long-term debt recorded.
Cleco Power’s $275.0 million five-year credit facility matures on June 2, 2011. This facility provides for working capital and other needs. Cleco Power’s borrowing costs under the facility are equal to LIBOR plus 0.400%, including facility fees.
At March 31, 2007, no amounts were outstanding under Cleco Power’s $275.0 million, five-year facility. An uncommitted line of credit with a bank in an amount up to $10.0 million also is available to support Cleco Power’s working capital needs. This line of credit is available to either Cleco Power or Cleco Corporation.
Cash and cash equivalents available at March 31, 2007, were $4.9 million, combined with $275.0 million facility capacity for total liquidity of $279.9 million. Cash and cash equivalents decreased $97.0 million, when compared to December 31, 2006. This decrease is primarily due to repayment of debt, an increase in inventory, and additions to property, plant and equipment, including Rodemacher Unit 3. This was partially offset by collection of customer accounts receivable and lower margin deposit requirements.
Storm restoration costs from Hurricanes Katrina and Rita are currently estimated to total $158.7 million. During 2006, the LPSC agreed to an interim increase in rates of $23.4 million annually over a ten-year period to recover approximately $161.8 million of estimated storm restoration costs, until a review of the costs by the LPSC was completed. In March 2007, after completing this review, Cleco Power and the LPSC Staff filed a settlement agreement with the LPSC allowing the recovery of essentially all of Cleco Power’s Hurricanes Katrina and Rita storm costs. The agreement also allows Cleco Power to securitize the storm costs and to recover the costs through a

customer billing surcharge. Management expects the settlement agreement to be approved by the LPSC in the third quarter of 2007. Cleco Power is also exploring the reimbursement of storm restoration costs from the U.S. Government.

On February 22, 2006, the LPSC approved Cleco Power's plans to build Rodemacher Unit 3. Terms of the approval included acceptance of an LPSC Staff recommendation that Cleco Power collect from customers an amount equal to 75% of the carrying costs of capital during the construction phase of the unit. In addition to this recovery, Cleco Power plans to fund the construction costs related to Rodemacher Unit 3 by utilizing cash on hand, available funds from its credit facility, the issuance of long-term debt and equity contributions from Cleco Corporation.

The Louisiana State Bond Commission has approved the issuance of up to $200.0 million of tax-exempt bonds to finance the qualifying costs of the solid waste disposal facilities at Rodemacher Unit 3. Thus far, a total of $152.9 million of qualifying costs at Rodemacher Unit 3 has been identified. A total of $60.0 million was allocated by the Governor's office for issuance in 2006. Cleco Power has applied to the Governor's office for allocation in 2007 and can apply again in 2008, if necessary, up to the total amount of qualifying costs identified. The $60.0 million of bonds allocated for 2006 were issued on November 21, 2006, by the Rapides Finance Authority, and Cleco Power agreed to pay the debt service on the bonds. The fixed interest rate on the bonds is 4.70%, and the maturity date is November 1, 2036. The bonds may be called at the option of the issuer at the direction of Cleco Power after November 1, 2016.

Midstream
Midstream had no short-term debt outstanding at March 31, 2007, or December 31, 2006.
Evangeline, deconsolidated and no longer reported in Cleco Corporation's consolidated results, had no short-term debt outstanding at March 31, 2007. Evangeline did have $173.0 million and $177.1 million of long-term debt outstanding at March 31, 2007, and December 31, 2006, respectively, in the form of 8.82% Senior Secured Bonds due 2019. In addition, Evangeline had $7.9 million and $7.6 million of long-term debt due within one year at March 31, 2007, and December 31, 2006, respectively, relating to these bonds. The bonds issued by Evangeline are non-recourse to Cleco Corporation.

