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Cleco Corporate Holdings LLC
Form 10-K
February 27, 2019

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

FORM 10-K

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

For the fiscal year ended December 31, 2018

Or

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

Commission file number 1-15759

CLECO CORPORATE HOLDINGS LLC

(Exact name of registrant as specified in its charter)

Louisiana

72-1445282

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

2030 Donahue Ferry Road, Pineville, Louisiana

71360-5226

(Address of principal executive offices)

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Commission file number 1-05663

CLECO POWER LLC

(Exact name of registrant as specified in its charter)

Louisiana

72-0244480

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

2030 Donahue Ferry Road, Pineville, Louisiana

71360-5226

(Address of principal executive offices)

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

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

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

Indicate by check mark whether the Registrants have submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrants were required to submit such files). Yes No

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

Indicate by check mark whether Cleco Corporate Holdings LLC is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
 Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
 Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

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

This Annual Report on Form 10-K should be read in its entirety as it pertains to each respective Registrant. The Notes to the Financial Statements for the Registrants and certain other sections of this Annual Report on Form 10-K are combined.

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GLOSSARY
 OF
 TERMS

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

| ABBREVIATION OR ACRONYM | DEFINITION |
|----------------------------------|--|
| 2016 Merger | Merger of Merger Sub with and into Cleco Corporation pursuant to the terms of the Merger Agreement which was completed on April 13, 2016 |
| 2016 Merger Commitments | Cleco Partners’, Cleco Group’s, Cleco Holdings’, and Cleco Power’s 77 commitments to the LPSC as defined in Docket No. U-33434 of which a performance report must be filed annually by October 31 for the 12 months ending June 30 |
| 401(k) Plan | Cleco Power 401(k) Savings and Investment Plan |
| ABR | Alternate Base Rate which is the greater of the prime rate, the federal funds effective rate plus 0.50%, or LIBOR plus 1.0% |
| Acadia | Acadia Power Partners, LLC, previously a wholly owned subsidiary of Midstream. Acadia Power Partners, LLC was dissolved effective August 29, 2014. |
| Acadia Unit 1 | Cleco Power’s 580-MW, combined cycle power plant located at the Acadia Power Station in Eunice, Louisiana |
| Acadia Unit 2 | Entergy Louisiana’s 580-MW, combined cycle power plant located at the Acadia Power Station in Eunice, Louisiana, which is operated by Cleco Power |
| ADIT | Accumulated Deferred Income Tax |
| AFUDC | Allowance for Funds Used During Construction |
| ALJ | Administrative Law Judge |
| Amended Lignite Mining Agreement | Amended and restated lignite mining agreement effective December 29, 2009 |
| AMI | Advanced Metering Infrastructure |
| AOCI | Accumulated Other Comprehensive Income (Loss) |
| ARO | Asset Retirement Obligation |
| ARRA | American Recovery and Reinvestment Act of 2009 |
| Attala | Attala Transmission LLC, a wholly owned subsidiary of Cleco Holdings |
| BCI | British Columbia Investment Management Corporation |
| Brame Energy Center | A facility consisting of Nesbitt Unit 1, Rodemacher Unit 2, and Madison Unit 3 |
| CAA | Clean Air Act |
| CCR | Coal combustion by-products or residual |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| Cleco | Cleco Holdings and its subsidiaries |
| Cleco Cajun | Cleco Cajun LLC, formerly Cleco Energy LLC, a wholly owned subsidiary of Cleco Holdings |
| Cleco Cajun Transaction | The transaction between Cleco Cajun and NRG Energy in which Cleco Cajun acquired all the membership interest in NRG South Central which closed on February 4, 2019. |
| Cleco Corporation | Pre-2016 Merger entity that was converted to a limited liability company and changed its name to Cleco Corporate Holdings LLC on April 13, 2016 |
| Cleco Group | Cleco Group LLC, a wholly owned subsidiary of Cleco Partners |

