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December 6, 2013

VIA FEDERAL EXPRESS

Ms. Terri Lemoine Bordelon
Louisiana Public Service Commission
Records and Recordings
602 N. Fifth St.
Galvez Bldg, 12th Floor
Baton Rouge, LA 70802

Re: DOCKET NO. U-32507; Application of Cleco Power LLC for: (I) Authorization to Install Emissions Control Equipment at Certain of its Generating Facilities in Order to Comply with the Federal National Emissions Standards for Hazardous Air Pollutants from Coal and Oil-Fired Electric Utility Steam Generating Units Rule; and (II) Authorization to Recover the Costs Associated with the Emissions Control Equipment in LPSC Jurisdictional Rates

Dear Ms. Bordelon:

Enclosed please find one (1) original and three (3) copies of the Cross Answering Testimony of Jeremy I. Fisher and the exhibits thereto, being filed on behalf of the Sierra Club. Please return one (1) file-stamped copy of the testimony and exhibits in the self-addressed, stamped envelope provided.

Please do not hesitate to contact me with any questions. Thank you for your attention to this matter.

Respectfully submitted,

Casey Roberts

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Before the Louisiana Public Service Commission

APPLICATION OF CLECO POWER LLC FOR: (I) AUTHORIZATION TO INSTALL EMISSIONS CONTROL EQUIPMENT AT CERTAIN OF ITS GENERATING FACILITIES IN ORDER TO COMPLY WITH THE FEDERAL NATIONAL EMISSIONS STANDARDS FOR HAZARDOUS AIR POLLUTANTS FROM COAL AND OIL-FIRED ELECTRIC UTILITY STEAM GENERATING UNITS RULE; AND (II) AUTHORIZATION TO RECOVER THE COSTS ASSOCIATED WITH THE EMISSIONS CONTROL EQUIPMENT IN LPSC JURISDICTIONAL RATES	))))))))))))))	Docket No. U-32507

Cross Answering Testimony of
Jeremy I. Fisher, PhD

On Behalf of
Sierra Club

December 9, 2013

Q **Please state your name, business address, and position.**

A My name is Jeremy Fisher. I am a Principal Associate at Synapse Energy Economics, Inc. (Synapse), which is located at 485 Massachusetts Avenue, Suite 2, Cambridge, Massachusetts.

Q **Are you the same Jeremy Fisher who provided direct testimony in this case on November 8, 2013?**

A I am.

Q **What is the purpose of your testimony?**

A I would like to take the opportunity to respond to and expand on several points raised by staff witness Matthew Kahal in direct testimony.

In particular, I would like to focus on four significant areas. First, I will compare Mr. Kahal's impressions of the Cleco Power LLC's (Cleco or the Company) requirement for the capacity served by Dolet Hills Power Station (DHPS) and Rodemacher 2 (RPS2) with the concern he expresses about the Company's replacement capacity assumptions. Second, I will address how the Company's description of MISO participation in this case differs starkly from the description it presents to investors. Third, I will review Mr. Kahal's characterization of the Company's environmental compliance obligations. Finally, I will comment on some of Mr. Kahal's generalizations about the Company's stated considerations supporting the retrofit.

Overall, I agree with Mr. Kahal about very critical questions he raised regarding the Company's analysis—similar to those I discuss in my direct testimony—but I am concerned that he dismisses these concerns too readily. The approval sought by Cleco in this docket presents real risks for its ratepayers, which the Louisiana Public Service Commission (Commission) should not grant without first undertaking a comprehensive and honest assessment of the facts.

Q What are Mr. Kahal's findings and recommendations regarding this case?

A Mr. Kahal states that "the reasonableness and prudence of the selected controls is adequately supported in the filing,"[1] and that he "find[s] that the Company's continued operation and control decisions for the three units are reasonable at this time, based on what is reasonably known and knowable today."[2] However, he notes that "it would [not be] meaningful for the Commission to 'authorize' installation of controls since authorization is not needed, and [installation] will take place regardless of the Commission's findings in this docket. Thus, this request should be denied."[3] Further, he concludes that "approval of rate recovery in this docket under the current FRP would be premature… [and] [t]hus, the Company's FRP-related rate recovery request in this docket should not be approved." [4]

Q Do you agree with Mr. Kahal's assessment and recommendations?

A To some extent, but we part ways on certain key findings. As I stated in my direct testimony, I agree that since the Company has already moved ahead with construction, the Commission's "authorization" of these projects would lack any real meaning.[5] I also agree that the Commission should not approve these projects and should deny rate recovery as premature. And while I did not address the question in my direct testimony, I agree with Mr. Kahal that the Company's proposed controls are technically capable of meeting the specific Mercury Air Toxics Standards (MATS) compliance obligations.