Restricted Cash
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 general corporate purposes. At March 31, 2007, and December 31, 2006, $36.3 million and $59.0 million of cash, respectively, was restricted. At March 31, 2007, the $36.3 million of restricted cash consisted of $0.1 million under the Diversified Lands mitigation escrow agreement, $25.0 million under the Evangeline senior secured bond indenture, and $11.2 million under the Cleco Power solid waste disposal bonds indenture. Restricted cash at Cleco Power decreased $13.2 million compared to December 31, 2006, due to the release of funds for construction of the solid waste disposal facility at Rodemacher Unit 3. The restricted cash at Evangeline is not included in Cleco Corporation's Condensed Consolidated Balance Sheets at March 31, 2007, due to the deconsolidation of Evangeline.

Contractual Obligations and Other Commitments
For information regarding Cleco's Contractual Obligations and Other Commitments, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Liquidity and Capital Resources — Cash Generation and Cash Requirements — Contractual Obligations and Other Commitments" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Off-Balance Sheet Commitments
Cleco Corporation and Cleco Power have entered into various off-balance sheet commitments, in the form of guarantees and standby letters of credit, in order to facilitate their activities and the activities of Cleco Corporation's subsidiaries and equity investees (affiliates). Cleco Corporation entered into these off-balance sheet commitments in order to entice desired counterparties to contract with its affiliates by providing some measure of credit assurance to the counterparty in the event Cleco's affiliates do not fulfill certain contractual obligations. If Cleco Corporation had not provided the off-balance sheet commitments, the desired counterparties may not have contracted with Cleco's affiliates or may have contracted with them at terms less favorable to its affiliates.
The off-balance sheet commitments are not recognized on Cleco's Condensed Consolidated Balance Sheets, because it has been determined that Cleco's affiliates are able to perform these obligations under their contracts and that it is not probable that payments by Cleco will be required. Some of these commitments reduce borrowings available to Cleco Corporation under its credit facility pursuant to the terms of the credit facility. Cleco's off-balance sheet commitments as of March 31, 2007, are summarized in the following table, and a discussion of the off-balance sheet commitments follows the table. The discussion should be read in conjunction with the table to understand the impact of the off-balance sheet commitments on Cleco's financial condition.

	AT MARCH 31, 2007 REDUCTIONS TO THE

(THOUSANDS)	FACE AMOUNT	REDUCTIONS	NET AMOUNT	AMOUNT AVAILABLE TO BE DRAWN ON CLECO CORPORATION'S CREDIT FACILITY
Cleco Corporation				
Guarantee issued to Entergy companies for performance obligations of Perryville	**$ 277,400**	**$ 135,000**	**$ 142,400**	**$ 328**
Guarantees issued to purchasers of the assets of Cleco Energy	**1,400**	**-**	**1,400**	**1,400**
Obligations under standby letter of credit issued to the Evangeline Tolling Agreement counterparty	**15,000**	**-**	**15,000**	**15,000**
Guarantee issued to Entergy Mississippi on behalf of Attala	**500**	**-**	**500**	**500**
Cleco Power				
Obligations under standby letter of credit issued to the Louisiana Department of Labor	**525**	**-**	**525**	**-**
Obligations under the Lignite Mining Agreement	**10,920**	**-**	**10,920**	**-**
Obligations under standby letter of credit issued to the Louisiana Department of Wildlife and Fisheries	**85**	**-**	**85**	**-**
Total	**$ 305,830**	**$ 135,000**	**$ 170,830**	**$ 17,228**

Cleco Corporation provided a limited guarantee to Entergy Louisiana and Entergy Gulf States for Perryville's performance, indemnity, representation, and warranty obligations under the Sale Agreement, the Power Purchase Agreement, and other ancillary agreements related to the sale of the Perryville facility in 2005. As of March 31, 2007, the aggregate guarantee of $277.4 million is limited to $142.4 million (other than with respect to the indemnification of environmental matters to which there is no limit) due to the performance of some of the underlying obligations that were guaranteed. The discounted probability-weighted liability under the guarantees and indemnifications as of March 31, 2007, was $0.3 million,

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resulting in a corresponding reduction in the available credit under Cleco Corporation's credit facility, which was determined in accordance with the facility's definition of a contingent obligation. The contingent obligation reduces the amount available under the credit agreement by an amount equal to the reasonably anticipated liability in respect of the contingent obligation as determined in good faith. For additional information on this guarantee, see Note 9 — "Disclosures about Guarantees."