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| | |
|---|--|
| Cleco Holdings | Cleco Corporate Holdings LLC, a wholly owned subsidiary of Cleco Group |
| Cleco Katrina/Rita | Cleco Katrina/Rita Hurricane Recovery Funding LLC, a wholly owned subsidiary of Cleco Power |
| Cleco Partners | Cleco Partners L.P., a Delaware limited partnership that is owned by a consortium of investors, including funds or investment vehicles managed by MIRA, BCI, John Hancock Financial, and other infrastructure investors |
| Cleco Power CO ₂ | Cleco Power LLC and its subsidiaries, a wholly owned subsidiary of Cleco Holdings Carbon dioxide |
| Cottonwood Energy | Cottonwood Energy Company LP, a wholly owned subsidiary of Cleco Cajun. Prior to the closing of the Cleco Cajun Transaction on February 4, 2019, Cottonwood Energy was an indirect subsidiary of NRG South Central. |
| Coughlin CPP | Cleco Power's 775-MW, combined-cycle power plant located in St. Landry, Louisiana Clean Power Plan |
| CSAPR | Cross-State Air Pollution Rule |
| DHLC | Dolet Hills Lignite Company, LLC, a wholly owned subsidiary of SWEPCO |
| Diversified Lands | Diversified Lands LLC, a wholly owned subsidiary of Cleco Holdings |
| Dolet Hills Dolet Hills Power Station | A facility consisting of Dolet Hills Power Station, the Dolet Hills mine, and the Oxbow mine A 650-MW generating unit at Cleco Power's plant site in Mansfield, Louisiana. Cleco Power has a 50% ownership interest in the capacity of Dolet Hills. |
| EAC | Environmental Adjustment Clause |
| EBITDA | Earnings before interest, taxes, depreciation, and amortization |
| EGU | Electric Generating Unit |
| Entergy Gulf States | Entergy Gulf States Louisiana, LLC |
| Entergy Louisiana | Entergy Louisiana, LLC |
| EPA | U.S. Environmental Protection Agency |
| ERO | Electric Reliability Organization |
| ESPP | Employee Stock Purchase Plan |

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| ABBREVIATION OR ACRONYM | DEFINITION |
|----------------------------|---|
| Evangeline | Cleco Evangeline LLC, a wholly owned subsidiary of Midstream |
| FAC | Fuel Adjustment Clause |
| FASB | Financial Accounting Standards Board |
| FERC | Federal Energy Regulatory Commission |
| Fitch | Fitch Ratings, a credit rating agency |
| FTR | Financial Transmission Right |
| FRP | Formula Rate Plan |
| GAAP | Generally Accepted Accounting Principles in the U.S. |
| GO Zone | Gulf Opportunity Zone Act of 2005 (Public Law 109-135) |
| IRC | Internal Revenue Code |
| IRP | Integrated Resource Plan |
| IRS | Internal Revenue Service |
| ISO | Independent System Operator |
| kWh | Kilowatt-hour(s) |
| LDEQ | Louisiana Department of Environmental Quality |
| LED | Louisiana Economic Development |
| LIBOR | London Interbank Offered Rate |
| LMP | Locational Marginal Price |
| LPSC | Louisiana Public Service Commission |
| LTIP | Long-Term Incentive Compensation Plan |
| Madison Unit 3 | A 641-MW generating unit at Cleco Power's plant site in Boyce, Louisiana |
| MATS | Mercury and Air Toxics Standards |
| Merger Agreement | Agreement and Plan of Merger, dated as of October 17, 2014, by and among Cleco Partners, Merger Sub, and Cleco Corporation relating to the 2016 Merger |
| Merger Sub | Cleco MergerSub Inc., previously an indirect wholly owned subsidiary of Cleco Partners that was merged with and into Cleco Corporation, with Cleco Corporation surviving the 2016 Merger, and Cleco Corporation converting to a limited liability company and changing its name to Cleco Holdings |
| Midstream | Cleco Midstream Resources LLC, a wholly owned subsidiary of Cleco Holdings |
| MIRA | Macquarie Infrastructure and Real Assets Inc. |
| MISO | Midcontinent Independent System Operator, Inc. |
| MMBtu | Million British thermal units |
| Moody's | Moody's Investors Service, a credit rating agency |
| MW | Megawatt(s) |
| MWh | Megawatt-hour(s) |
| N/A | Not Applicable |
| NAAQS | National Ambient Air Quality Standards |
| NERC | North American Electric Reliability Corporation |
| NMTC | New Markets Tax Credit |
| NMTC Fund | USB NMTC Fund 2008-1 LLC was formed to invest in projects qualifying for New Markets Tax Credits and Solar Projects. This fund was dissolved effective January 25, 2019. |
| NOAA | National Oceanic and Atmospheric Administration |
| Not Meaningful | A percentage comparison of these items is not statistically meaningful because the percentage difference is greater than 1,000% |