However, I part from Mr. Kahal's findings in that I do not think that the reasonableness and prudence of the selected controls at DHPS and RPS2 were adequately supported in this filing, and I do not believe that the Company's control decisions are reasonable forward-looking strategies based on what is

[1] See Direct Testimony of Matthew Kahal, page 8 at 20-22.
[2] See Direct Testimony of Matthew Kahal, page 9 at 15-18.
[3] See Direct Testimony of Matthew Kahal, page 11 at 9-12.
[4] See Direct Testimony of Matthew Kahal, page 10 at 14-21.
[5] Direct Testimony of Jeremy Fisher, page 3 at 17-20.

known and knowable today. I have detailed the reasons for these opinions in my direct testimony.

Q Does Mr. Kahal express reservations about the Company's planning process?

Yes, he does. Mr. Kahal points out several areas where the Company failed to evaluate an important economic consideration. Unfortunately, Mr. Kahal does not follow through on either evaluating what information the Company possesses or is otherwise available to it, or how these shortcomings might impact the Company's decision-making process.

In particular, Mr. Kahal raises but subsequently dismisses key areas of concern:

- **New build vs. acquisition of existing capacity.** "I question whether it would be proper or necessary to replace the two units with 'new build' rather than existing capacity available for purchase from the wholesale market."[6]
- **New build excess capacity. "**I also question whether Cleco Power needs to acquire substantially more capacity than the amount of capacity being retired (i.e. about a 100 MW surplus in the Dolet Hills and Rodemacher 2 cases)."[7]
- **Involvement in MISO.** According to Mr. Kahal, Cleco's analysis does not take into account Cleco Power's membership in MISO during the planning study period.[8]
- **No review of future environmental compliance obligations.** Mr. Kahal notes that Cleco Power did not incorporate any major future costs for environmental compliance at Dolet Hills or Rodemacher 2 beyond the MATS rule. [9] He points out that "[i]n particular, the study does not recognize any future costs associated with CO_2 regulation, which could

[6] Direct Testimony of Matthew Kahal, page 22 at 25 through page 23 at 2.
[7] Direct Testimony of Matthew Kahal, page 23 at 2-5.
[8] Direct Testimony of Matthew Kahal, page 23 at 7-9.
[9] Direct Testimony of Matthew Kahal, page 23 at 12-15.

add substantial costs to the continued operation of both units as compared to gas units." [10]

I agree that these are areas of significant concern in the Company's economic analysis. Further, I agree that these concerns comprise "study changes and/or important unknowns…that could eliminate and reverse the predicted savings."[11]

However, I disagree that these "changes are very uncertain but not necessarily implausible."[12] Some of these changes, such as an assessment of plan value when the Company does <u>not</u> acquire excess capacity are not unknown and are eminently quantifiable. Even the "unknowns" dismissed by Mr. Kahal, while uncertain, are real and even likely risks, and are quantifiable. Finally, I disagree that, in regards to future environmental compliance obligations, the Company's assumption of no major environmental compliance costs for DHPS and RPS2 is a "good faith" assumption.[13] As I detailed in my direct testimony, the Company has substantial information in its possession, even studies commissioned by Cleco, that demonstrate substantial impending costs and risks. Furthermore, it is not uncommon for prudent utilities to perform studies examining their compliance risks, and there is (and has been, since at least 2010) a wealth of "known and knowable" public information about the likely impact of impending regulations.

Q On page 23 of his direct testimony, Mr. Kahal questions whether Cleco Power needs to acquire substantially more capacity than the amount of capacity that it would retire. Do you share this concern?

A Absolutely. Regardless of the Company's requirement for capacity, a proper valuation of an existing generation asset measures that asset's costs against either the market value of that asset (i.e. the revenues it would procure on an open market) or the lowest cost alternative in the absence of a market. Judging the forward-going cost of the coal units against anything but an equivalent amount of

[10] Direct Testimony of Matthew Kahal, page 25 at 17-19.
[11] Direct Testimony of Matthew Kahal, page 26 at 14-15.
[12] Direct Testimony of Matthew Kahal, page 26 at 15-16.
[13] Direct Testimony of Matthew Kahal, page 25 at 15.

energy and capacity, whether self-built, procured, or purchased from the open market, is simply an analysis error – and not a small analysis error. As I discuss in my direct testimony,[14] simply correcting the over-procurement error downgrades the value of retrofitting DHPS by about $150 million (see Figure 2 in Fisher Direct), and reduces the value of retrofitting RPS2 by about $100 million (see Figure 1 in Fisher Direct).

Q On page 22 of his testimony, Mr. Kahal states that "retired capacity should be replaced, and [gas-fired] combined cycle technology is a likely replacement." Do you agree with his assessment?

No. There are two separate assumptions embedded in this statement, both of which are questionable.

Taking the second clause first, while it is true that many utilities review natural gas combined cycle (NGCC) technologies as one of several replacement alternatives, there is no reason that a NGCC plant represents the exclusive replacement alternative. In my direct testimony, I address other options that other utilities have evaluated and found economically preferable to new build NGCCs, such as energy efficiency and other forms of demand response, market purchases, capacity resources such as single-cycle turbines, and fixed price contracts for renewable energy. [15] Making the assumption that new NGCC capacity is the exclusive option and then failing to review optimal least cost alternatives deprives ratepayers of the opportunity to obtain service at just and reasonable rates.