In November 2004, Cleco completed the sale of substantially all of the assets of Cleco Energy. Cleco Corporation provided guarantees to the buyers of Cleco Energy's assets for the payment and performance of the indemnity obligations of Cleco Energy. The aggregate amount of the guarantees is $1.4 million, and the guarantees expire in 2009.

If Evangeline fails to perform certain obligations under its tolling agreement, Cleco Corporation will be required to make payments to the Evangeline Tolling Agreement counterparty. Cleco Corporation's obligation under the Evangeline commitment is in the form of a standby letter of credit from investment grade banks and is limited to $15.0 million. Rating triggers do not exist in the Evangeline Tolling Agreement. Cleco expects Evangeline to be able to meet its obligations under the tolling agreement and does not expect Cleco Corporation to be required to make payments to the counterparty. However, under the covenants associated with Cleco Corporation's credit facility, the entire net amount of the Evangeline commitment reduces the amount that can be borrowed under the credit facility. The letter of credit for Evangeline is expected to be renewed annually until 2020.

On March 16, 2005, Cleco Corporation issued a guarantee to Central Mississippi Generating Company, LLC for Attala's obligations and liabilities under the purchase and sale agreement between Central Mississippi Generating Company, LLC and Attala. On January 20, 2007, the guarantee expired. In addition, on January 20, 2006, Cleco Corporation provided a $0.5 million guarantee to Entergy Mississippi for Attala's obligations under the Interconnection Agreement. This guarantee has no time limit.

The State of Louisiana allows employers of certain financial net worth to self-insure their workers' compensation benefits. Cleco Power has a certificate of self-insurance from the Louisiana Office of Workers' Compensation and is required to post a $0.5 million letter of credit, an amount equal to 110% of the average losses over the previous three years, as surety.

As part of the Lignite Mining Agreement entered into in 2001, Cleco Power and SWEPCO, joint owners of Dolet Hills, have agreed to pay the lignite miner's loan and lease principal obligations when due, if the lignite miner does not have sufficient funds or credit to pay. Any amounts paid on behalf of the miner would be credited by the lignite miner against the next invoice for lignite delivered. At March 31, 2007, Cleco Power's 50% exposure for this obligation was approximately $10.9 million. The lignite mining contract is in place until 2011 and does not affect the amount Cleco Corporation can borrow under its credit facility.

On December 1, 2006, Cleco Power issued a standby letter of credit to the Louisiana Department of Wildlife and Fisheries in order to obtain a permit to allow for dredging operations at the Rodemacher Unit 3 site. The letter of credit was for approximately $0.1 million and expired on April 1, 2007.

The following table summarizes the expected termination date of the guarantees and standby letters of credit discussed above:

		AT MARCH 31, 2007 AMOUNT OF COMMITMENT EXPIRATION PER PERIOD			
(THOUSANDS)	NET AMOUNT COMMITTED	LESS THAN ONE YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Guarantees	**$ 155,220**	**$ -**	**$ 1,400**	**$ 110,920**	**$ 42,900**

Standby letters of credit		**15,610**		**610**		**-**		**-**		**15,000**
Total commercial commitments	**$**	**170,830**	**$**	**610**	**$**	**1,400**	**$**	**110,920**	**$**	**57,900**

Regulatory Matters

Wholesale Rates of Cleco

On February 16, 2007, the FERC issued Order No. 890 amending its regulations and the pro forma tariff (a FERC-approved document outlining rates, charges, rules and conditions under which a utility provides wholesale electric service) adopted in FERC Order Nos. 888 and 889 to address apparent deficiencies. The order became effective on March 14, 2007. Cleco Power is in the process of incorporating these new requirements and business practices into its operations.