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| | |
|-----------------------------|---|
| NO ₂ | Nitrogen dioxide |
| NO _x | Nitrogen oxide |
| NRG Energy | NRG Energy, Inc. |
| NRG South Central | NRG South Central Generating LLC |
| Other Benefits | Includes medical, dental, vision, and life insurance for Cleco's retirees |
| Oxbow | Oxbow Lignite Company, LLC, 50% owned by Cleco Power and 50% owned by SWEPCO |
| PCB | Polychlorinated biphenyl |
| Perryville | Perryville Energy Partners, L.L.C., a wholly owned subsidiary of Cleco Holdings |
| ppb | Parts per billion |
| Predecessor | Pre-merger activity of Cleco. Cleco has accounted for the 2016 Merger transaction by applying the acquisition method of accounting. The predecessor period is not comparable to the successor period. |
| Purchase and Sale Agreement | Purchase and Sale Agreement, dated as of February 6, 2018, by and among NRG Energy, NRG South Central, and Cleco Cajun |
| RE | Regional Entity |
| Registrant(s) | Cleco Holdings and/or Cleco Power |
| Rodemacher Unit 2 | A 523-MW generating unit at Cleco Power's plant site in Boyce, Louisiana. Cleco Power has a 30% ownership interest in the capacity of Rodemacher Unit 2. |
| ROE | Return on Equity |
| RTO | Regional Transmission Organization |

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| ABBREVIATION OR ACRONYM | DEFINITION |
|-------------------------|--|
| S&P | Standard & Poor's Ratings Services, a credit rating agency |
| SEC | U.S. Securities and Exchange Commission |
| Securities Act | Securities Act of 1933, as amended |
| SERP | Supplemental Executive Retirement Plan |
| SO ₂ | Sulfur dioxide |
| SPP | Southwest Power Pool |
| SPP RE | Southwest Power Pool Regional Entity |
| SSR | System Support Resource |
| START | Strategic Alignment and Real-Time Transformation |
| STIP | Short-Term Incentive Plan |
| Successor | Post-merger activity of Cleco. Cleco has accounted for the 2016 Merger transaction by applying the acquisition method of accounting. The successor period is not comparable to the predecessor period. |
| Support Group | Cleco Support Group LLC, a wholly owned subsidiary of Cleco Holdings |
| SWEPCO | Southwestern Electric Power Company, an electric utility subsidiary of American Electric Power Company, Inc. |
| TCJA | Federal tax legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 |
| Teche Unit 3 | A 359-MW generating unit at Cleco Power's plant site in Baldwin, Louisiana |
| USBCDC | US Bancorp Community Development Corporation |
| VaR | Value-at-Risk |