The assertion that "retired capacity should be replaced" assumes that Cleco actually requires replacement capacity for the purposes of serving its customers. Recent statements from Cleco's Chief Executive Officer to shareholders belie this assumption, and confirm that the retrofits are not designed to benefit Cleco's ratepayers as much as contribute to shareholder profits.

In mid-November of 2013, Bruce Williamson, President and Chief Executive Officer of Cleco Corporation gave a talk at the 48th Edison Electric Institute (EEI)

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[14] Direct testimony of Jeremy Fisher, pages 16 through 21.
[15] Direct testimony of Jeremy Fisher, pages 21 through 24.

Financial Conference in Orlando, Florida. A copy of the transcript of his talk is attached as Exhibit JIF-CA-1. Addressing the investment community, Mr. Williamson discusses the Company's capacity position and confirms that the Company holds a significant long position, and expects to be able to use that position for the benefit of investors.

> Another area we talk to investors a lot about is our opportunities to invest capital in the generation segment. So if you think of our business, we've got generation, we've got transmission, distributions, ET&B. I touched on the transmission investment opportunities that could come due to our movement into MISO. For generation, the real key to that is what's our length and what's the load requirements that we'll have going forward.
>
> Today, we're probably after Coughlin, after DEMCO, we're net long about 250 megawatts. So we can go out, acquire more long-term wholesale DEMCO-like contracts and pursue those opportunities without adding any additional investment to the rate base, so increased income opportunities without having to add assets.[16]

Holding a net long position makes it is difficult to justify the assertion that "retired capacity should be replaced."

If the Company has the opportunity to retire a non-cost effective resource, it should do so expediently. In this case, the Company faces significantly less pressure to replace retiring units immediately because its capacity obligations are fairly secure. With lower pressure to find immediate replacement capacity, the Company could comfortably pursue very low cost replacement options such as energy efficiency or demand response. Even a gradual buildup of demand-side management (DSM) could avoid the need for new capacity over the next decade, and mitigate future capital expenses associated with new generation capacity.

[16] Exhibit JIF-CA-1. Page 4.

Q On page 23 of his testimony, Mr. Kahal expresses concern that "the study [does not] take into account Cleco Power's membership in MISO during the planning study period." Do you share this concern?

A I do. While membership in the Midcontinent Independent System Operator (MISO) market does not fundamentally change the requirements or economic value of the Company's assets (presumably they would trade economically regardless of a formal market), it provides significant flexibility to obtain energy and capacity from a broad market, provides a clear market price benchmark for the cost of energy assumed by the Company, and generally prevents the Company from dispatching its units non-economically. In my direct testimony (pages 24-26), I describe how the Company's analysis differs from its market reality. In particular, the model assumes that the Company serves only native load, and has no off-system sales and no additional wholesale contracts, an assumption certainly inconsistent with Mr. Williamson's statements to investors.

Q Mr. Kahal dismisses this concern, stating that "it would be difficult and impractical to conduct such a study [including MISO membership] at this time. Thus, while it is possible that MISO membership could affect the study results, any such effects cannot be determined and quantified at this time." Do you agree with his assessment?

A No. As I noted in my direct testimony, the Company, in conjunction with Entergy, conducted a MISO market entry study with Charles River Associates (CRA), and presented the results of this study in Louisiana PSC Docket U-32631, requesting entry into MISO. Entergy made a similar appeal in Louisiana Docket U-32148, citing the same study. To have any value to the Company, this study assuredly estimated market prices for energy. Further, I believe that since Mr. Kahal testified on behalf of LPSC Staff in Docket U-32148 (Entergy), he is familiar with this study. While this study may have been outdated at the time this application was filed (or at the time the Company committed to begin construction on the MATS retrofits), Cleco certainly had the resources and opportunity to commission or update this study in a timely fashion to support its decision. Estimates of forward market trading prices are a normal part of business to most utilities in both regulated and deregulated markets. Mr. Kahal's assertion that such a study would be "difficult and impractical" is inconsistent with normal utility planning practice.

Q On page 23 of his testimony, Mr. Kahal conveys a concern that "Cleco Power [did not] incorporate any major future costs for environmental compliance at Dolet Hills or Rodemacher 2 beyond the MATS rule." Do you share this concern?

A Absolutely. This concern is of key importance in this case, and should have played prominently in the Company's economic analysis. I spent about half of my direct testimony detailing environmental concerns still facing DHPS and RPS2 that the Company failed to consider, including compliance costs under potential carbon mitigation regulations, National Ambient Air Quality Standards (NAAQS), a re-issuance of the Cross State Air Pollution Rule (CSAPR), the impending coal combustion residuals (CCR) and effluent limitation guidelines (ELG) rules, and cooling water intake regulations due out this coming January. As I describe in my testimony, these are serious concerns – indeed, they are explicitly discussed by the Company in its most recent Integrated Resource Plan (IRP) and filings before the Securities and Exchange Commission (SEC). Further, they were implicitly recognized by staff in the proceeding regarding Entergy's MISO entry: "important changes have occurred since the time of that [CRA market entry] study, including … recent analyses and announcements regarding the expected retirements of thousands of megawatts of coal generation in MISO due to economic and <u>environmental factors</u>."[17] Based on my experience in other states and in review of planned retirements, I understand that utilities typically take into consideration both MATS and impending environmental regulations before deciding to retrofit a facility for MATS compliance.