For additional information on the wholesale rates of Cleco, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Liquidity and Capital Resources — Regulatory Matters — Wholesale Rates of Cleco" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Retail Rates of Cleco Power

In March 2007, as a result of Phase II of the LPSC Staff's review of storm restoration costs, Cleco Power and the LPSC Staff filed a settlement agreement allowing the recovery of essentially all Cleco Power's Hurricanes Katrina and Rita storm costs, currently estimated to total $158.7 million. Cleco Power is currently recovering these storm costs under an interim rate increase approved by the LPSC. The settlement agreement also allows Cleco Power to securitize the amount of the storm costs and to fund and securitize a $50.0 million reserve for future, extraordinary storm damage costs. Management expects the settlement agreement to be approved by the LPSC in the third quarter of 2007.

In April 2006, the LPSC approved a recommendation of the LPSC Staff requiring Cleco Power to refund $1.3 million to customers relating to Cleco Power's RSP filings for the 12-month periods ended September 30, 2002, 2003, and 2004. Cleco Power refunded the amount as credits on customers' September 2006 utility bills. However, the LPSC also reserved the right to further review Cleco Power's calculation of working capital included in the filings for the 12-month periods ended September 30, 2002, 2003, and 2004. Cleco Power reached an agreement of the working capital issue with the LPSC in March 2007 and refunded to customers an additional $3.2 million of previously accrued customer credits in the same month.

In March 2007, the LPSC consultants completed the review of Cleco Power's RSP monitoring report for the 12-month period ended September 30, 2005. Cleco Power received the LPSC Staff's report in April 2007 indicating that no refund is due based on the 2005 RSP filing.

For additional information on other regulatory aspects of retail rates concerning Cleco Power, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Liquidity and Capital Resources — Regulatory Matters — Retail Rates of Cleco Power" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Wholesale Electric Markets

On March 16, 2007, to implement the new directives added by Section 215 of the Federal Power Act regarding establishment of reliability standards for all public utilities subject to the FERC's authority, the FERC issued Order No. 693 approving 83 of the 107 standards currently filed by the North American Electric Reliability Council in its capacity as the authorized ERO. The FERC will begin enforcement of these standards on June 1, 2007. Cleco Power is in the process of incorporating these new reliability standards into its operations.

For additional information on regulatory aspects of wholesale electric markets affecting Cleco, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Liquidity and Capital Resources — Regulatory Matters — Market Restructuring — Wholesale Electric Markets" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Retail Electric Markets

For a discussion of the regulatory aspects of retail electric markets affecting Cleco Power, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Liquidity and Capital Resources — Regulatory Matters — Retail Electric Markets" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Generation RFP

2007 Short-Term RFP for 2008 Resources

On January 29, 2007, Cleco Power issued a RFP for a minimum of 50 MW up to 350 MW to meet its 2008 capacity and energy requirements. Proposals were received on February 19, 2007. Cleco Power has selected the winning bids and is currently negotiating with those selected bidders.

2007 Long-Term RFP

Cleco Power also plans to release an additional RFP in 2007 to identify long-term resources to fill the needs forecasted by the latest IRP. This RFP will include self-build options that will compete with market bids to provide the most economic and reliable options for Cleco Power customers.

For additional information on Cleco Power's generation RFPs, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Liquidity and Capital Resources — Regulatory Matters — Generation RFP" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended

December 31, 2006.

Rodemacher Unit 3

In May 2006, Cleco Power began construction of Rodemacher Unit 3 which will provide a portion of the utility's future power supply needs. Rodemacher Unit 3 will be capable of burning various solid fuels, but primarily is expected to burn petroleum coke produced by several refineries throughout the Gulf Coast region. All environmental permits for the unit have been received. The total capital cost of the project, including AFUDC, Amended EPC Contract costs, and other development expenses, is estimated at $1.0 billion.

