
CLECO CORPORATION

Lighting
Louisiana
for
75
YEARS



*Copyright © 2010, Cleco Corporation.
All Rights Reserved.*

*Written by: Kenneth Durr,
History Associates Incorporated*

CLECO CORPORATION

Lighting
Louisiana
for
75
YEARS



4

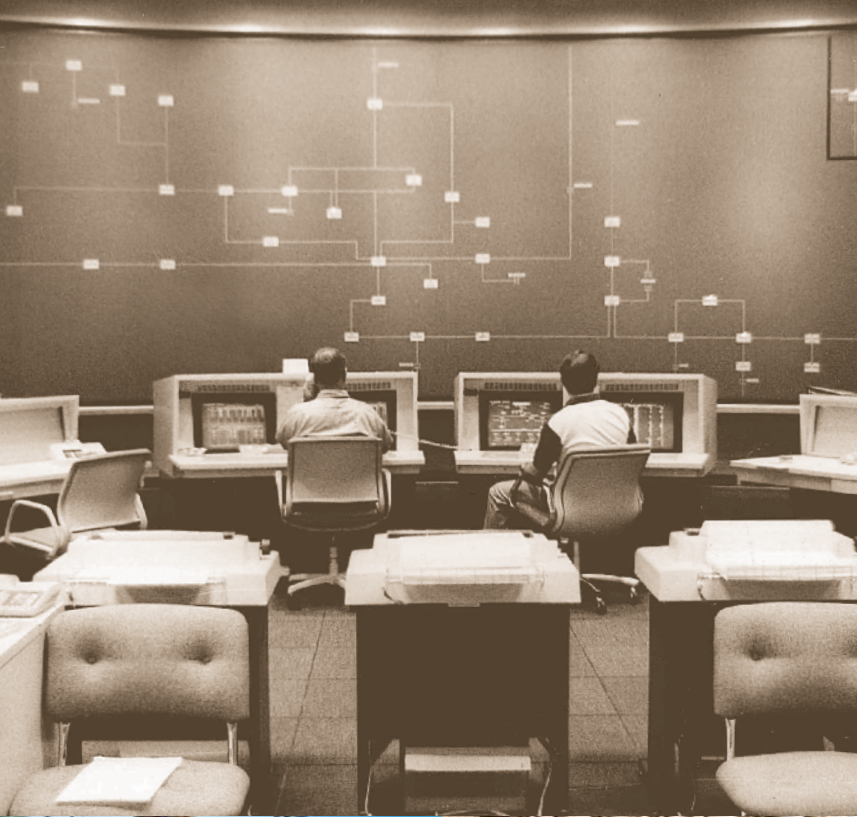


52



16





Lighting Louisiana *for 75* YEARS

TABLE OF CONTENTS

CHAPTER 1: 1935-1945 Ice and Electricity	4
CHAPTER 2: 1946-1965 A Force of Nature	16
CHAPTER 3: 1966-1986 Turning the Company Upside Down	28
CHAPTER 4: 1987-2002 The New World that Wasn't	40
CHAPTER 5: 2003-2010 The Right Thing	52
ACKNOWLEDGEMENTS	64





1
CHAPTERICE *and*
ELECTRICITY

ON A BRIGHT WINTER MORNING, businessman Floyd Wilson Woodcock stepped from the street into the granite façade of the Insurance Company of North America building in Philadelphia. His heels clicked as he crossed the marble foyer and entered the bronze-paneled elevator that took him to his office. In spite of recent setbacks, Woodcock was at the top of his game and eager to complete the morning's business, which would reach into the heart of Louisiana, half a continent away. At 10:30 a.m., Jan. 2, 1935, Woodcock and five colleagues, all East Coast businessmen, went to work on the bylaws and articles of incorporation for a new company that would acquire Woodcock's former company, now bankrupt. To that end, they approved the opening of bank accounts in New York, Philadelphia, and a handful of small central Louisiana cities and towns.

When the meeting adjourned, the Louisiana Ice & Electric Company had been born. It was a worldly wise infant. Its creation had captivated and frustrated a string of entrepreneurs for more than 20 years, but as it grew it would remain a down-home enterprise. More than once it seemed that the company, soon renamed Central Louisiana Electric Company and known as just plain Cleco, had grown beyond its roots in the Louisiana pine country and might even reinvent itself. But central Louisiana always called Cleco back. It remains today a durable, highly respected technical enterprise with a strong sense of place and a deep appreciation for its history.

The Bunkie-based Louisiana Ice & Electric line crew during the 1930s built the system in surrounding communities.

RIGHT: After a long history and several ownership changes, the ice plant and cold storage facility in Bunkie became part of Louisiana Ice & Electric.



ABOVE: This stock certificate was issued just days after Floyd Woodcock retrieved his company from bankruptcy and renamed it Louisiana Ice & Electric.

MONEY IN ICE

Woodcock was mostly interested in the future – the electric utility side of the business. But he knew that the foundation of his nascent company was set firmly in the ice market. At the turn of the century, few could have imagined how to use a ready supply of electric power. Ice, on the other hand, made the difference between a basic existence and the good life in the South. Through the 19th century, ice had been a luxury. Cut from the frozen lakes and ponds of the North, it was shipped south and stowed under sawdust until it was needed to refrigerate the food and cool the drinks of the well-to-do. Everyone else was out of luck.

During the third quarter of the 19th century, inventors developed practical ways to make ice. The trick was to take a refrigerating agent, such as ether or anhydrous ammonia,

mechanically compress it, and then release it so that it became cool enough to draw heat from its surroundings. Next, water was introduced to the process, and ice was made. The necessary chemicals were easy to obtain, and there was plenty of water. The biggest challenge was how to power the compressor. Fortunately, rapid advances in electrical equipment were being made at the time. In 1882, two years after patenting his incandescent lamp, Thomas Edison built the first power plant, Pearl Street Station, in downtown New York City. The ice industry took note. Before long, icemakers were building their own power plants to run their compressors. They always had enough extra electricity available to light the plant itself, and sometimes even enough to sell. That is precisely what happened in Bunkie, a small town in Avoyelles Parish in central Louisiana.

Around the turn of the century, Clarence J. Pope operated a bottling company in Bunkie. In 1906, perhaps assuming that inexpensive ice would stimulate beverage sales, Pope installed a steam engine and a 25-kilowatt electric generator. Pope put his ice machines to work and then turned to the happy problem of what to do with the excess electricity. He found a few customers along Bunkie's Main Street, and central Louisiana's first electric utility was in business. Things stayed pretty much the same in Bunkie for nearly 10 years. Then in 1914, W.D. Haas, the owner of a local brickworks, and a few other investors decided to join Pope in building up the fledgling utility. Together, they installed a 50-kilowatt diesel generating unit and constructed lines throughout the town. The business grew steadily. In the early and mid-1920s, Pope and Haas installed new generators and extended their lines to neighboring towns.

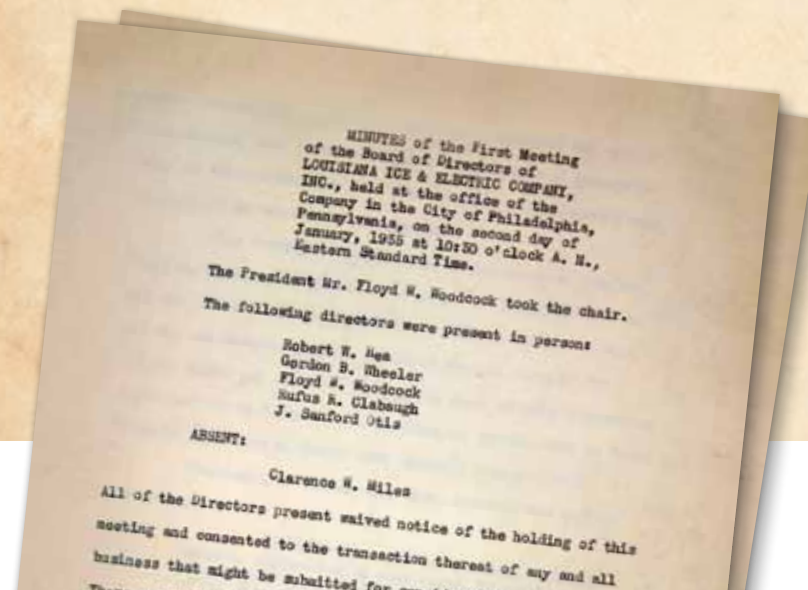
Across the South, other icemakers had been slowly constructing power lines around their plants. However, there were clear limits to the business. First, there was a chicken-and-egg problem. Consumers could hardly be expected to invest in their home's electrical wiring and lighting fixtures before the electricity arrived. Producers would have to construct the lines first and wait until consumers were ready to purchase the excess electricity. Second, the initial investment for an aspiring electric utility would be high, particularly in rural areas where commercial customers were few and residential customers far-flung. By the 1920s, it had become abundantly clear that electric production could be a booming business, but only for those with plenty of investment capital. That eliminated most business people in central Louisiana.

Regulated utilities are private corporations that hold natural monopolies. They operate in circumstances where competition could be wasteful and a burden to the public. Regulation first emerged in the late 19th century, as railroad monopolies grew and governments undertook to balance their power with the public interest. Regulation soon spread to the gas and water industries. In the 1920s and early 1930s, regulation of the electrical industry was minimal. After the New Deal legislation broke up holding companies such as Floyd Woodcock's and created the Rural Electrification Administration, state regulators developed tighter and more effective procedures.

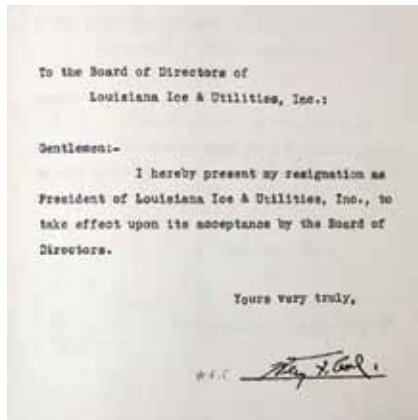
States have generally taken the lead in electric regulation. Like its counterparts in other states, the Louisiana Public Service Commission (LPSC), established in 1921, grew out of the Louisiana Railroad Commission. The LPSC is a powerful



political entity, and from the 1940s to today, the LPSC has scrutinized almost every aspect of Cleco's operations to guarantee reliable service and reasonable rates to citizens and a fair return on investment to the company. Unlike many state regulatory commissions, LPSC members are elected officials. In fact, governors such as Huey Long, Jimmie Davis, John McKeithen, and Kathleen Blanco all got a start there.