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CAUTIONARY NOTE
REGARDING
FORWARD-LOOKING
STATEMENTS

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

- the effects of the Cleco Cajun Transaction and the 2016 Merger on Cleco Holdings’ and Cleco Power’s business relationships, operating results, and business generally,
- regulatory factors, such as changes in rate-setting practices or policies; political actions of governmental regulatory bodies; adverse regulatory ratemaking actions; recovery of investments made under traditional regulation; recovery of storm restoration costs; the frequency, timing, and amount of rate increases or decreases; the impact that rate cases or requests for FRP extensions may have on operating decisions of Cleco Power; the results of periodic NERC, LPSC, and FERC audits; participation in MISO and the related operating challenges and uncertainties, including increased wholesale competition relative to additional suppliers; and compliance with the ERO reliability standards for bulk power systems by Cleco Power,
- the ability to recover fuel costs through the FAC,
- the ability to successfully integrate the assets acquired in the Cleco Cajun Transaction into Cleco’s operations,
- factors affecting utility operations, such as unusual weather conditions or other natural phenomena; catastrophic weather-related damage caused by hurricanes and other storms or severe drought conditions; unscheduled generation outages; unanticipated maintenance or repairs; unanticipated changes to fuel costs or fuel supply costs, shortages, transportation problems, or other developments; fuel mix of Cleco’s generating facilities; decreased customer load; environmental incidents and compliance costs; and power transmission system constraints,
- reliance on third parties for determination of Cleco’s commitments and obligations to markets for generation resources and reliance on third-party transmission services,
- global and domestic economic conditions, including the
- ability of customers to continue paying their utility bills, related growth and/or down-sizing of businesses in Cleco’s service area, monetary fluctuations, changes in commodity prices, and inflation rates,
- political uncertainty in the U.S., including the ongoing debates related to the U.S. federal government budget and debt ceiling, and volatility and disruption in global capital and credit markets,
- the ability of the lignite reserves at Dolet Hills to provide sufficient fuel to the Dolet Hills Power Station for seasonal operations until at least 2036,
- Cleco Power’s ability to maintain its right to sell wholesale power at market-based rates within its control area,
-

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

- reliability of Cleco Power's generating facilities,
- the imposition of energy efficiency requirements or increased conservation efforts of customers,
- the impact of current or future environmental laws and regulations, including those related to CCRs, greenhouse gases, and energy efficiency that could limit or terminate the operation of Cleco's generating units, increase costs, or reduce customer demand for electricity,
- the ability to recover costs of compliance with environmental laws and regulations, including those through the EAC, financial or regulatory accounting principles or policies imposed by FASB, the SEC, FERC, the LPSC, or similar entities with regulatory or accounting oversight,
- changing market conditions and a variety of other factors associated with physical energy, financial transactions, and energy service activities, including, but not limited to, price, basis, credit, liquidity, volatility, capacity, transmission, interest rates, and warranty risks,
- legal, environmental, and regulatory delays and other obstacles associated with acquisitions, reorganizations, investments in joint ventures, or other capital projects,
- costs and other effects of legal and administrative proceedings, settlements, investigations, claims, and other matters,
- the availability and use of alternative sources of energy and technologies, such as wind, solar, battery storage, and distributed generation,
- changes in federal, state, or local laws (including the TCJA and other tax laws), changes in tax rates, disallowances of tax positions, or changes in other regulating policies that may result in a change to tax benefits or expenses,
- the restriction on the ability of Cleco Power to make distributions to Cleco Holdings in certain instances, as a result of the 2016 Merger Commitments,
- Cleco Holdings' dependence on the earnings, dividends, or distributions from its subsidiaries to meet its debt obligations,

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acts of terrorism, cyber attacks, data security breaches or other attempts to disrupt Cleco's business or the business of third parties, or other man-made disasters, credit ratings of Cleco Holdings and Cleco Power, Cleco Holdings' and Cleco Power's ability to remain in compliance with their respective debt covenants, the availability or cost of capital resulting from changes in global markets, Cleco's business or financial condition, interest rates, or market perceptions of the electric utility industry and energy-related industries, and workforce factors, including aging workforce, changes in management, and unavailability of skilled employees.