In May 2006, Cleco Power and Shaw entered into the Amended EPC Contract, which provides for substantial completion of construction by the fourth quarter of 2009. The Amended EPC Contract allows for termination at Cleco Power's sole discretion, which would require payment of escalating termination fees, or if certain milestones, approvals, or other typical commercial terms and conditions are not met. At March 31, 2007, the maximum termination fee would have been $84.7 million. The project remains on schedule for commercial operation no later than the fourth quarter of 2009.

At March 31, 2007, Cleco Power had incurred approximately $309.7 million in project costs.

For additional information on the CCN and construction of Rodemacher Unit 3, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Liquidity and Capital Resources —Regulatory Matters — Rodemacher Unit 3" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006. For a discussion of risks associated with the Rodemacher Unit 3 project, see "Risk Factors — Rodemacher Unit 3 Construction Costs," — "Rodemacher Unit 3 Technical Specifications," and — "Termination of the Rodemacher Unit 3 Project or the Amended EPC Contract" in the

Registrants’ Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Lignite Deferral

For information on Cleco Power’s deferred lignite mining expenditures, please read “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Liquidity and Capital Resources — Regulatory Matters — Other Matters — Lignite Deferral” in the Registrants’ Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

In November 2006, Cleco Power and SWEPCO submitted a joint application to the LPSC requesting that Cleco Power recover its existing deferral balance and eliminate any future benchmarking of lignite mining costs. The application was docketed by the LPSC, and Cleco Power and SWEPCO filed testimony in support of the application on January 29, 2007. Cleco Power expects a favorable response to its request, and current and future deferrals are expected to be collected. It is anticipated the LPSC Staff will finalize its review of this information and issue a recommendation during the third quarter of 2007.

If this request is not granted, Cleco Power may be required to expense a portion of the current deferred balance as well as expense future amounts instead of deferring them.

At March 31, 2007, and December 31, 2006, Cleco Power had $21.2 million and $20.1 million, respectively, in deferred costs remaining. Included in the deferred cost balance is interest totaling $3.4 million and $3.0 million as of March 31, 2007, and December 31, 2006, respectively.

For a discussion of risks associated with Cleco Power’s application to recover deferred lignite mining costs, see “Risk Factors — Deferred Lignite Mining Costs” in the Registrants’ Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Franchises

On February 13, 2007, the City Council of Eunice voted to accept a city-wide franchise proposal with a local electric cooperative. The cooperative will now have the opportunity to serve customers city-wide. However, both utilities are required to follow the LPSC 300-foot rule regulation to determine which utility can provide electricity to the customer. In general, if a utility's distribution system is within 300 feet of the new customer's meter point, that utility automatically serves the customer. Otherwise, the customer may choose the electricity provider. This decision does not have a material impact on Cleco Power's results of operations or financial condition, but could reduce future customer and load growth as both utilities compete for new customers.

Historically, Cleco Power has been allowed to recover municipal franchise fees as part of base rates it charges retail customers. Consequently, franchise fees are recovered from customers both inside and outside a franchised area. In October 2006, the LPSC approved the practice of billing franchise fees as a separate line item only to the municipal customers affected, rather than included in base rates to all retail customers. In November 2006, the LPSC placed the order on hold requesting comments from the Louisiana Municipal Association and Louisiana mayors. The LPSC is expected to vote on the implementation of the order in the second quarter of 2007. Cleco Power anticipates no material impact to its results of operations or financial condition if the order is approved.

For additional information on Cleco Power’s electric service franchises, please read “Business — Regulatory Matters, Industry Developments, and Franchises — Franchises” in the Registrants’ Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Environmental Matters