[17] See LPSC Order in Docket U-32148 (issued June 28, 2012), page 8 (summarizing testimony of staff's witness) (emphasis added).

Q Mr. Kahal states that "Staff requested information on expected environmental compliance costs at both units above and beyond MATS rule compliance. At this time, the Company is not aware of any additional major control costs or investments at either unit pertaining to environmental compliance. (Response to LPSC 1-4.)" How do you respond to his characterization?

A I admit that I am puzzled by Mr. Kahal's statement. The exact wording of the Company's response to LPSC 1-4 does not state that the Company does not have compliance obligations, nor does it state that the Company is not aware of environmental compliance costs.[18] Rather, the Company insists on narrowing its response to two proposed rules of the slate that I discussed previously (the cooling water intake and CCR rules), neglects to disclose or update its response to include the proposed ELG rule, and, most egregiously, does not elect to answer staff's question with regards to known legal requirements – such as compliance with NAAQS or carbon dioxide emissions limitations for existing electric generating units (EGU).

With regards to the CCR rule, the Company does not state that it "is not aware of any additional major control costs," rather it states that "this rule has only been proposed and it is not clear how it might be finalized." Reviewing the rule, any digest of the rule, or even the Company's IRP and SEC filings, would reveal that unless the EPA is stripped of its authority to regulate solid waste from EGU, it is highly likely that this rule will impose capital and operational costs on Cleco. According to the Company's 2011 SEC filing (Form 10-K) to investors:[19]

> The final CCR rule is expected to be issued by the EPA in late 2013 or by mid 2014. Any stricter requirements imposed on coal ash and associated ash management units by the EPA as a result of this new rule could significantly increase the cost of operating existing units or require them to be significantly upgraded.

This statement does not demonstrate that the Company is unaware of additional costs. Rather, it has chosen not to review or disclose these costs. A failure to

[18] LPSC 1-4. Attached as Exhibit JIF-CA-2.
[19] See Exhibit JIF-20 to Direct Testimony of Jeremy Fisher.

review these costs in light of a significant forward-looking decision is imprudent, and a failure to disclose this information to staff or other interveners deprives this Commission of the information it requires to meaningfully protect the interests of ratepayers. I do not agree with Mr. Kahal's characterization that the Company has provided a "good faith assumption by the Company based on its current information."[20]

I also find it perplexing that the Company chose not to direct staff to its own consultant's report, filed as part of the Company's application as Exhibit GAC-1, that details the risks faced by the Company under stricter NAAQS obligations, including significant capital and operational costs or restrictions. I discuss these risks and costs extensively in my direct testimony.

Q Mr. Kahal states that "in particular, the study does not recognize any future costs associated with CO_2 regulation which could add substantial costs to the continued operation of both units as compared to gas units."[21] Would you agree?

A I do. I discuss this shortcoming extensively in my direct testimony. I assume that Mr. Kahal is referring to the current fast-paced federal effort to regulate carbon dioxide from existing source electric generating units under section 111(d) of the Clean Air Act. EPA is working closely with states to determine reasonable control measures that could lead to substantive carbon reductions, where various proposals include at-plant efficiency upgrades (i.e. turbine and boiler improvements), energy efficiency and renewable energy offset programs, and mass-based emissions reductions programs. A proposed rule is expected in June 2014, and a final rule is expected a year thereafter. With the exception of an energy efficiency offset program only (i.e. reducing emissions by reducing demand), I cannot imagine a cost-free carbon program (whether real or imputed cost); and an energy efficiency offset program would certainly change the Company's demand and energy outlook.

[20] Direct testimony of Matthew Kahal, page 25 at 15-16.
[21] Direct testimony of Matthew Kahal, page 25 at 17-19.

Where I disagree with Mr. Kahal is that I think that the Company should have quantified the risk of this regulation in its economic analysis, and the failure to do so implicitly and baselessly assumes that there will be no regulation.

Q What is Mr. Kahal's opinion regarding the Company's claim of improved fuel diversity by the retention of DHPS and RPS2?