These minutes mark the official beginning of the company that evolved into today's Cleco Corporation.



ABOVE LEFT: Wiley Corl was the first man to put the small ice and electric plants of central Louisiana together. Here is his letter of resignation from the company.

ABOVE RIGHT: Workers load ice for refrigerated rail cars at this Alexandria facility in the 1930s. Supplying block ice to railroads was one of the company's most profitable early businesses.



OUTSIDE CAPITAL

It did not, however, eliminate Wiley Corl. Corl had worked for utilities in Missouri, New Mexico, and Illinois. By 1924, he was president of the Community Power & Light Company, which served towns in Missouri, Kansas, Arkansas, and Texas. Corl also had some powerful financial backers. With their help, in early 1926 he purchased a string of ice and utility companies in Mississippi, Texas, and Louisiana. Among them was Clarence Pope's firm. Pope joined Corl's new venture, the Louisiana Ice & Utilities Company, as a director and corporate secretary.

The company, based in Alexandria, La., operated 18 ice making plants that served 25 towns and cities. It also sold the big southern railroads ice for their refrigerated cars. At first, the company provided electricity to only two communities besides Bunkie. But Corl began to expand the service. By the end of 1927, power from the Bunkie plant was reaching Cottonport, Simmesport, Ville Platte, and Opelousas.

Corl was a utilities man, but Louisiana Ice was still mostly an ice producer. In the summer of 1927, just over a year after organizing the company, Corl got out of the ice business for

good. He and his fellow investors sold out to a group of Chicago businessmen, and Louisiana Ice became a subsidiary of the Electric Public Utilities Company. This was a larger operation incorporated in Delaware and doing business in 100 communities in the Midwest, West, and South.

Like other large and efficient firms, the Electric Public Utilities Company was able to exploit economies of scale to provide reliable low-cost power to customers over a broad area. There was the problem, for example, of meeting peak demand. In any given area, electricity consumption would be much lower in the middle of the night than during the peak of the working day, but nonetheless a utility had to buy equipment sufficient to meet that peak demand. The upside to this was that the larger and more expensive a power plant was, the more efficient it tended to be. Then there was the matter of expertise. At various times, electric companies required the services of highly trained and well-compensated engineers. Small companies needed them rarely and could hardly afford them. Larger firms could hire these experts to work throughout their large systems.

By the turn of the century, business pioneers such as Chicago magnate Samuel Insull had devised an economic structure called the public utilities holding company. The public utilities holding company was designed as a corporate entity to control other corporations that might themselves control a large number of utilities. Major investors in the big holding companies, the people who actually controlled those companies and took most of their profits, were many levels removed from the day-to-day operations. It was such a burgeoning and lucrative business that by the 1920s scores of businessmen were getting into electricity. But managing these large

structures took uncommon ingenuity and enterprise. And so, in early 1929, Louisiana Ice & Utilities passed to a more effective practitioner, Floyd Woodcock.

COLLAPSE AND REORGANIZATION

Floyd Wilson Woodcock had a background in engineering, having worked his way up from office boy to director, vice president, and partner in the Philadelphia firm of Day & Zimmerman. Along the way, he learned how to reorganize a struggling corporation and how to integrate a host of utilities effectively into a larger organization. By the end of the decade, Woodcock was ready to start a holding company of his own. In 1928, he formed the Empire Public Service Corporation and began buying up utilities in the South and Midwest, among them the Electric Public Utilities Company. On February 23, 1929, Woodcock became president of Louisiana Ice & Utilities.

It seemed like a good time to get into the business. Since the turn of the 20th century, demand for electricity had grown steadily. Electric lighting quickly became commonplace in middle-class homes, and the consumer market was flooded with new

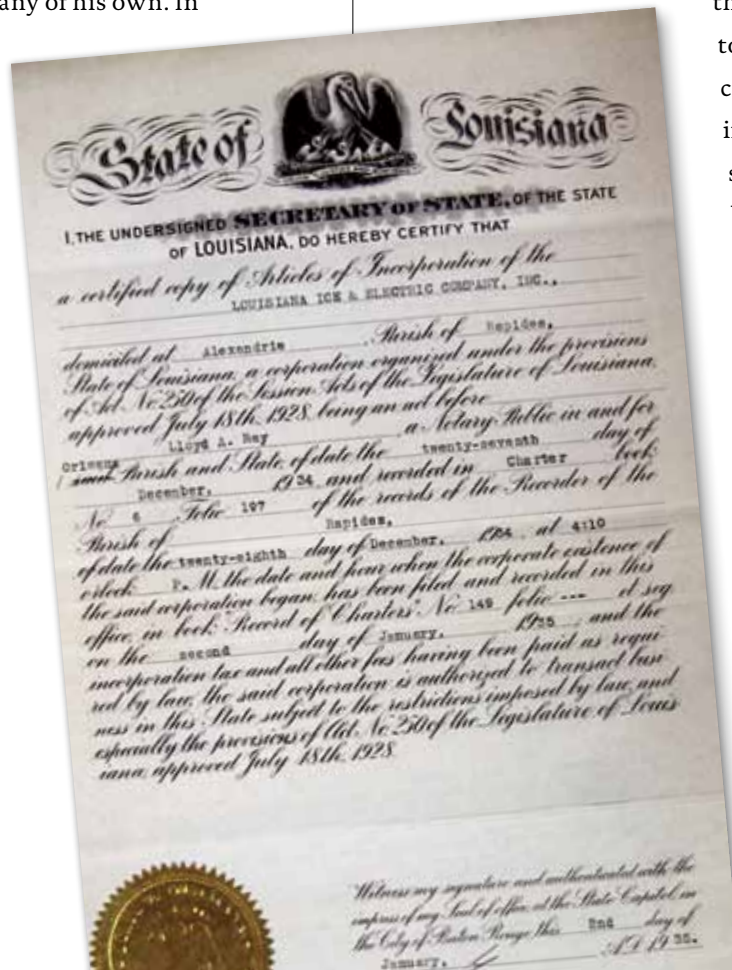
electric appliances during the 1920s. The central Louisiana market was more rural, less affluent, and not as developed as others, but this simply presented a different opportunity for growth. Then the Great Depression hit. Between 1929 and 1932, the demand for electricity nationwide dropped 14 percent. In rural areas, where it was still a luxury, power consumption fell even more.

In good times, public utility holding companies were effective profit-making machines. But in bad times, the capital-intensive nature of the industry became a crushing burden as operators frantically tried to pay back debt and to cover personnel and operating costs. Across the country,

these entities began to topple. Insull's empire crashed spectacularly in 1932. Woodcock's much smaller kingdom had gone bankrupt in 1931, although Louisiana Ice fared better than many of Woodcock's other holdings. In the depths of the Great Depression, as Woodcock surveyed the wreckage and laid plans to rebuild, he decided to make Louisiana Ice & Utilities a key part of his reorganized Empire Public Service Company.



Floyd Wilson Woodcock, engineer, entrepreneur, and founder of the Louisiana Ice & Electric Company, reorganized the company after the Great Depression.





REACHING OUT TO RURAL CUSTOMERS

A good salesman will do almost anything to win over a new customer. Charles Goodgame was no exception. During the 1940s, he went door-to-door through rural Louisiana trying to get farmers to sign up for the still-novel electric service. One potential customer seemed interested, but claimed that he would not have the money to do so until he got his watermelon crop to market.

Goodgame agreed to come back later in the day to drive the farmer to market.

When Goodgame returned, the farmer complained of a bad back, so Goodgame harvested the melons and loaded the truck. That accomplished, Goodgame said "hop in," but the farmer now claimed to be too tired to go to town. Goodgame took the melons to town and peddled them himself. The next morning he returned triumphant,

handed over the money, and took out his pad to write up a sale. But the farmer demurred. "My wife and I got to looking at this Sears & Roebuck catalog last night, and we got to making out this order," he said, "and decided that money you made on them watermelons would just about pay for it."

But Woodcock's plans did not work out. In 1933, Louisiana Ice itself declared bankruptcy, and the court appointed as trustee Frank Landers, the company's vice president and general manager. By then, Woodcock had begun to reconsider the holding company structure. Big business generally had been discredited by the Great Depression, and public utilities holding companies in particular had come under attack. Most Americans agreed with humorist Will Rogers' definition of a holding company as "a thing where you hand an accomplice the goods while the policeman searches you." As Franklin Roosevelt's New Deal took hold in Washington, it appeared that public utilities holding companies might soon be regulated out of existence.

Woodcock took a different route. He reorganized the strongest parts of the Empire Company so they could stand on their own. He shed unprofitable subsidiaries

and focused firmly on electricity. By the end of 1934, he had drawn up the Articles of Incorporation for the reorganized Louisiana Ice & Electric Company. The papers were filed on December 28, 1934, and five days later Woodcock convened the first meeting of the board of directors at his office in Philadelphia.

ICE, DAIRY, AND WATER

Although Woodcock and the board members were most committed to the electricity business, they well understood that the company's other and more numerous assets required careful stewardship. One of the first things that Louisiana Ice management did was shed some of its companies. One of the first businesses to go in March 1935 was the South Mississippi Ice Company, a subsidiary based in Biloxi. Another out-of-state enterprise, an ice plant in Commerce, Texas, was sold at the same time. The Three

1935
Counties Ice Company subsidiary, with operations in Wichita Falls and Denton, Texas, remained under the wing of Louisiana Ice, although the plants were leased out early in 1935. That left the company with core ice and cold storage operations in Alexandria, Bunkie, and Baton Rouge, where a new plant opened in 1935. This plant proved to be so profitable that Louisiana Ice undertook similar modernization efforts in Alexandria and Wichita Falls. It sold the Baton Rouge plant in 1938.