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

Congress is considering several bills related to climate change, which may include substantial, mandatory cuts in carbon dioxide and other greenhouse gas emissions. The majority of the bills would require reductions in carbon dioxide from electric generating units. On November 29, 2006, the U.S. Supreme Court heard arguments in a case, Massachusetts vs. E.P.A, in which the U.S. Circuit Court of Appeals for the District of Columbia held that the EPA had discretion to refuse to regulate greenhouse gases from mobile sources. On April 2, 2007, the Supreme Court overturned the lower court's ruling and found that carbon dioxide and other greenhouse gases are "air pollutants" under the Clean Air Act (CAA). As air pollutants, the Supreme Court's decision would require the EPA to regulate greenhouse gas emissions from new motor vehicles if, in the EPA's judgment, such greenhouse gas emissions may reasonably be anticipated to endanger public health or welfare. Based on the Supreme Court's decision that greenhouse gases are "air pollutants," the EPA may also decide to use its authority under the CAA to regulate greenhouse gases, such as carbon dioxide, from stationary sources such as power plants. Thus, the Supreme Court ruling could result in federal regulation of carbon dioxide and other greenhouse gas emissions in upcoming years. Cleco will continue to monitor the development of new legislative and regulatory requirements and their potential impacts. While it is unknown at this time what the final outcome of these regulations will entail or whether federal and/or state carbon dioxide laws or regulations will be enacted, any capital and operating costs of additional pollution control equipment or carbon dioxide emission reduction measures, such as the cost of sequestration or purchasing allowances, or offset credits, that may be required could materially adversely affect future results of operations, cash flows, and possibly financial condition, unless such costs could be recovered through regulated rates and/or future market prices for energy.

For a discussion of other Cleco environmental matters, please read "Business — Environmental Matters" in the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Recent Accounting Standards

For a discussion of recent accounting standards, see Item 1, "Notes to the Unaudited Condensed Financial Statements — Note 5 — Recent Accounting Standards" of this form 10-Q, which discussion is incorporated herein by reference.

CRITICAL ACCOUNTING POLICIES

Cleco's critical accounting policies include those accounting policies that are both important to Cleco's financial condition and results of operations and those that require Management to make difficult, subjective, or complex judgments about future events, which could result in a material impact to the financial statements of Cleco Corporation's segments or to Cleco as a consolidated entity. The financial statements contained in this report are prepared in accordance with accounting principles generally accepted in the United States of America, which require Cleco to make estimates and assumptions. Estimates and assumptions about future events and their effects cannot be made with certainty. Management bases its current estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances. 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 a discussion of Cleco's critical accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" in the Registrant's Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

CLECO POWER — NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS

Set forth below is information concerning the results of operations of Cleco Power for the three months ended March 31, 2007, and March 31, 2006. The following narrative analysis should be read in combination with Cleco Power's Unaudited Condensed Financial Statements and the Notes contained in this Form 10-Q.

Cleco Power meets the conditions specified in General Instructions H(1)(a) and (b) to Form 10-Q and is therefore permitted to use the reduced disclosure format for wholly owned subsidiaries of reporting companies. Accordingly, Cleco Power has omitted from this report the information called for by Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations) and Item 3 (Quantitative and Qualitative Disclosures about Market Risk) of Part I of Form 10-Q and the following Part II items of Form 10-Q: Item 2 (Unregistered Sales of Equity Securities and Use of Proceeds) and Item 3 (Defaults upon Senior Securities). Pursuant to the General Instructions, Cleco Power has included an explanation of the reasons for material changes in the amount of revenue and expense items of Cleco Power between the first quarter of 2007 and the first quarter of 2006. Reference is made to Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of the Registrants' Combined Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

For an explanation of material changes in the amount of revenue and expense items of Cleco Power between the first quarter of 2007 and the first quarter of 2006, see "— Results of Operations — Comparison of the Three Months Ended March 31, 2007, and 2006 — Cleco Power" of this Form 10-Q, which discussion is incorporated herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Overview

Market risk inherent in Cleco's market risk-sensitive instruments and positions includes potential changes arising from changes in interest rates and the commodity market prices of power and natural gas in the industry on different energy exchanges. Cleco is subject to market risk associated with economic hedges relating to open natural gas contracts. Cleco also is subject to market risk associated with its remaining tolling agreement counterparty. For additional information concerning Cleco's market risk associated with its remaining counterparty, see Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Liquidity and Capital Resources — General Considerations and Credit-Related Risks."