A Mr. Kahal opines generically on the value of fuel diversity, and specifically cites to the continued operation of DHPS and RPS2 as a benefit to fuel diversity. Specifically, he states that:

> "…the Company finds that continued operation of Dolet Hills and Rodemacher 2 contribute to fuel diversity since any replacement capacity would most likely be gas-fired."[22]

and concludes by lending his opinion on the matter:

> While I do not support continued operations of the units if there is clear and convincing evidence that doing so is uneconomic and is likely to impose a cost penalty on customers, it is appropriate to consider the fuel diversity benefit as a legitimate planning goal. If Dolet Hills and Rodemacher were to be retired, this would leave Madison 3 as the Company's only major non-gas-fired power plant. Cleco Power's energy costs would be largely dependent on and fluctuate with gas market conditions.[23]

Q Does the Company "find[] that continued operation of Dolet Hills and Rodemacher 2 contribute to fuel diversity"?

A No. I would interpret such a "finding" as the outcome of an analysis, or somehow at least supported by evidence. Instead, the Company simply asserts that DHPS and RPS2 contribute to fuel diversity. This assertion is stated exactly once in the Application (page 8) and once in the initial testimony of Mr. Sharp (page 2, lines 18-19). In stating this, the Company actually hedges slightly relative to Mr. Kahal, stating that <u>if</u> (and only if) natural gas were used as the replacement fuel for DHPS and RPS2, the Company's fuel diversity would be reduced. Granted,

[22] Direct testimony of Matthew Kahal, page 7 at 17-19.
[23] Direct testimony of Matthew Kahal, page 26, line 23 through page 27 line 4.

the Company fails to perform an analysis on anything <u>but</u> natural gas, thus rendering this a meaningless tautology – but Mr. Kahal erroneously assumes that there is no other option but gas.

I am sure that Mr. Kahal would not make the same argument if the Company had considered replacement resources of renewable energy, energy efficiency, demand response, market purchases, storage, or fixed price PPAs, as these resources certainly increase the Company's current fuel diversity, rather than restrict it.

Q **Does the Company quantify the value of fuel diversity?**

A No.

Q **Should the Company quantify the value of fuel diversity?**

A It is my opinion that if an argument regarding fuel diversity is going to be used as a reason to tip an economic argument, or even invoke a fear of price risk, this value must be quantified. To do so, the Company or Mr. Kahal could have examined a reasonable forecast range of fuel prices for the solid fuels and natural gas, as well as market prices, and performed a stochastic analysis of the outcome of multiple, random futures. Such an analysis would reveal an expected outcome as well as a high (and low) tailed risk for each scenario. The size of the risk tail would be indicative of the value of fuel diversity.

Since the Company failed to provide more than two bookend sets of results, and did not review the price risk of their solid-fuel assets at all, I fail to see how either the Company or Mr. Kahal can support an assertion of value from fuel diversity.

Q **What are your conclusions regarding Mr. Kahal's testimony in this matter?**

A Generally, I'm concerned that while Mr. Kahal identified key critical issues in the Company's analysis, he did not evaluate the impact of these issues, and thus provided far too much credit to the Company's analysis, which had serious omissions and analytical errors. Further, as I discussed in my direct testimony, the Company repeatedly obfuscated and glossed over important issues that critically impact the outcome of this analysis, such as reasonably expected environmental compliance obligations, carbon prices, regional trading, and of course, the lack of a capacity requirement at Cleco. However, Mr. Kahal may not have recognized these obfuscations, and accepted the Company's analytical shortcomings.

Mr. Kahal identified key issues in the Company's analysis. My review of these issues, presented in my direct testimony, indicates that a far deeper examination of these shortcomings is warranted. I am confident that once staff reviews the impact of the Company's errors and omissions on the economic evaluation of DHPS and RPS2, staff will reach a similar conclusion: Cleco's analysis was erroneous and imprudent, and these retrofits are (or will have been) non-economic, and not in the best interests of ratepayers. Therefore, the Commission should deny rate recovery both today and in the future.

Q **Does this conclude your testimony?**

A It does.

EXHIBIT JIF-CA-1

Cleco EEI Financial Conference Transcript

12-Nov-2013

Cleco Corp. (CNL)

Edison Electric Institute Financial Conference

CORPORATE PARTICIPANTS

Bruce A. Williamson
Chief Executive Officer & Director, Cleco Corp.

MANAGEMENT DISCUSSION SECTION

Bruce A. Williamson
Chief Executive Officer & Director, Cleco Corp.

That's the sign from the back of the room that it's the appointed time. So those of you that made it up early this morning, let's go ahead and get started.

I'm Bruce Williamson, President and CEO of Cleco. Thanks for joining us this morning. To follow along here, we've got some hard copies of the presentation outside. Obviously, the first slide like everyone else, the forward-looking statements, Safe Harbor statement.

If I start with following that, just an overall overview of the company, we basically usually remind investors we started out with a holding company, Cleco Corp. Underneath that two subsidiaries, Cleco Power, the regulated utility; and Cleco Midstream. We're in the process of transferring the one asset in Cleco Midstream, the Coughlin Power Plant, over into the utility. And at that time, that would pretty much wind down all the activities of Cleco Midstream. So hopefully by let's say this conference next year, you'll see a slide that would have Cleco Corp. and Cleco Power underneath of it and really not be talking anything more about Cleco Midstream.