For more discussion of these factors and other factors that could cause actual results to differ materially from those contemplated in the Registrants' forward-looking statements, see Part I, Item 1A, "Risk Factors" and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Comparison of the Years Ended December 31, 2018, and 2017 — Cleco Power — Significant Factors Affecting Cleco Power" in this Annual Report on Form 10-K.

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

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

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PART
I
ITEM
1. BUSINESS

GENERAL

Cleco Holdings is a public utility holding company that holds investments in several subsidiaries, including Cleco Power. Prior to the Cleco Cajun Transaction, substantially all of Cleco Holdings' operations were conducted through Cleco Power. Cleco Holdings, subject to certain limited exceptions, is exempt from regulation as a public utility holding company pursuant to provisions of the Public Utility Holding Company Act of 2005. Cleco Holdings' predecessor was incorporated on October 30, 1998, under the laws of the state of Louisiana. On April 13, 2016, Cleco Holdings completed its merger with Merger Sub whereby Merger Sub merged with and into Cleco Corporation, with Cleco Corporation surviving the 2016 Merger, and Cleco Corporation converting to a limited liability company and changing its name to Cleco Holdings, as a direct, wholly owned subsidiary of Cleco Group and an indirect, wholly owned subsidiary of Cleco Partners. For more information on the 2016 Merger, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 4 — Business Combinations." Cleco Power is a regulated electric utility engaged principally in the generation, transmission, distribution, and sale of electricity within Louisiana. Cleco Power owns nine generating units with a total nameplate capacity of 3,310 MW and serves approximately 291,000 customers in Louisiana through its retail business. Additionally, Cleco Power supplies wholesale power in Louisiana and Mississippi. Cleco Power was organized as a limited liability company under the laws of the state of Louisiana on December 12, 2000. Cleco Power's predecessor was incorporated on January 2, 1935, under the laws of the state of Louisiana.

Cleco Cajun was organized on December 28, 2017, under the laws of the state of Louisiana. On February 4, 2019, the Cleco Cajun Transaction was completed. For more information on the Cleco Cajun Transaction, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 21 — Cleco Cajun Transaction." At December 31, 2018, Cleco had 1,212 employees. Cleco's mailing address is P.O. Box 5000, Pineville, Louisiana 71361-5000, and its telephone number is (318) 484-7400. Cleco's website is located at <https://www.cleco.com>. Cleco and Cleco Power's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings with the SEC are available, free of charge, through Cleco's website after those reports or filings are filed electronically with or furnished to the SEC. Cleco's electronically filed reports can also be obtained on the SEC's website located at <https://www.sec.gov>. Cleco's governance guidelines, code of conduct for financial managers, ethics and business standards, and the charters of its boards of managers' audit, leadership development and compensation, business planning and budget review, governance and public affairs, and asset management committees are available on its website and available in print upon request. Information on Cleco's website or any other website is not incorporated by reference into this Annual Report on Form 10-K and does not constitute a part of this Annual Report on Form 10-K.

At December 31, 2018, Cleco Power had 996 employees. Cleco Power's mailing address is P.O. Box 5000, Pineville, Louisiana, 71361-5000, and its telephone number is (318) 484-7400.

Cleco Power meets the conditions specified in General Instructions I(1)(a) and (b) to Form 10-K and, therefore, is permitted to use the reduced disclosure format for wholly owned subsidiaries of reporting companies. Accordingly, Cleco Power has omitted from this Annual Report on Form

10-K the information called for by the following Part II items of Form 10-K: Item 6 (Selected Financial Data) and Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations); and the following Part III items of Form 10-K: Item 10 (Directors, Executive Officers, and Corporate Governance of the Registrants), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and

Related Stockholder Matters), and Item 13 (Certain Relationships and Related Transactions, and Director Independence).

Because the Cleco Cajun Transaction closed after December 31, 2018, the Registrants' respective consolidated financial statements and the notes thereto do not include or take into account the closing and the effects of the Cleco Cajun Transaction. For more information on the Cleco Cajun Transaction, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 21 — Cleco Cajun Transaction."