Cleco uses SFAS No. 133 to determine whether the market risk-sensitive instruments and positions are required to be marked-to-market. Generally, Cleco Power's market risk-sensitive instruments and positions qualify for the normal-purchase, normal-sale exception to mark-to-market accounting of SFAS No. 133, as modified by SFAS No. 149, since Cleco Power generally takes physical delivery and the instruments and positions are used to satisfy customer requirements.

Cleco's exposure to market risk, as discussed below, represents an estimate of possible changes in the fair value or future earnings that would occur, assuming possible future

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movements in the interest rates and commodity prices of power and natural gas. Management's views on market risk are not necessarily indicative of actual results, nor do they represent the maximum possible gains or losses. The views do represent, within the parameters disclosed, what management estimates may happen.

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

Interest Rate Risks

Cleco monitors its mix of fixed- and variable-rate debt obligations in light of changing market conditions and from time to time may alter that mix, for example, refinancing balances outstanding under its variable-rate credit facility with fixed-rate debt. Calculations of the changes in fair market value and interest expense of the debt securities are made over a one-year period.

Sensitivity to changes in interest rates for fixed-rate obligations is computed by calculating the current fair market value using a net present value model based upon a 1% change in the average interest rate applicable to such debt. Sensitivity to changes in interest rates for variable-rate obligations is computed by assuming a 1% change in the current interest rate applicable to such debt.

As of March 31, 2007, Cleco had no long-term or short-term variable-rate debt.

Commodity Price Risks

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

During 2005, Cleco Power entered into certain financial hedge transactions it considers economic hedges to mitigate the risk associated with fixed-price power to be provided to a wholesale customer through December 2010. These transactions are derivatives as defined by SFAS No. 133 but do not meet the accounting criteria to be considered hedges. These transactions are marked-to-market with the resulting gain or loss recorded on the income statement as a component of operating revenue, net. At March 31, 2007, the positions had a mark-to-market value of $2.4 million, which is an increase of $1.5 million from the mark-to-market value of $0.9 million at December 31, 2006. In addition, these positions resulted in a realized loss of less than $0.1 million for the three months ended March 31, 2007. In light of these economic hedge transactions, volatility in natural gas prices will likely cause fluctuations in the market value of open natural gas positions and ultimately in Cleco Power's future earnings.

Cleco Power provides fuel for generation and purchases power to meet the power demands of customers. Cleco Power has entered into positions to mitigate the volatility in fuel costs passed on to customers as encouraged by an LPSC order. In December 2004, Cleco Power implemented a fuel stabilization policy (which was filed with the LPSC and subsequently amended in June 2006) to target higher levels of minimum hedging percentages and mitigate the volatility in customer fuel costs. The change in positions could result in increased volatility in the marked-to-market amounts for the financial positions. These positions are marked-to-market with the resulting gain or loss recorded on the balance sheet as a component of the accumulated deferred fuel asset or liability and a component of the risk management assets or liabilities. When these positions close, actual gains or losses are deferred and included in the fuel adjustment clause in the month the physical contract settles. Based on market prices at March 31, 2007, the net mark-to-market impact related to open natural gas positions was a loss of $13.2 million. Deferred losses relating to

closed natural gas positions at March 31, 2007, totaled $3.5 million.
Cleco utilizes a VaR model to assess the market risk of its hedging portfolios, including derivative financial instruments. VaR represents the potential loss in fair value for an instrument from adverse changes in market factors over a defined period of time with a specified confidence level. VaR is calculated daily, using the variance/covariance method, assuming a holding period of one day, with a 95% confidence level for natural gas and power positions. Volatility is calculated daily from historical forward prices using the exponentially weighted moving average method. Based on these assumptions, the VaR relating to the economic hedge transactions for the three months ended March 31, 2007, as well as the VaR at December 31, 2006, is summarized below:

	FOR THE THREE MONTHS ENDED MARCH 31, 2007			**AT MARCH 31,**	AT DECEMBER 31,
(THOUSANDS)	**HIGH**	**LOW**	**AVERAGE**	**2007**	2006
Cleco Power	**$ 452.6**	**$ 248.0**	**$ 358.8**	**$ 267.1**	$ 459.5

Cleco Power

Please refer to "— Risk Overview" above for a discussion of market risk inherent in Cleco Power's market risk-sensitive instruments.
Cleco Power has entered into various fixed- and variable-rate debt obligations. Please refer to "— Interest Rate Risks" above for a discussion of how Cleco Power monitors its mix of fixed- and variable-rate debt obligations and the manner of

calculating changes in fair market value and interest expense of its debt obligations.