If you look up at the top as I kind of walk my way down with that, another highlight we usually point out to people was Cleco Corp. We have delevered the holding company. We've sold a power plant a couple of years ago, took the proceeds from that and eliminated the debt up at the corporate parent. You can read the other metrics underneath there in terms of number of megawatts of generation and load and so on.

If you now switch over to an overview of our territory looking at a map of Louisiana, you can see some highlights here within our regulated subsidiary, Cleco Power, the formula rate plan. We currently have a targeted ROE of 10.7%. We can earn up to 11.3% before we have customer sharing. Over 11.3%, we then go to a 60/40 customer sharing up to a max for us of 11.7%.

We would point out the last three years we've earned an allowed ROE of 11.2%, largely on the backs of the weather that happened in, I guess I would say, 2010-2011, and then a very much a cost cutting exercise in the company in 2012. We have a 51/49 capital structure in the utility, and you can see the gray areas marked there with some artistic license are the retail service territory.

You might know we mark a large area blue area called DEMCO. That is not Cleco. It's Dixie Membership Electric or Dixie Electric Member Cooperative. We will be serving them starting April of next year on a full requirement basis for all their capacity, energy, and services. And that will basically grow Cleco's load by about 20% starting April 1 of next year.

What drives that is that was a large long-term contract that we acquired, and then that was the catalyst to then go out run an RFP to go ahead and add additional generating capacity to the utility. And therein that is the driver for moving the Coughlin Power Station over from Cleco Midstream.

In terms of capital expenditure forecast, where we stand right now, these are the same CapEx guidance that we gave last December. We will be updating our CapEx guidance and our earnings guidance the first week of December as we traditionally do; to let investors know what our earnings guidance is for the upcoming year, as well as the five-year capital look.

You can see that our routine maintenance capital runs about $115 million a year, matching up pretty much with our depreciation expense. This year, it's a little bit higher. Environmental CapEx is also being funded from cash flow. And you can see that we'll basically spend the majority of our MATS environmental capital this year, with a little bit coming into the first half or so of next year, when we would plan to be MATS compliant in 2014 rather than the EPA-mandated date of 2015.

In terms of rate base growth, a slightly different version of the slide that we've used with investors in the past. You can see that the company has really grown its rate base going back all the way to 2009, it was about $1 billion rate base, company added a new solid fuel plant that came online in 2010 that effectively doubled the rate base. And since then, we've added from $2.1 billion up to today at around $2.7 billion with a potential to add, with Coughlin coming in, about another $400 million or so, growing our rate base to a little bit more than $3 billion.

The major adder since the solid fuel plant was added in 2010, have been a transmission – I'm sorry Acadia Unit 1, which is a combined cycle 7,000 heat rate class power plant, then the Acadiana Load Pocket transmission project, then the smart metering program or AMI and then we'll be adding the Environmental capital and then Coughlin on top of that.

In terms of our 2013 financial performance, we started out the year with earnings guidance of $2.45 to $2.55; a few weeks ago at the end of third quarter result, we went ahead and cut that and just went to the top half of that range. So now our earnings guidance is $2.50 to $2.55 narrowing that to a midpoint of $2.525. Obviously, that assumes normal weather and things for the remainder of the year but we felt good enough in terms of overall reliability as well as cost control, as well as weather to go ahead and do this and go to the top half of the range.

In terms of regulatory filings, I've mentioned moving Coughlin a couple of times into the utility, so I'll probably start with that. You can see kind of this parallel highway over on the, I guess, right hand side as you look at the slides. In terms of the Coughlin transfer, that process is basically run by the commission staff because an affiliate was involved, so an independent monitor oversaw the process. We've made our filings for the transfer to Coughlin over. They made the selection – well, the process was they made the selection, we made our filings, staff has made their filings. They basically match up. We would expect Coughlin transfer to be complete very early next year, probably around the January timeframe.

At the same time by October of 2014, we either need to reach an agreement to extend our existing formula rate plan or we would need to file for a rate case. So given the amount of addition that's coming with the Coughlin transfer, we went ahead and filed a separate motion with the commission to go ahead and extend the formula rate plan under our current terms for five years. I'm sure we'll be in some negotiations around that. We would anticipate staff testimony to come in in early 2014, probably during the first quarter and hopefully reach a settlement and a decision on that in the second quarter of 2014.

If you shift now to the gold box, this is the one when I usually talk to investors and call this kind of the follow-the-money box. The Coughlin Power Plant is unlevered and Cleco Corp is unlevered, as I mentioned earlier. What will happen when we transfer Coughlin is the power plant will go up to Cleco Corp and then be transferred down to Cleco Power as an equity infusion. At that point, Cleco Power will need to maintain a 51/49 regulated debt-to-equity capital structure and we'll go out and have to raise some money and then send the money up to the parent. So that will then lead to the Cleco Corp entity receiving that cash in, let's say, by this time next year give or take.