1938
Almost 10 years earlier, the ice business had drawn the company into the dairy business. In 1926, Louisiana Ice & Utilities purchased Southern Dairies in Alexandria. A year later, it bought the Watson and Avery Ice Cream Company. Then it combined the two companies and began marketing

dairy products under the trade name Blu-Ribon. The operation proved to be too good to lose. Although Blu-Ribon Dairies became an independent department in 1935, the company continued to invest in it for years to come. Another dairy operation was established in Baton Rouge during the 1930s, but it did not perform as well and was soon closed. Water service rounded out the other enterprises that made up the new Louisiana Ice & Electric. With the reorganization, the company gained about 650 customers in the central Louisiana towns of Cheneyville, Ville Platte, Lecompte, and Mansura. During the 1930s, the company invested modestly in deep wells, pumps, and pipes to double its customer base and still earn a reasonable profit.



A driver stands by his delivery truck for Blu-Ribon, the successful dairy operation owned by Louisiana Ice & Electric during the 1930s and 1940s.



Clerks at the Louisiana Ice customer service center in Mansura were ready to meet the public.



ELECTRIC BUSINESS

In the late 1930s, as ice declined and dairy remained secondary and water insignificant, the performance of the electric utility bore out the wisdom of Woodcock's growth strategy. At the start of 1935, Louisiana Ice served about 2,500 customers in the central Louisiana towns of Bunkie, Lecompte, Cheneyville, Mansura, Ville Platte, Cottonport, Simmesport, and Colfax. In late November 1935, this compact service area around Bunkie was augmented by an important new purchase. Pineville lay just across the Red River from Alexandria about 35 miles north of Bunkie. Pineville had operated its own electric company since 1916. In its early days, it purchased power from the Alexandria municipal plant. But in 1931, the Pineville Electric Company installed its own 1,200-kilowatt plant. By 1935, it was serving about 500 residential and commercial customers.

Louisiana Ice, in contrast, was supplying a larger customer base with its 650-kilowatt Bunkie plant, a few old ice-making generators, and power bought from adjacent utilities. So, Louisiana Ice purchased Pineville Electric. The purchase provided Louisiana Ice not only with badly needed new generating capacity but also with a new geographic base. For the next decade, the company operated two divisions, Pineville in the north and Bunkie in the south.

The growing company invested heavily in marketing, focusing particularly on the northern division. Its outreach to new customers was furthered by a new payment plan readily approved by state regulators that enabled heavy users of power to obtain lower rates. In 1936, Louisiana Ice also started a merchandising program. By making refrigerators and lighting equipment available to existing

and potential customers, the company helped to boost electric consumption levels in central Louisiana households closer to the national average. By the end of 1937, Louisiana Ice had sold more than a thousand refrigerators. That same year, the company constructed 102 miles of rural lines and upgraded its transmission and substation equipment throughout the system. In early 1938, management took a good look at the system and laid plans for more growth. But then a complication arose.

Louisiana Ice had long acquired energy from an adjacent supplier, the Gulf States Utility Company. In 1938, however, Gulf States announced a steep rate hike. Rather than saddle its customers with those higher rates, Louisiana Ice embarked on its first big building program. It decided that natural gas would be the most efficient fuel for a new power station. Company engineers had determined that the Cheneyville and Eola fields near Bunkie contained ample reserves of fuel, so Louisiana Ice began laying plans for a sizable extension to the Bunkie plant.

In November 1939, three gas-burning generators, each capable of producing 1,000 kilowatts of electricity, went into operation. The generating facility cost about \$35,000 and was named the Rea Station in honor of Robert W. Rea, one of Woodcock's business partners and a major investor in the company. The new plant, one of the largest natural gas power stations in the country at the time, proved to be an effective operation. By 1941, two additional 1,000-kilowatt generators had been installed. For the first time since the reorganization, Louisiana Ice was a self-sufficient generator of electric power.



ABOVE: When it was built in 1939, the Rea Station was the first major generating facility and one of the largest natural-gas-burning plants in the country.



RIGHT: An interior view of the Rea Station looks past the No. 1 and No. 2 generators toward the control panel.



Edward J. Williams makes a presentation to employees during World War II. He was manager of the Denton, Texas, ice plant, and the company's top salesman of war bonds.

LIFE DURING WARTIME

The pace of expansion picked up with the approach of war. As the United States mobilized, military training camps sprang up across the country. Among them was Camp Claiborne, built on 23,000 acres of land just south of Alexandria. By 1941, the camp, home to 400,000 troops, was the largest of 11 military installations in the Louisiana Ice service area. The military soon began to need all of the company's new generating capacity, and Louisiana Ice had to enter into a new agreement with the Louisiana Power & Light Company for power to replace that consumed by Camp Claiborne alone. New investments in the system furthered the defense effort. In 1941, the company spent about \$60,000 on meters, transformers, and other equipment, and about \$25,000 on transmission lines. After Pearl Harbor, Louisiana Ice was considered so critical to the war effort that the military stationed guards at all of its plants. Wartime brought breakneck growth to Blu-Ribon Dairies as well. In 1941, to meet the demands of the military, the company invested \$60,000 in a new plant in Alexandria. The infusion of cash enabled Blu-Ribon to deliver some 70,000 bottles of milk daily to the army camps and airfields around Alexandria.

Having made those sound investments, Louisiana Ice and its employees hunkered down to help win the war both at home and abroad. After several years of encouraging central Louisiana residents to buy new appliances, the company now began telling its customers how to make them last for the duration.

1944

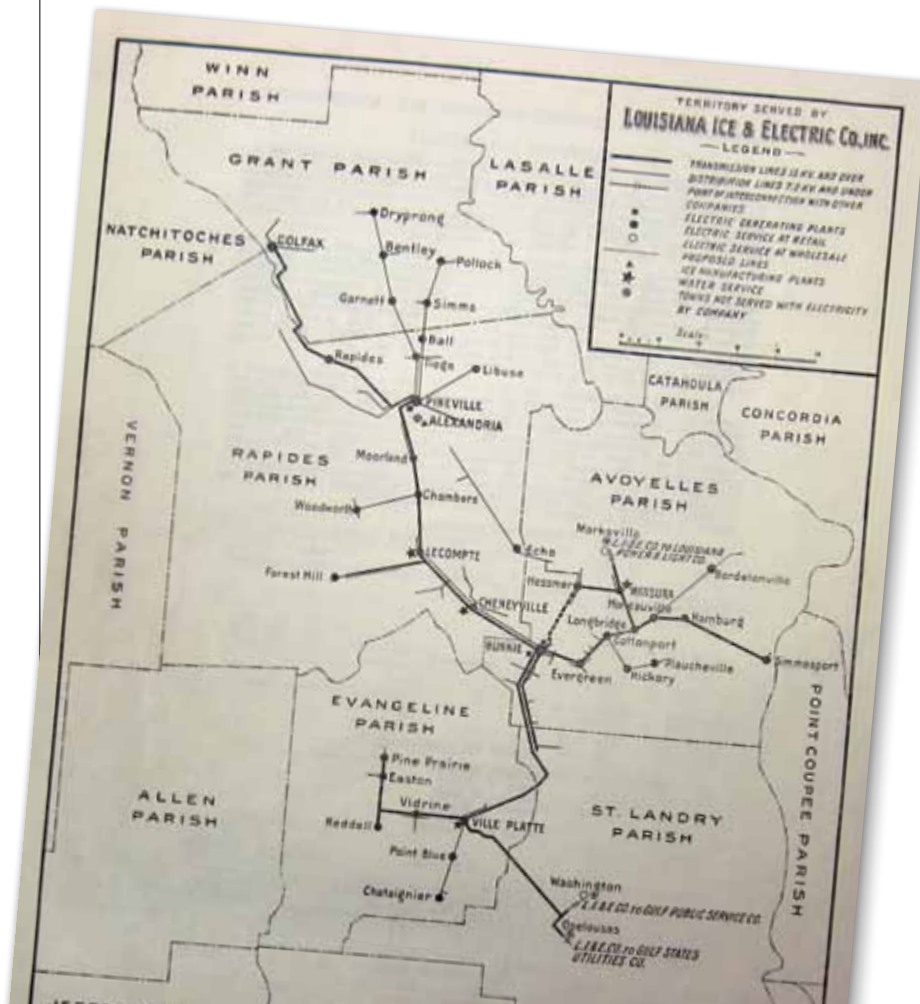
Every one of the company's 250 employees subscribed for monthly purchases of war bonds. During the 4th War Loan Campaign in early 1944, Edward J. Williams, manager of the company's ice operations in Denton, Texas, served as a volunteer bond salesman. He sold so many that a bomber flying in the South Pacific theater was named after him. The officer who did the christening, Colonel Frank F. Hennaman, joined the board of directors after the war. By early 1945, Louisiana Ice employees had purchased a total of \$154,224.76 in war bonds and sold another \$7,317,000 on behalf of the government. Louisiana Ice employees did much more than sell bonds to support the war effort. By the war's end, 75 employees, almost a third of the work force, had enlisted in the armed services. Six of them gave their lives for their country.

As the war wound down, many of the employees who had served overseas returned to their jobs with the company. The world had changed, but the company was doing its best to help ensure that the changes were for the better. Louisiana Ice had itself been transformed during the decade since Floyd Woodcock retrieved his company from bankruptcy. Careful expansion and a commitment to keeping rates low had brought tremendous growth. The customer base of Louisiana Ice had grown fivefold to 11,500. Its generating capacity had grown almost 11-fold to 7,500 kilowatts. But the greatest indicator was actual power sold. In 1935, energy sales to residential and commercial customers had been just 1,650,000 kilowatt hours annually; 10 years later, the number had grown to 45,000,000.

Perhaps most important, given the company's tough infancy, Louisiana Ice had been consistently profitable. It earned its shareholders steady dividends and provided its employees with a good living. Woodcock argued that electricity made the difference. Accordingly, on August 27, 1945, less than two weeks after the war's end, the company was ready for a name change. "The business of your company has become predominantly electric," Woodcock explained to the shareholders. The new name reflected that: Central Louisiana Electric Company Inc.



Floyd Woodcock, happy with his company's success, announced its name change in 1945.



The transmission backbone through Rapides Parish is clearly visible in this 1938 map of the Louisiana Ice & Electric system.