OPERATIONS

Cleco Power

Certain Factors Affecting Cleco Power

As an electric utility, Cleco Power is affected by a number of factors influencing the electric utility industry in general. For more information on these factors, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Comparison of the Years Ended December 31, 2018, and 2017 — Cleco Power — Significant Factors Affecting Cleco Power."

Power Generation

As of December 31, 2018, Cleco Power's aggregate net electric generating capacity was 3,162 MW. This amount reflects the maximum production capacity these units can sustain over a specified period of time. Beginning March 1, 2019, Cleco Power intends to operate Dolet Hills Power Station from June through September of each year; however, Dolet Hills Power Station will be available to operate in other months, as needed. Cleco Power will continue to evaluate the cost of operating the Dolet Hills Power Station compared with other alternatives and decide the best course of action for the Dolet Hills Power Station within the LPSC regulatory requirements and recovery mechanism. The following table sets forth certain information with respect to Cleco Power's generating facilities as of December 31, 2018:

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| GENERATING STATION | YEAR OF INITIAL OPERATION | NAMEPLATE CAPACITY (MW) | NET CAPACITY (MW) ⁽¹⁾ | PRIMARY FUEL USED FOR GENERATION ⁽²⁾ | GENERATION TYPE |
|-----------------------------|---------------------------|-------------------------|----------------------------------|---|-----------------|
| Brame Energy Center | | | | | |
| Nesbitt Unit 1 | 1975 | 440 | 416 | natural gas | steam |
| Rodemacher Unit 2 | 1982 | 157 | ⁽³⁾ 148 | ⁽³⁾ coal | steam |
| Madison Unit 3 | 2010 | 641 | 627 | petroleum coke/coal | steam |
| Acadia Unit 1 | 2002 | 580 | 555 | natural gas | combined cycle |
| Coughlin Unit 6 | 2000 | 264 | 246 | natural gas | combined cycle |
| Coughlin Unit 7 | 2000 | 511 | 484 | natural gas | combined cycle |
| Teche Unit 3 | 1971 | 359 | 331 | natural gas | steam |
| Teche Unit 4 | 2011 | 33 | 34 | natural gas | combustion |
| Dolet Hills Power Station | 1986 | 325 | ⁽⁴⁾ 321 | ⁽⁴⁾ lignite | steam |
| Total generating capability | | 3,310 | 3,162 | | |

⁽¹⁾ Nameplate capacity is the capacity at the start of commercial operations.

⁽²⁾ Based on capacity testing of the generating units and operational tests performed between May and August 2018. These amounts do not represent generating unit capacity for MISO planning reserve margins.

⁽³⁾ Represents Cleco Power's 30% ownership interest in the capacity of Rodemacher Unit 2, a 523-MW generating unit.

⁽⁴⁾ Represents Cleco Power's 50% ownership interest in the capacity of Dolet Hills, a 650-MW generating unit.

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

| YEAR | THOUSAND MWh | PERCENT OF TOTAL ENERGY REQUIREMENTS |
|------|--------------|--------------------------------------|
| 2018 | 11,848 | 94.6 % |
| 2017 | 10,864 | 91.1 % |
| 2016 | 12,759 | 103.6 % |
| 2015 | 12,564 | 100.2 % |
| 2014 | 9,858 | 74.9 % |

Cleco Power's generation dispatch and transmission operations are integrated with MISO. The amount of power generated by Cleco Power is dictated by the availability of Cleco Power's generating fleet and the manner in which MISO dispatches each generating unit. Depending on how generating units are dispatched by MISO, the amount of power generated may be greater than or less than total energy requirements. Generating units are dispatched by referencing each unit's economic efficiency as it relates to the overall MISO market. For more information on MISO, see Part II, Item 7,

“Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Regulatory and Other Matters — Transmission Rates of Cleco Power.”

Fuel and Purchased Power

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

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

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

LIGNITE