Other things we have going on in terms of an overall initiative is a transfer of Cleco into the Midwestern ISO. We're joining our neighbor Entergy, in moving to Midwestern ISO. We think this does a couple of things for us. First of all, it will bring more of a sense of resource adequacy to the overall marketplace, where a number of munis and co-ops in the region point to some power plants that really don't run very often, if at all, for several years. And I think that will help bring more of a capacity or a resource adequacy decision process into the marketplace, which is good for us from our wholesale marketing standpoint, which I'll touch on in a minute.

The other thing that we'll do is we'll operate for several years along with Entergy as what we'll call MISO South versus what's shown on the map here as MISO Classic or what some people call MISO North. Over time, there will be transmission projects to then interconnect MISO South with MISO Classic, that should lead to some additional transmission investment opportunities for us within Cleco as we will participate on that pretty much on a pro rata basis then going forward.

Another area we talk to investors a lot about is our opportunities to invest capital in the generation segment. So if you think of our business, we've got generation, we've got transmission, distributions, ET&B. I touched on the transmission investment opportunities that could come due to our movement into MISO. For generation, the real key to that is what's our length and what's the load requirements that we'll have going forward.

Today, we're probably after Coughlin, after DEMCO, we're net long about 250 megawatts. So we can go out, acquire more long-term wholesale DEMCO-like contracts and pursue those opportunities without adding any additional investment to the rate base, so increased income opportunities without having to add assets.

On this slide, we show all these little red dots, looks like we gave several states a case of the chickenpox, these are different municipalities or co-ops who either have contracts that will be coming up for renewal or they have generation that they point to that probably will not be competitive in a resource adequacy market under MISO. So when you look at these numbers, you can see in the wholesale megawatt availability, there's about 1,400 megawatts over the next five years if we assume our marketers are successful and achieve maybe a 20% or 30% market share of that. Nobody gets 100% unless you're pricing too low. That would be about 280 to more than 300 or so megawatts.

Meanwhile, our retail system plus DEMCO is growing at around a little over 1%. So that's adding 30 to 40 megawatts a year. Take that out five years, that's a couple hundred megawatts, and you would say that at some point in a reasonable time period, there's an opportunity to then deploy capital and build a power plant. A lot of people usually look at Louisiana and remember the overbuild that took place in around the early 2000 time period.

And on this next slide, you can see that going back six or so years in 2007, there were a lot of dots. There were plants like Calcasieu and Coughlin and Acadia and Choctaw, Attala, Hinds, Hot Spring, Magnolia, Batesville that were excess in the marketplace. Today, there's really – in Louisiana, there's just the Coughlin plant. All the other combined cycles and simple cycles that had been built up by the IPPs have been basically absorbed into the utilities whether Entergy, AEP or Cleco. And so at that point, we go out a few years if we're successful with wholesale load plus continued load growth, you'd be expecting that someone will be needing to build a power plant in the state.

If you then look at our incremental load growth like here on slide 12, couple of things we're trying to highlight for people. Louisiana in many ways is very much an energy-driven economy. So elements of the state have been very much benefited by low natural gas prices. A lot of this comes from petchem development around the Lake Charles area, refineries, expansions, other projects like a shale gas to liquids projects that's going in in the state and that and then all of the attendant economic development that comes around from some of these sites has led to – you can see our retail sales growth at 1.2%, 0.8%, 1.13% and we would expect that pattern basically to continue going forward. So when we compare ourselves with some others that are having negative load growth or flat load growth, we feel pretty good about this situation we find ourselves in.

Last couple of slides in terms of shareholders, another key metric for us is returning some capital to shareholders. Since I joined the company, and was announced CEO in 2011, we've raised the dividend from $1 to $1.12, $1.25, $1.35, $1.45 and including an earlier increase, you can see a total increase of about 61% in the last three and a half years.

Today, our $1.45 dividend is about a 58% payout. We have a target of 50% to 60%. We would expect next year with the uptick that we'll have with the growth of 20%, by starting to serve DEMCO, we should see a pretty good uptick in our earnings. And therefore, there should be a follow-on uptick in our dividends that we'll address in 2014. You can also see, obviously, like a lot of utilities, the market has responded well over the last few years with Cleco being up about 63% over the last three years.

So in terms of recent accomplishments, wholesale contract in terms of growing our business, DEMCO was the largest, about a 600 megawatt load as I talked about, 578 megawatts here. We've added since then MDEA in Mississippi and City of Alexandria. So that's 70 megawatts and 30 megawatts to 60 megawatts. So adds up to about 100 megawatts to 130 megawatts. But when you think about the fact that, again, our system grows at this 1% or so mark, that's 30 megawatts or 40 megawatts a year, so adding 130 megawatts is the equivalent of growing your system by three or four years with the addition of these two wholesale contracts and we continue to pursue others in the neighborhood.

Rating Agency upgrade, for our fixed income and bank investors, earlier this year we had S&P raise our corporate rating to BBB+ from BBB flat. And you can see also with Moody's with an outlook of positive. So clearly maintaining and building a financial strength in the company.