A FORCE *of* NATURE



JUNE 20, 1948, DAWNED HOT AND HUMID, unexceptional for a Louisiana summer. For the workmen and engineers toiling on the banks of Bayou Cocodrie in Evangeline Parish, however, the day was anything but routine. For a year they had been building a new generating plant that was to be the jewel in the crown of the Central Louisiana Electric Company system, and this was the day the plant was to go online. Dirt clung to the shoes of the engineers gathered in the control room. The floors had yet to be finished. The roof was not done either. Above, they could see dark clouds swelling in the heat of the day.

Undeterred, Frank Hugh Coughlin, the utility's top chief executive, stood watch over the entire operation and urged the engineers on. Coughlin, despite his diminutive stature, was no less a force of nature than the impending storm. As the rain began, workmen rigged a tarpaulin over the control room. Soon it was sagging under the weight of the water. Then the wind kicked up, and the tarpaulin dumped its load into the exposed control room. "Do you still want to go operational today?" one engineer asked the boss. Coughlin did. By the end of the stormy day, the engineers were up to their ankles in mud, but 7,500 kilowatts of new power was coursing through the central Louisiana system.

Fortunately, the economic climate of the postwar years was far more hospitable than the weather on that June day. From 1945 to 1965, Cleco grew and prospered, helped along by ever-growing demand, a booming consumer economy, and a steady supply of inexpensive energy.

2 CHAPTER

The proud managers of Cleco gather for a group photo in the 1950s.





In the late 1940s, managers chose a site on Bayou Cocodrie for Cleco's second big power plant.

THE "BIG-PICTURE MAN"

Coughlin was trained as an engineer. He had worked in Illinois and Texas before becoming vice president and general manager of Louisiana Ice and Electric in 1938. Although he had come up through Floyd Woodcock's utilities empire, he was nobody's lieutenant. Those who knew Coughlin described him as a "big-picture man" whose scope and confidence gave him an air of "inner serenity." By the time he took over the presidency of the company in 1947, Coughlin had a clear vision for himself, his employees, his company, and even his state. He believed that no effort should be spared to build up the economy of Louisiana. He was determined that Cleco should steadily expand to serve and support that economy. For the good of the company and the community, Coughlin believed every employee should be an active and constructive citizen. Above all, Coughlin was determined to stay focused on the essentials: building up generating capacity,

filling out the transmission system, and delivering on the promise to provide customers with good service at low cost. Scott Brame, a former Cleco chief executive officer, recalls that Coughlin worked seven days a week toward those goals and rarely ate lunch, calling it "a waste of time."

Coughlin's determination to build was forged in the war years, when the company's generating capacity was swamped by military mobilization. In the wake of the war came thousands of new middle-class families, building homes, raising children, acquiring the latest consumer goods, and consuming electrical power. In 1947, it was noted that 60 percent of Cleco's more than 16,000 customers had come online in the previous seven years. To meet this demand, the company had no choice but to purchase power from adjacent suppliers once again. But Coughlin was determined to make Cleco self-sufficient.

As soon as the war ended, Coughlin and Woodcock laid plans for a modern facility, which they had already named the Coughlin Power Station. The site on Bayou Cocodrie near St. Landry, about 40 miles south of Alexandria, made good sense. It was near the load center of the existing transmission system, and there were sizable new government, corporate, and municipal customers close by. This new plant, like the Rea Station before it, was to be fueled by natural gas from several reliable gas fields located within a 25-mile radius of the site. In his quest for more power at lower cost, Coughlin had pared away the inessentials. This would be the first power plant in the nation to place its generators outdoors and unprotected. The resulting savings in construction costs were invested in the generating equipment. Just as important, the Coughlin Power Station was expandable. Almost as soon as the plant reached full

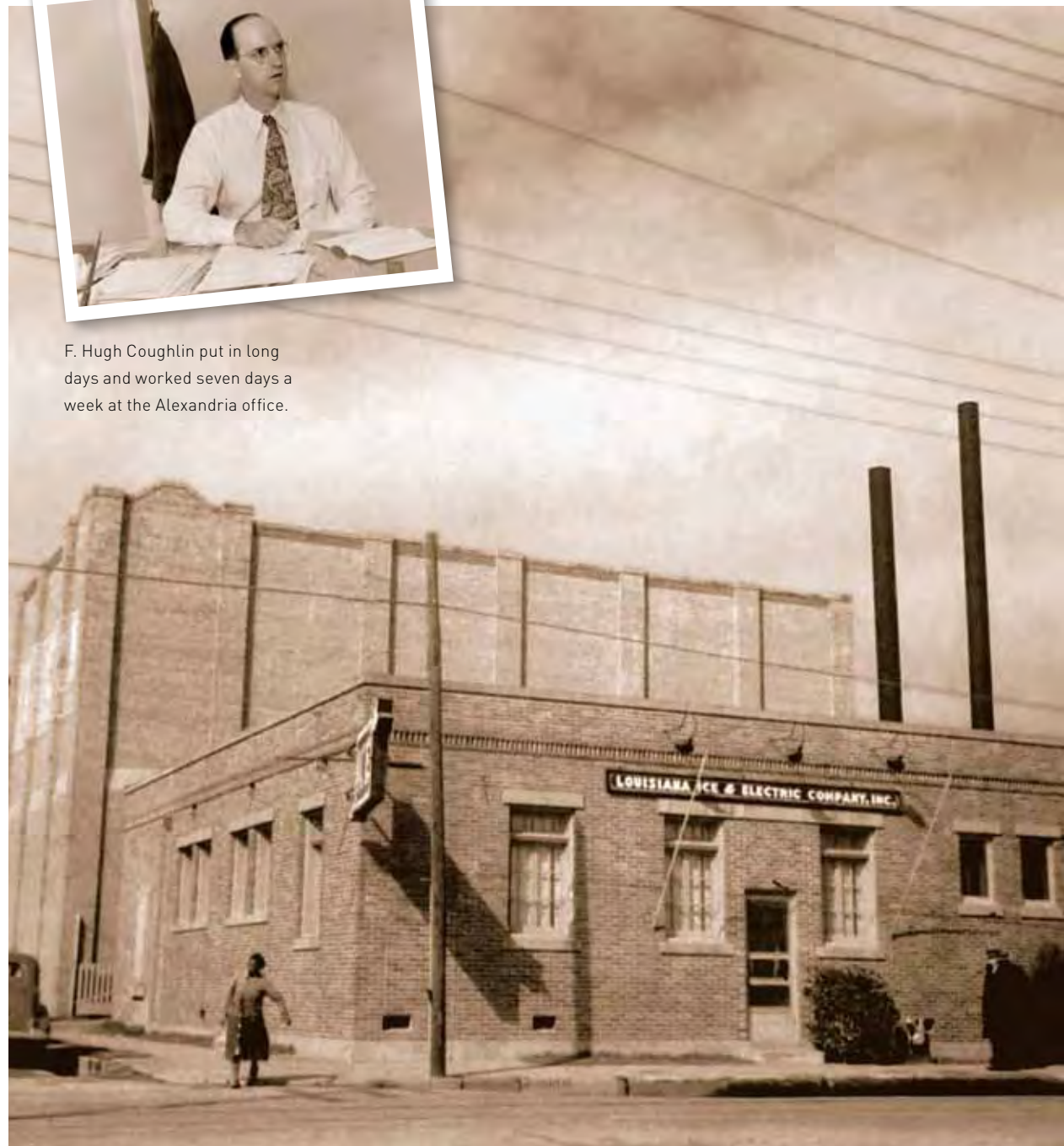
power in late 1948, engineers began installing a third generator, which went operational in August 1949. A fourth went online in late 1952.

In 1945, Woodcock and Coughlin set aside about \$2 million for construction. About 75 percent of that amount was earmarked for the Coughlin station. The remaining 25 percent would be used to build up the company's transmission and distribution lines. Despite the wartime boom, Cleco's postwar system in no way resembled a modern power grid. A 3.45-kilovolt transmission line ran from just north of Pineville south through Rapides Parish, slightly east to Bunkie, south through Evangeline Parish, and then east again, terminating around Opelousas. This backbone contained the bulk of Cleco's 338 miles of transmission lines. Another 761 miles of lower-voltage distribution lines linked most of the towns and cities of central Louisiana. Beyond this core system a challenge remained: to extend power to the area's plentiful but scattered rural customers.

In those days, a rural line cost as much as \$5,000 per mile to build for minimal returns. Rural customers tended to use less power than town dwellers. Unfortunately, the heavy investment required for rural lines sometimes compelled private utilities to charge a premium to those rural customers, the people least able to afford it. President Franklin Roosevelt's New Deal administration had tackled this problem by creating the Rural Electrification Administration (REA), which bankrolled not-for-profit customer-owned cooperatives. They could not compete directly with private companies. But throughout the South, REA cooperatives created low-cost, subsidized rural bulwarks that seemed to hem in the private utilities.



F. Hugh Coughlin put in long days and worked seven days a week at the Alexandria office.





LEFT: Transmission lines like these made up the backbone of the Cleco system in the 1940s and 1950s.



RIGHT: The Coughlin Power Station was completed in the late 1940s.

By the late 1940s, Louisiana had 13 of these cooperatives. Not surprisingly, private power companies that wanted to expand into rural areas were frustrated. Characteristically, Coughlin cut through the bad feelings to obtain the REA funding that would further his vision.

It was not a new idea. Louisiana Ice had obtained a \$50,000 loan from the REA as early as 1939. But in the intervening years everything had gotten bigger. So in the late 1940s Coughlin set out to win a much larger low-interest government loan. He started by forming a subsidiary, the Louisiana Rural Electric Corporation (LREC), dedicated to building rural distribution lines. In 1948, LREC landed a \$400,000 REA loan, and the building began. During the next decade, Cleco obtained millions of dollars and built hundreds of miles of rural lines. Cleco was one of the few private firms and the only Louisiana utility company to leverage federal funding for the benefit of its customers. As a result, in the 25 years after the reorganization, Cleco's rural customer base grew from 319 to 35,000.