As of March 31, 2007, Cleco Power had no long-term or short-term variable-rate debt.

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, the Registrants' management has evaluated, as of the end of the period covered by this report, with the supervision and participation of the Registrants' chief executive officer and chief financial officer, the effectiveness of the Registrants' disclosure controls and procedures as defined by Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Disclosure Controls). Based on that evaluation, such officers concluded that the Registrants' disclosure controls were effective as of the date of that evaluation.

During the Registrants' first fiscal quarter of 2007, there have been no changes in the Registrants' internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Registrants' internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

CLECO

For information on legal proceedings affecting Cleco, see Part I, Item 1, “Notes to the Unaudited Condensed Financial Statements — Note 8 — Litigation and Other Commitments and Contingencies — Other Litigation,” and Note 15 — “Calpine Bankruptcy.”

CLECO POWER

For information on legal proceedings affecting Cleco Power, see Part I, Item 1, “Notes to the Unaudited Condensed Financial Statements — Note 8 — Litigation and Other Commitments and Contingencies — Other Litigation.”

ITEM 1A. RISK FACTORS

For risks that could affect actual results and cause results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Registrants, see the risk factors disclosed under "Risk Factors" in Item 1A of the Registrants' Combined Annual Report of Form 10-K for the fiscal year ended December 31, 2006.

ITEM 6. EXHIBITS

CLECO CORPORATION	
*10(a)	Executive Employment Agreement between Cleco Corporation and William G. Fontenot effective as of July 28, 2000
*12(a)	Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Stock Dividends for the three- and twelve-month periods ended March 31, 2007, for Cleco Corporation
*31(a)	CEO Certification in accordance with section 302 of the Sarbanes-Oxley Act of 2002 CFO Certification in accordance with section 302 of the Sarbanes-Oxley Act of 2002
**31.1	CEO Certification in accordance with section 302 of the Sarbanes-Oxley Act of 2002
**31.2	CFO Certification in accordance with section 302 of the Sarbanes-Oxley Act of 2002
*32(a)	CEO and CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
**32.1	CEO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
**32.2	CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
CLECO POWER	
*10(b)	401(k) Savings and Investment Plan, Stock Trust Agreement, Amendment No. 3, Effective January 1, 2007
*12(b)	Computation of Ratios of Earnings to Fixed Charges for the three- and twelve-month periods ended March 31, 2007, for Cleco Power
*31(b)	CEO Certification in accordance with section 302 of the Sarbanes-Oxley Act of 2002 CFO Certification in accordance with section 302 of the Sarbanes-Oxley Act of 2002
**31.3	CEO Certification in accordance with section 302 of the Sarbanes-Oxley Act of 2002
**31.4	CFO Certification in accordance with section 302 of the Sarbanes-Oxley Act of 2002
*32(b)	CEO and CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
**32.3	CEO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
**32.4	CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002

The Exhibits designated by an asterisk were filed on May 2, 2007 with the Original Combined 10-Q to which this combined Form 10-Q/A relates. The Exhibits designated by two asterisks are filed herewith.

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SIGNATURE

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

CLECO CORPORATION
(Registrant)

By: /s/ R. Russell Davis

R. Russell Davis
Vice President and Chief Accounting Officer

Date: August 9, 2007

SIGNATURE

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

CLECO POWER LLC
(Registrant)

By: /s/ R. Russell Davis

R. Russell Davis
Vice President and Chief Accounting Officer

Date: August 9, 2007