Our earnings guidance, we've made our numbers the last three years and now have pushed ourselves to the top end of our range for 2013. Coughlin transfer well underway, and then dividend increases continuing to deliver some solid cash returns to our shareholders. So that's sort of the accomplishment list and I know it's early, a number of you – I know at least a couple of you were up late for the Miami-Tampa Bay football game; some of you live, and got back late. But we'll go ahead and open it up to questions.

QUESTION AND ANSWER SECTION

Bruce A. Williamson
Chief Executive Officer & Director, Cleco Corp.

A

Yeah, Sam?

Q

With respect to extending the formula rate plan, do you anticipate being able to keep that target ROE and sharing band with the midpoint at 10.7%?

Bruce A. Williamson
Chief Executive Officer & Director, Cleco Corp.

A

That's a good question. In terms of keeping the current structure of the 10.7%, 11.3% and 11.7%, that's what we filed for. Some data points for people to work with on that that we've talked about in our one-on-ones yesterday, and I'm sure we will again today. First of all across the country, there is pressure on ROEs just given where interest rates are.

But meanwhile, two of our neighboring utilities in the state, one just completed their rate extension. They have a floor return and we do not, so we've traditionally traded higher than they have in terms of ROE but we, in effect, take more risks. That's AEP. They just settled taking their target from 10.5% to 10.0%. So they were 10.5% we're 10.7%, they settled at 10.0%. We'll see where we end up triangulating on that.

Entergy is also filing for a full blown rate case. The other thing to factor in is both AEP and Entergy have in their filings and as a result of the AEP filings were fairly pronounced retail rate increases. Because of the way we've managed the company, one element of it is that large power plant that shows up on a rate base of a billion dollars, we filed with the IRS for a Private Letter Ruling to get 50% bonus depreciation on that plant. We got that approved coming up on a year ago.

So that would manifest itself with a reduction in rate base out in the future. We can offer up as part of our filing an overall rate reduction even if we kept our 10.7%. So while the other guys are in, basically, asking for retail rate increases, we're proposing a smaller rate decrease and an extension under the current paradigm, so the customers really don't pay more. So, obviously, we're marketing from that perspective rather than from the ROE perspective.

Quiet group. Nothing else? Going once, going twice.

Bruce A. Williamson
Chief Executive Officer & Director, Cleco Corp.

Okay. Well, thank you for your interest in getting up this morning. And we look forward to seeing some of you around here. Thanks.

EXHIBIT JIF-CA-2

Cleco Response to LPSC 1-4

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

DOCKET NO. U-32507

IN RE: APPLICATION OF CLECO POWER LLC FOR (I) AUTHORIZATION TO INSTALL EMISSION CONTROL EQUIPMENT AT CERTAIN GENERATING FACILITIES IN ORDER TO COMPLY WITH THE FEDERAL NATIONAL EMISSIONS STANDARDS FOR HAZARDOUS AIR POLLUTANTS FROM COAL- AND OIL-FIRED ELECTRIC UTILITY STEAM GENERATING RULE; AND (II) AUTHORIZATION TO RECOVER THE COSTS ASSOCIATED WITH THE EMISSION CONTROL EQUIPMENT IN LPSC JURISDICTIONAL RATES. [THE MERCURY AND AIR TOXICS STANDARDS (MATS) RULE]

**RESPONSE TO LPSC STAFF'S FIRST SET OF DATA REQUESTS
TO CLECO POWER LLC**

WITNESS: **William W. Matthews, Director - Environmental Policy & Planning**

DATA REQUEST LPSC 1-4

Please provide any estimates of capital costs that Cleco Power anticipates eventually incurring at Rodemacher 2 and Dolet Hills for environmental compliance other than for CSAPR and the MATS rule. Please describe. If Cleco Power does not anticipate significant additional environmental compliance costs at either unit (other than for CSAPR and the MATS Rule), please explain the basis for that opinion.

RESPONSE TO DATA REQUEST LPSC 1-4

Compliance may be required in the future with the following two new federal regulations, which have been proposed by EPA, but not yet been issued as final rules:

1. National Pollutant Discharge Elimination System – Proposed Regulations to Establish Requirements for Cooling Water Intake Structures at Existing Facilites:

   Considering only the proposed rule requirements:
   - Brame Energy Center would not see an impact because Brame does not have a cooling water intake on a body of water classified as a "Waters of the U.S".

   - Dolet Hills would not see an impact because the intake velocity at the intake screen is estimated to be below the threshold at which fish impingement mortality standards must be met. In addition, Dolet Hills has closed cycle cooling which will meet the fish entrainment requirements in the proposed rule.

2. Hazardous and Solid Waste Management System; Identification and Listing of Special Wastes; Disposal of Coal Combustion Residuals From Electric Utilities; Proposed Rule.

   This rule has only been proposed and it is not clear how it might be finalized.

CERTIFICATE OF SERVICE

I hereby certify that I have, this 6th day of December, 2013, served copies of the Cross Answering Testimony of Jeremy I. Fisher and the exhibits thereto, by U.S. First Class and/or electronic mail, on the following:

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