THE MERGER

If in the late 1940s opportunity knocked in the form of the REA, it practically beat down the door when it came to the Gulf Public Service Company. This company, based in Lafayette, had much in common with Cleco. It was just south of and mostly contiguous with the Cleco system. Floyd Woodcock had once brought it under the umbrella of another of his holding companies. By the postwar years, Gulf Public Service, like Cleco, was on its own. It was larger than Cleco, however, and this was a never-ending source of concern to Coughlin. Despite the Depression-era legislation, specifically the new public utilities holding company regulations, the old logic remained: The larger a company, the better and cheaper the service it could provide. Any company that stayed small was likely to be swallowed up.

Coughlin had tried talking merger with Gulf Public Service before, but he had always hit a wall. G.C. Hyde, its aging president, knew that a merger would leave Coughlin in charge. The problem grew critical around 1950, when it became apparent that Gulf Public Service had other suitors.

But in June of that year, G.C. Hyde died, and his company's opposition to Cleco dissipated.

The merger, however, still posed a few problems. For one thing, Gulf Public Service operated 11 noncontiguous districts on the eastern and western fringes of the state; these areas could not be easily incorporated into the central Louisiana system. For another, like Cleco, Gulf Public Service had ice operations left over from pre-Depression days, most of which were not profitable. Coughlin knew he would have to spin off or shut down these operations just as he had at Cleco. The merger also presented some big advantages. Gulf Public Service owned a number of natural gas distribution systems, and it had generating plants in New Iberia, Mansfield, and Crowley that would add more than 8,000 kilowatts to the system. Finally, Gulf Public Service bought much of its power at a high price from other utilities. Cleco, on the other hand, had inexpensive surplus power that could bring lower rates to hundreds of south central Louisiana customers.

In April 1951, shareholders of both companies approved the merger. In a stock swap transaction, Gulf Public Service became a subsidiary of Cleco. On November 30 the remaining details were ironed out, and Gulf Public Service was formally merged into Cleco. The transaction more than doubled Cleco's size. The new combined company had assets of \$34 million and served 22 of Louisiana's 64 parishes. Engineers and company crews quickly went to work incorporating the lines and equipment of the two companies into one system. That job would take a few years. An unanticipated complication of the merger remained: The cultures of the merged companies were quite different. Decades would pass before they came together entirely.

THE UTILITIES TRIUMVIRATE

The Gulf Public Service merger was just the first part of an ongoing program to focus the company on electricity. In 1950, Cleco still held plenty of non-utility ventures, including ice plants in 29 central and southern Louisiana cities and towns. And the merger even brought in a Coca-Cola bottling business in Jeanerette.

The most notable exception to the electricity-based strategy was still Blu-Ribon Dairies, which had been expertly managed since 1929 by C. Ray Wilson, Cleco's vice president of non-utility operations. In the years just after the war, Cleco had devoted a great deal of time and energy to building up raw milk supply. That meant persuading local dairy farmers to expand their herds, and even offering short-term loans for that purpose. In 1949, the Blu-Ribon plant was completely modernized to produce everything from buttermilk to whipping cream efficiently.

In the 1950s, almost all of these nonelectrical assets were systematically divested. Cleco sold 22 of the ice manufacturing plants in the initial three years after the merger. Those that remained shared quarters with Cleco's utilities. The Coca-Cola plant was sold in 1953. Three years later, the company took the big step of selling Blu-Ribon to C. Ray Wilson, the Cleco vice president who had been running it. In 1959, the last of the ice plants was sold, taking Cleco entirely out of the non-utility business.



ABOVE: Upgrading this rundown ice plant was just one of the challenges Cleco acquired in the Gulf Public Service merger.

BELOW: Sparkling machinery was ready for action at the Gulf Public Service power station in Crowley.



ABOVE: C. Ray Wilson expertly managed the Blu-Ribon Dairies under the Cleco umbrella for years before acquiring the firm outright in 1953. The divestiture of Blu-Ribon signaled Cleco's intent to focus solely on electric power.



RIGHT: A Cleco natural gas service crew is ready to respond during the 1950s.

The divestments made Cleco more like its peers. In the early days of public utilities, gas and water often went together. Once electricity came along, it joined the mix. In the 1930s, Cleco had provided water service, mostly from deep wells, to a few small towns. Before the merger, the number of water customers was barely 200 households. That changed after the merger, because Gulf Public Service was much more involved in the water business than Cleco was. Although the water operations remained localized and never took a high profile, Cleco invested prudently. By the early 1960s, the customer base served by the company's water department had grown to 29,000.

Cleco's gas service got its start with ice as well. In 1870, a night watchman at a Shreveport ice plant discovered natural gas leaking from an artesian well. The company

tapped it. The plant was soon illuminated by gas. By the turn of the century, natural gas underpinned the Louisiana economy and became essential to Cleco. Both the Rea and Coughlin stations burned natural gas and were situated close to known reserves.

The Gulf Public Service merger brought Cleco new gas-powered generating plants. It also brought the company several municipal natural gas franchises. By 1953, gas service accounted for 11 percent of the company's \$9 million total income, and the board of directors began to consider further expansion into the gas market. Given its string of residential and commercial customers and its own demand, Cleco was well-positioned to distribute or even produce natural gas, its directors reasoned. One step was taken in 1952 with the lease of 20 miles of pipeline from another firm.

DRIVING MR. COUGHLIN

In February 1955, Cleco bought that line outright and created a subsidiary, Louisiana Intrastate Gas Corporation (LIG) to acquire, construct, and operate more natural gas pipelines. The company eventually acquired another 106 miles of pipeline and began selling gas wholesale to municipalities, large industrial customers, and other distributors.

In the meantime, Cleco had entered the production business as well, forming the South Louisiana Production Company Inc. (SLAPCO) to develop new supplies of natural gas. SLAPCO was more speculative than LIG, and it took longer to develop. A sizable 1957 purchase in Louisiana's Holly gas field was disappointing, and during subsequent years each success seemed to be matched by a failure. By 1965, SLAPCO was meeting less than 2 percent of the company's natural gas requirements, although its gas processing operations returned a reliable profit.

Through it all, Cleco continued to build generating capacity at a breakneck pace. A fourth generating unit at the Coughlin Power Station opened in late 1952 bringing the station up to 55,000 kilowatts. The showpiece of the new system, however, was a new power plant built along the Charenton Canal near Bayou Teche in southern Louisiana's St. Mary Parish. The multistory Teche Power Station, with a capacity of 24,000 kilowatts, opened July 1953. The christening ceremony hit a snag momentarily when John Gaugler, the presiding vice president, could not get the champagne bottle to break. The plant itself, however, was no disappointment. It enabled Cleco to be self-sufficient again for a time. By 1956, Cleco had to add another 54,000-kilowatt generator to the Teche station.

It was the Coughlin Power Station though, further north toward the load center of the system that remained

Hugh Coughlin was a teacher of sorts, but he did not waste words when better means were at hand. In the late 1940s, Scott Brame had been with Cleco for just about a year. He might have been green to the power business, but he was eager enough to land the assignment of accompanying Coughlin to speaking engagements. Brame operated the slide projector and acted as chauffeur for Coughlin, who never drove, claiming to have better things to do with his time. On one such trip, Coughlin was immersed in working on his speech when Brame tried to make conversation. Pointing out a roadside pole Brame asked, "Is that one of our lines?"

"No, that's a telephone line," said Coughlin. Brame tried again a few miles down the road. "What's that black box on that pole?" he asked. "That's a transformer," Coughlin answered with a trace of impatience in his voice. Brame kept quiet after that. A few weeks later, in the middle of a long hot summer, he found himself assigned to do a survey of the Cleco system. Coughlin had ensured that henceforth, Brame would always know a power line from a telephone line. Brame became CEO some 40 years later.



A state official speaks at the dedication of the Teche Power Station in November 1952 while Coughlin looks on.

RIGHT: The multistory Teche Power Station was a showpiece for Cleco throughout the 1950s. This 1956 annual report illustration shows its location alongside the shipping lanes of the Charenton Canal.



the workhorse throughout these years. An addition in the late 1950s doubled the plant's capacity to 115,500 kilowatts. This generator was so big that Cleco engineers were faced with the problem of how to cool it, as no more water could be taken from Bayou Cocodrie. They solved the problem by leasing and damming the nearby Mountain Bayou Lake. In 1961, a sixth unit brought the plant up to a capacity of 230 megawatts. That same year, an energy control center that could monitor Cleco's entire generation system went into operation at the Coughlin station.

ECONOMIC DEVELOPMENT

Electricity, gas, and water all were building blocks in the booming economy of postwar Louisiana. Like its neighbors in the South, Louisiana had long been an agricultural state. That was already changing in 1935, but it became most pronounced after World War II, when acres under cultivation dropped precipitously, and farming incomes declined. Meanwhile, industry, fueled by cheap abundant oil and gas, exploded, especially on the Gulf Coast and along the Mississippi River from Baton Rouge to New Orleans. The boom rippled through the inland economy as well. But Coughlin was not content to let central Louisiana develop slowly. He spent the next two decades, from 1945 to 1965, extolling the merits of the region and the importance of electricity to anyone who would listen.

Early in that period, Coughlin focused most intently on building electricity consumption. The opportunity was there. In 1945, average residential consumption was only

715 kilowatt hours per year. The challenge was clear: Sign up more customers and get existing ones to use more electricity. The toughest job was to attract rural customers, who were less likely to see the need for electric service. In the late 1940s and early 1950s, the company sent out emissaries to persuade farmers to make the leap, sometimes giving away light bulbs or small appliances. By the 1960s, after farmers had become more accustomed to the idea, the company was issuing bulletins that promoted electricity. This effort complemented broader promotional programs. Many of these focused on electric cooking, promoting its speed, safety, cleanliness, and reliability. The company created partnerships with local appliance dealers and staged electric range fashion shows and cooking demonstrations throughout central Louisiana in the 1950s.

While company efforts centered on current and potential residential customers, Coughlin devoted his personal attention to enticing industrial customers to settle in central Louisiana. He worked tirelessly in parish courthouses and in Baton Rouge, buttonholing businessmen and extolling the virtues of enterprise to countless civic and business groups. After oil and gas, Louisiana's chief natural resource was timber, so much of Coughlin's efforts involved forest products. To entice the Idaho-based Boise Cascade to open a plant in the area, he shipped company executives a southern yellow pine tree trunk and challenged them to try making plywood with it. They did, and it worked. In trying to convince the people of Pineville to welcome a paper mill to town, he faced the usual concerns over air quality. When asked, "What does it smell like?" Coughlin took a bill from his wallet, ran it under his nose and answered, "It smells just fine."

Although he reveled in such encounters, Coughlin knew that the job of economic development of central Louisiana was more than one man could handle. He served a term as president of the Louisiana Chamber of Commerce, which later became the Louisiana Association of Business and Industry (LABI), and he helped establish the Council for a Better Louisiana (CABL). Coughlin also helped organize the Public Affairs Research Council of Louisiana (PAR) and served as its first president. He helped establish and became chairman of the Gulf South Research Institute. All of these groups were dedicated to building up Louisiana industry, and LABI, CABL and PAR are still working toward that goal today. Coughlin even served a stint as the director of the state Department of Commerce and Industry.

In 1965, two years before he stepped down as president of Cleco, the Louisiana Association of Broadcasters named Coughlin "Louisianan of the Year" for his efforts on behalf of the state. In 1950, Coughlin and his friend, Rife Saunders, created the Coughlin Saunders Foundation as a charitable institution. Throughout his career, Coughlin had diligently purchased Cleco stock, which was bequeathed to the foundation upon his death. The foundation still serves the central Louisiana community today. In 1978 Coughlin helped develop an industrial park in Pineville that secured \$600 million in private investment and employed nearly 1,700 people. It was renamed in his memory in 1980.



A worker monitors plant operation in the control room of the expanded Coughlin Power Station in the early 1960s.

Eunice residents attend a Cleco-sponsored electric cooking school in 1953. Cleco hosted sessions throughout central Louisiana to encourage the use of electric appliances.





Coughlin (middle) attends a Rotary Club event in the early 1960s as part of his efforts to promote economic development in Louisiana.



Employees attend a class at the Coughlin Power Station during the 1950s. Cleco promoted training at all levels of the company.

POWER TO THE PEOPLE

The state of Louisiana was much indebted to Coughlin, but the Cleco family owed him even more. He had been their mentor, their teacher, and even something of a father figure. As a highly cultured northerner, Coughlin was hardly typical of company employees. He read serious literature and had an expansive vocabulary. His wife was a devotee of opera. Coughlin's vice president during these years, Theodore M. Hauer, was a native Philadelphian who had a tough time getting used to the Louisiana pinelands. Other top managers of the postwar years such as John R. Gaugler and Robert T. Nash, were also northerners and former business associates of Floyd Woodcock. Yet somehow during these years, this team of transplants pulled together a company and a culture that was pure Louisiana. How did they do it? Partly by choosing good people and giving them the training they needed, partly by ensuring that the company treated its employees well, and partly by paying attention to and coming to love the communities where they lived.

The cadet training program that management initiated in 1948 had repercussions throughout these years and beyond. The idea was to systematize what made good sense. Each year, Cleco top management made the rounds of nearby colleges and universities to identify top engineering and business students who might fit well into the Cleco family. Those who survived the initial interviews worked their way through all levels of the company, getting the big picture that was so appreciated by Coughlin. More

specialized and intensive training was also available. Beginning in the late 1940s, every year Cleco sent one of its senior engineers to an eight-month program offered by General Electric in Schenectady, N.Y. There, with a group of similarly enterprising contemporaries, the Cleco engineers learned the latest about the power generation and transmission business. Promising administrators were also offered more education. They could expect to put in time at any number of university-based executive training programs during their careers.

Throughout the postwar years, the rank and file benefited from initiatives undertaken to improve employee quality of life. By the 1940s, the company was providing benefits that included an employee trust fund, disability insurance, and group life insurance. Company leaders instituted an innovative employee stock ownership program similar to modern stock option and ownership plans. At the time of the merger with Gulf Public Service,

both companies had retirement plans. When the board members faced the conundrum of choosing one or the other plan and possibly discriminating against veterans on either side, they solved it by designing a new plan superior to both of the old ones. As standards of living improved, the company kept in step.

In 1959, the benefits of the plan were boosted by a third. By that time, the company was contributing twice what employees put into the plan, which attracted 96 percent participation among the company's 900 employees.



THE GULF PROXY FIGHT



Forrest C. Lattner

The merger of Cleco and Gulf Public Service was highly unusual in two respects. Both Gulf and Cleco had their origin in the Floyd Woodcock's holding company, Empire Public Service. Although Empire had disappeared years

before, the old directors remained. The signatories to the merger on both sides, therefore, were the same 13 men. One company veteran described the merger as a curious sort of family reunion.

But there had been tension in the family. Unlike the other shareholders, investment banker Forrest C. Lattner was never quite content as a Woodcock lieutenant. Just before the merger, he

sought to gain control of the board of Gulf Public Service by means of a proxy fight. Although Lattner found a few sympathetic shareholders, Hugh Coughlin enlisted 81 percent of the shareholders and the merger went through on his terms. Lattner knew when he was licked. He signed the merger agreement and remained a major shareholder and long-time board member of Cleco.



Many employees, of course, think less about future benefits than about the size of current paychecks. During these years, Cleco routinely tracked prevailing wages in its communities and among its different types of employees to ensure that its compensation was fair and competitive. Perhaps for this reason, despite the fact that Louisiana was the most highly unionized state in the postwar South, Cleco never faced a serious threat of unionization.

There was a softer side to membership in the Cleco family as well. For years, the company operated Camp Mansura, a rural retreat where employees could hold club meetings, school reunions, barbecues, and family gatherings. There were also company publications. *The Plant Cogs* was the earliest. Like its successor, *News and Views*, it offered insights into broader company affairs, highlighted new initiatives, and showcased personal milestones in the lives of Cleco employees.

All the while, Coughlin encouraged his employees to be as civically engaged as he was, for their own good and for the good of the company. Managers especially were expected to be active in local service clubs, both because it made good business sense to be engaged and because it made sense for Cleco to give something back. Perhaps the most spectacular proof of this policy came in October 1964, after Hurricane Hilda hit the Gulf Coast. Power lines were expected to be down for days despite the best efforts of Cleco's crews to get them back up. But the Teche station was still running. Temporarily unable to get the power to the people, Cleco invited the people to the power. Before long, hundreds of pickups bearing refrigerators began pulling into the Teche plant parking lot, where people were welcome to plug in their appliances for the duration. Cleco had again proven that although a force of nature might complicate things, with some hard work and ingenuity, the company could keep the power flowing.



TURNING *the* COMPANY UPSIDE DOWN



TOLEDO BEND LAKE makes up 65 winding miles of the course of the Sabine River along the border of Texas and Louisiana. Created during the 1960s, it is the largest man-made reservoir in the South. In an extraordinary effort, it was built by the two states with no federal assistance. The ambitious project was made possible only because it paid for hydroelectric power. Not surprisingly, Hugh Coughlin had a hand in it. He brought together the consortium of utilities that guaranteed to buy the power from the dam that created the lake. “It wouldn’t have existed except for him,” said Scott Brame, a former Cleco chief executive officer.



LEFT: The Dolet Hills Power Station, at the mouth of a lignite mine, opened in 1986. It helped break Cleco’s dependence on natural gas.

RIGHT: The Toledo Bend Reservoir hydroelectric dam is a source of power for Cleco’s customers. It stands at the foot of the 65-mile lake and was constructed during the 1960s.

As soon as the lake opened in 1969, campers and picnickers flocked to its tranquil shores, and fishing boats skittered across its placid waters. In the 1970s and 1980s, Toledo Bend seemed a serene legacy of Coughlin’s leadership, but by then the company that he had built was headed for choppy waters. During the 1950s, low inflation, steady growth, and a mostly benevolent regulatory climate made electric power a predictable and peaceful business. However, even when Toledo Bend opened, storm clouds were on the horizon. Within 10 years, dramatic changes in the natural gas business would turn Cleco upside down. The core company and its commitment to providing affordable power for Louisiana would survive, but only after weathering a tough and demanding time. Anyone seeking peace and quiet would have done better by going fishing.



The 1964 annual report captures the Space Age optimism that Cleco shared with much of the country as the placid post World War II years came to a close.

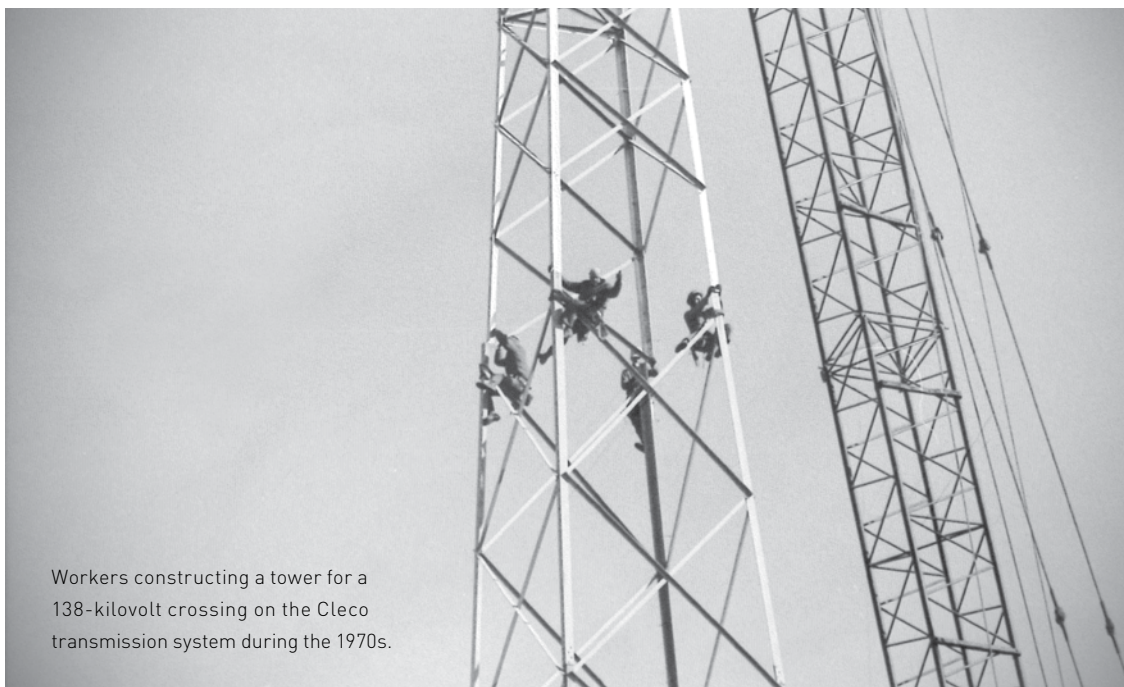
THE END OF AN ERA

The two decades after World War II were mostly golden for American consumers and businesses. During the late 1940s, wartime savings flowed out of the pockets of working and middle-class Americans and into the economy, jump-starting a new prosperity characterized by a sustained and steady growth in productivity, wages, and quality of life. The company enjoyed the ride as this economic uplift continued for some 20 years. At Cleco, this growth was reflected in a steady improvement in generating capacity. By the 1960s, the Rea Station had long been shuttered. The original generating units in the Coughlin Power Station, long since outmoded, were used only in times of peak load. Each new investment in equipment brought an exponential leap in output and efficiency. The

more the company invested, the lower rates could go. When Coughlin Unit 7, for example, opened in 1966, it expanded Cleco's generating capacity by 71 percent at a record low cost per kilowatt. As a result, from 1964 to 1966, with the approval of the Louisiana Public Service Commission (LPSC), the company gave \$1.25 million back to its customers.

As the 1960s came to a close, there seemed to be no reason to expect things to change. The company's biggest building year was 1965, until a five-year \$160 million program was launched in 1968. Shareholders and customers could look ahead to landmarks that seemed to guarantee Louisiana's place in the American economic miracle. Included in the five-year program were a 350,000-kilowatt addition to the Teche Power Station (Unit 2) and the construction of Cleco's share in the first real electric grid in Louisiana. Previously, the system essentially had been a single high-voltage backbone with just a few interconnections with other providers. But in the late 1960s, Cleco and a number of other Louisiana companies built a 500,000-volt loop encircling most of the state and even reaching into Mississippi and Texas. The resulting network, completed in 1971, not only made for more efficient and reliable transmission to existing service areas; it spurred growth in new ones.

At the time of the company's reorganization in 1935, Louisiana, like the rest of the Deep South, was a low-wage agricultural region that historically had not shared proportionally in America's economic growth. Cleco's own development was part of the social, cultural, and economic transformation that helped turn the cotton-growing South into the Sunbelt – a powerhouse of American economic



Workers constructing a tower for a 138-kilovolt crossing on the Cleco transmission system during the 1970s.

growth. A key element in this transformation was the civil rights movement, which allowed Cleco to expand its perspective with regard to what constitutes good business. In the late 1960s, Ray Scott, a Cleco salesman trained at Southern University, was appointed the company's first African-American management-level employee.

Another pillar of development in the South was industrialization. By 1967, the big plants that Coughlin had long courted had arrived. Procter & Gamble, DuPont, Sunbeam and, the largest of them all, Boise Cascade, had all begun operations in Cleco's service area. There was also suburban growth, as bedroom communities sprang up around New Orleans and other cities. This had first been noticeable in the old Gulf Public Service Company's Slidell-Covington area after the 1956 opening of the Lake Ponchartrain Causeway. It increased exponentially after the highway widening in 1969.

The rise of the South could be seen clearly in Cleco's own sales. In 1945, Cleco's average residential customer used 715 kilowatt hours of electricity annually, 42 percent less than the national average. Twenty-five years later, thanks to population shift, economic development, and the widespread adoption of air conditioning, Cleco customers were using 7,350 kilowatt hours annually, about 7 percent more than the national average. Cleco's revenues and earnings per share advanced accordingly. In recognition of this growth, on August 15, 1968, Cleco graduated from the over-the-counter stock market to a listing on the New York Stock Exchange.

Leading Cleco through these late 1960s landmarks was W. Donner Rodemacher, who took over as president and chief executive officer in April 1967. Rodemacher, unlike

his predecessor, was a Louisiana native. He had no ties to the old holding company days. After high school, he went to work in the finance office of a firm that eventually merged into Gulf Public Service Company and then Cleco. Rodemacher was a sharp contrast to the cosmopolitan Woodcock and the cultivated Coughlin. Like Coughlin, he was small in stature, but his flashy suits, broad gestures, and expansive personality made Rodemacher seem big. Behind the bravado was a keen sense of numbers. Rodemacher had served as treasurer of both Gulf Public Service Company and Cleco. He presided over the expansion of the company's gas transmission and production business, which protected shareholder interests during periods of high inflation and high interest rates. Unfortunately, Rodemacher did not have long to bask in the good years. He knew enough about numbers to see when trouble was coming. In early 1970, Rodemacher warned shareholders that the outsized earnings growth of the last decade was likely to end. For the first time, management was thinking hard about cutting costs. Inflation was on the horizon.

THE TROUBLED ECONOMY

Scott Overton Brame, a native of central Louisiana who grew up with Cleco, remembers the company's sudden turn into economic heavy weather. "The '70s were as bad as the '50s and '60s were good," he recalled. Although there were a few downturns in the postwar decades, that period was mostly marked by steady growth and minimal inflation. Unnoticed at the time but abundantly clear by 1970 was the beginning of runaway inflation that threatened the standard of living the country had worked so hard to



W. Donner Rodemacher became Cleco's third president in 1967. His roots were in finance and Gulf Public Service.



This modern executive office building opened at 415 Main Street in Pineville in 1959.



Sales personnel gather at the Pineville office in the late 1960s.

earn during the good years. Americans conditioned to expect abundance began to do without. Emblematic was Cleco's sudden shift in these years from encouraging customers to use more energy to counseling them on how best to conserve it.

Part of the noxious economic brew that would displace the good years was the fact that even as productivity fell and costs rose, Americans continued to expect more every year. From 1968 to 1974, Cleco's customers doubled their power demands. The company had little choice but to embark on a five-year construction program. In 1971, a third unit went into service at the Teche site, and the centerpiece of the effort, the Rodemacher Power Station, went online in 1975. This \$70 million facility, near Boyce

and in the works since 1969, included a 3,000-acre lake that provided cooling water to the power plant and offered boating and fishing to the public. Its 430,000-kilowatt generator, like all Cleco's generators, ran on natural gas.

These new plants presented a new problem. The LPSC, like other state regulators, was charged with a balancing act: It had to protect the public interest while providing utilities with a fair return on their investment. Every new plant upset the balance, because it produced electricity at a cost different from its predecessor. Each time a new plant was put into service, the LPSC had the option of adjusting or not adjusting utility rates accordingly. This had been no problem when the cost of electricity was steadily going down. But inflation and the rising costs of energy began to change the equation. As a result, in 1970, Cleco was compelled to apply for the first rate adjustment in recent Louisiana history. The company needed to cover the cost increases that would occur when the Teche Power Station Unit 3 project went online in 1971. Within a year, CEO Rodemacher had obtained much-needed rate relief from reluctant regulators.



The Rodemacher Power Station, built on Rodemacher Lake, opened in 1975.

CLECO AND "THE STREET"

Unfortunately, the economic news got worse as the 1970s went on. Government efforts to control prices only spurred the inflationary cycle. The Arab oil embargo of 1973 devastated the economy. By 1974, inflation was 11 percent, industries were collapsing, and many Americans were losing their jobs. This created an unexpected phenomenon – stagflation. Unemployment and inflation previously had been presumed to be mutually exclusive. Average Americans suffering from stagflation soon learned another grim new term: the misery index, an economic indicator that added together the unemployment rate and the inflation rate.

Meanwhile, Cleco had its own misery index: the price of natural gas. During most of the company's history, the decision to rely almost entirely on natural gas for generating power made sense. Gas was readily available, equipment to burn it was inexpensive, and gas was much cleaner than coal or oil. From 1967 to 1970, the wellhead price of gas in Louisiana stayed rock steady at 19 cents per thousand cubic feet. "Every schoolboy in Texas and Louisiana knew what gas cost," recalled J. Patrick Garrett, then a company director. But this changed. By 1975, natural gas was up to 42 cents. By 1978, it had doubled again to 84 cents.

Although Cleco was highly vulnerable to rising gas costs, it did have some defenses. One was a fuel adjustment clause created by order of the LPSC in 1975, which helped Cleco recoup the escalating cost of fuel. The other was its natural gas transmission subsidiary, Louisiana Intrastate Gas (LIG), which gave the company ready access to natural gas fields and guaranteed that Cleco would always pay wholesale prices. This provided limited relief. While regulators tightly controlled the price of natural gas for

commercial and residential customers, wholesale prices were market-driven. By mid-decade, Cleco was adapting its plants to burn heavy Gulf residual oil as a substitute. But these efforts, like the overall expansion program, were hampered by another reality of the 1970s economy: skyrocketing construction costs. As costs continued to escalate, and Cleco had no choice but to seek rate relief as the company continued its construction program. The LPSC, made up of elected officials, was naturally more attuned to the pleas of hard-hit consumers than to the requests of utilities. In 1976 and again in 1977, the commission refused to approve a rate increase. Meanwhile, fuel costs were driving Cleco from being one of the lowest-cost to one of the highest-cost power providers in the state.

To make matters worse, existing gas contracts threatened to drive LIG into bankruptcy. The pipeline company had traditionally bought gas at the wellhead, channeled some of the supply to Cleco's generators, and sold the rest to commercial, residential, and municipal customers. For the same reason that Cleco had staked everything on gas, LIG had negotiated with its customers a series of 20- to 30-year contracts based on historical prices. When the lid blew off the gas industry, LIG remained obliged to honor these fixed-price contracts while buying gas at the higher open-market price. In April 1974, Cleco brought in an outsider, Gale L. Galloway, to get LIG off the hook.

From the beginning, Cleco had been financed by New York City's largest and most prestigious bankers and underwriters. For many years, however, Cleco's stocks and bonds were traded only through the independent dealer network known as the over-the-counter market. In August 1968, Cleco made it to the Big Board, the New York Stock Exchange, the world's most prestigious stock market. At the time it was listed on the New York Stock Exchange (ticker symbol CEL), Cleco had more than 11,000 shareholders, from every state except South Dakota. The move marked

Cleco's transition from a regional to a national company. But most Cleco veterans were happy to keep some distance between the company and Wall Street. "It's the best of all worlds to live in," said Scott Brame, "a sophisticated business world, and yet I can come back home and live a simple, quality life in central Louisiana. You can't do any better than that."





LEFT: The volatility of natural gas prices imperiled Cleco's electric business but boosted its gas and drilling profits, paving the way for a transformation in the late 1970s. Pictured is a natural gas pipeline under construction.

RIGHT: Employee Joe Simms tests oil-burning equipment at the Teche Power Station. During the 1970s, all of Cleco's natural gas plants were retrofitted to burn oil.



A RISING BALLOON

Galloway was no novice. Before coming to Cleco, he had worked widely in the oil and gas industry. Galloway assembled a team that fanned out across the state and talked turkey to gas customers. The message was simple: If LIG continued to service the contracts at fixed prices, it would soon be broke and out of business. Whether LIG survived or not, its customers would eventually have to buy gas at prevailing prices. Only one customer resisted Galloway's persuasive approach.

Galloway had one other assignment: to obtain maximum leverage from Cleco's natural gas exploration subsidiary,

South Louisiana Production Company (SLAPCO). In the past, SLAPCO had met with little success in drilling for natural gas, mostly because prices were too low to make new exploration profitable. That was no longer the case.

Shorn of its unrealistic fixed-price obligations, LIG promised to do a booming business by carrying high-priced gas out of Louisiana's Tuscaloosa Trend field to cash-paying customers. During the mid-1970s, LIG laid pipe at a record rate. One 60-mile project went directly through the Tuscaloosa Trend. By 1977, LIG had 1,495 miles of pipeline in operation. It had almost doubled its size from 10 years earlier, and it was spending almost as much on construction as Cleco, its parent company. SLAPCO, meanwhile, drilling furiously, had brought in several new commercially producing wells. Cleco also had acquired a third gas-related enterprise, Mid Louisiana Gas Company, which owned wells and a 386-mile intrastate pipeline. By then, the board of directors had begun reassessing the future of the company.

Their problem was plain enough. The natural gas business was good. The gas industry was like a rising balloon, and Cleco was comfortably situated in one of the nation's top gas-producing states in an era of high prices and heavy demand. The sky seemed to be the limit. Weighing Cleco down, however, was the electric utility. The rising cost of gas for the utility was one problem. A historic leveling off of consumer demand in the 1970s was another. Investors began to shy away. In the mid-1960s, Cleco stock had sold at 26 times earnings, well above the average for a utility. By the late 1970s, it sold at seven times earnings, well below average. And, most distressingly, it seemed unlikely that Louisiana state regulators would ever

1978
allow Cleco's utility arm to earn a reasonable rate of return as long as its LIG and SLAPCO subsidiaries continued to thrive. In essence, the regulators were counting on the unregulated earnings to subsidize costs to utility customers. By 1978, Cleco's world had turned upside down: Most of the company's income now came from LIG and SLAPCO; only 25 percent came from the regulated utility. Galloway remarked, only partly tongue-in-cheek, "We earn all the money, and you spend all the money."



LEFT: Gale Galloway (right) shares a laugh with Rodemacher. An expert in the gas business, Galloway sorted out a financial predicament that was no laughing matter.

Pronouncements like this, not to mention the strange mix of good news and bad, were demoralizing for the veteran utilities men at the helm of the company, as J. Patrick Garrett, a board member, acknowledged. Compounding the problem was the fact that Rodemacher had reached retirement age with no clear successor in the wings. Brame, the chief financial officer, had been offered the CEO position, but he was uneasy about the LIG-dominated corporate structure. So Rodemacher stayed on. In fact, Rodemacher entered into talks with Gulf States Utilities to sell Cleco. But shortly after the companies had announced an agreement in principle, Galloway's successes in the gas business raised the value of Cleco, and the deal fell apart.

Another possible solution was to create a holding company so that the slumping utility and the booming gas businesses could be separated. Early in 1978, the board voted to make this move, and the Central Louisiana Energy Corporation, dubbed ENERGY, was created that August.

Rodemacher was CEO of the new company for a time but soon retired. When Galloway took over in 1979, he was given a free hand to make the most of the new arrangement. He was determined to make all the subsidiaries stand on their own, but this was an unlikely prospect. In 1978, ENERGY pumped \$23 million into the utility. By 1980, Galloway found it necessary to inform ENERGY shareholders that the rate of return from Cleco was "inadequate by all financial standards."

The next move, which came in October 1981, appears in retrospect to have been inevitable. Few could have expected that the regulated utility would stay fixed to the tail of the natural gas balloon for very long. Publicly insisting that the separation would "enhance the growth potential of both companies," Galloway gave Cleco a modest infusion of cash and spun it off. The spinoff left some Cleco veterans with an agonizing choice: Should they go with the flashy and profitable upstart or remain with the staid yet steady Cleco? Shareholders fared better. As part of the separation, they received stock in the parent, soon renamed Celeron. In 1983, the Goodyear Tire and Rubber Company bought Celeron, amply rewarding the old Cleco shareholders for their investment. But before two more years had elapsed, prices dropped and the natural gas balloon finally burst. It was a "tremendous deal for the Cleco shareholders and a terrible deal for Goodyear," said Garrett.

LOCAL OFFICES: BILLING AND BALANCING

Working as a traveling auditor early in his career, Jeffrey Hall got a good look at some of Cleco's most important employees: the ones who took care of customers. This is how he remembers it.

"In the days when a single teller would take the electrical bill, the gas bill, and the water bill, you had to segregate the cash. So when a customer came in to pay the electric and gas bill, you had to account for it at the end of the day as a separate payment for gas and a separate payment for electricity.

"Balancing was a nightmare, because you were really balancing for two different companies. Unfortunately, sometimes customers would make a partial payment on the gas, a partial payment on the electricity, and a partial payment on water. I think that indicates the sheer talent of the men and women who were working in our offices. They were very smart, and they were very committed to getting those customers' bills correct. The customer didn't care what we had to do. The customer just wanted a receipt to verify payment. It was up to us to get it right."



BUILDING ANEW

Cleco had endured some tough years, but it was not standing still. The natural gas bubble concealed the fact that the company was fully engaged in finding alternative fuels that would enable it to stick to its historic promise of good service at low rates. Natural gas was clearly no longer an economical option, and oil was also out of the question. Company engineers started thinking about coal. By 1974, designs were ready for a new 530-megawatt facility at the Rodemacher site. The disarray in the fuel market had spurred Cleco's engineers to build in some fuel flexibility. Rodemacher 2 was designed to burn coal, inexpensive low-sulfur coal that would be shipped in from Wyoming, but it could also burn natural gas or fuel oil.

"It was a major step," recalled Ken Dickerson, a staff engineer at the time. "We didn't have the luxury of making any mistakes." The new plant had cost four times as much to build as the old ones, and it would be fueled by coal expensively shipped in from 1,500 miles away. Another hurdle was the resistance of the local people to the very idea of a coal plant in gas country. In response, Cleco officials took to the highways of central Louisiana, speaking before numerous civic groups to explain why coal was necessary and to reassure them that Cleco would install emissions controls and carefully schedule the freight traffic. "We had to sell the region on the concept of burning coal," said Mike Prudhomme, then a public relations specialist.

There was one final complication. The Rodemacher 2 project was begun while electricity consumption was still going up. Building had just gotten under way when electricity consumption began leveling off. The completion, initially scheduled for 1979, was pushed back to 1982. The

company also brought in a partner, the Lafayette Utilities System, to share construction costs and to co-own the plant. As the start date approached, Cleco was still oversupplied, so the company sold half of its existing share to the Louisiana Energy and Power Authority. When Cleco's showcase power station opened in August 1982, two-thirds of it was owned by other utilities. Despite this, performance met expectations. In its first three years of operation, the Rodemacher 2 plant saved customers more than \$55 million in energy costs.

1982

By then, the plant's namesake was no longer at the helm. In 1978, W. Donner Rodemacher brought in James Henderson to run the regulated utility. Henderson was a veteran utilities man, most recently with San Diego Gas & Electric Company. His calm, almost stoic demeanor was in sharp contrast to Rodemacher's flashy extroversion. Serenity was just the thing to reassure shareholders, employees, and a public disturbed by the shake-up at Cleco and worried about the future. As Cleco gingerly emerged from the shadow of ENERGY, its stock price slumped.



Flames shoot from a SLAPCO well in the Tuscaloosa Trend in south central Louisiana in 1978.



A railroad train arrives at Rodemacher 2 with a load of Wyoming soft coal. This was Cleco's first major response to the natural gas problem.



James Henderson was a smart, by-the-book utilities man. He kept the regulated electric business steady during the tumult of the late 1970s and early 1980s.



In August 1978, the name Cleco abruptly disappeared. Electricity became just one of three energy sources marketed by the new Central Louisiana Energy Corporation.

But Henderson, who became president and CEO in 1981, was committed to modernizing and tightening up what he considered a “sleepy little company.” Cleco invested heavily in upgrading its customer service and billing infrastructure. One big step had already been taken with the implementation of computerized billing in the late 1960s. In the early 1980s, Cleco introduced on-site billing in an effort to take the waiting and guesswork out of paying an electric bill. In 1982, Cleco was relisted on the New York Stock Exchange, this time trading under the symbol CNL. The next year, Cleco sold the last of its municipal water operations for the same reason it had sold its ice businesses three decades earlier – to focus on electricity.

By 1984, it looked as if Cleco had made a successful comeback. That year, the top rating agencies all upgraded Cleco’s bonds into “A” territory, and the National Association of Regulated Utilities Commissioners named Cleco one of three utilities that had shown the greatest productivity increase during the last decade. At the same time, the company was hard at work renegotiating its coal and gas contracts, clearing power line rights of ways to keep maintenance costs down, and automating customer, employee, and accounting records systemwide. Because interest rates dipped in the 1980s, the electric utility industry thrived. In 1985, 22-year Cleco veteran William F. Terbot took over as president and CEO from the ailing Henderson. Terbot later announced that the company was “securely positioned to meet the future.” But there were two additional steps to take. One, the use of local coal, had been eagerly anticipated by Hugh Coughlin years before. The other, a rate increase, had been carefully avoided.

Back in the 1950s, Coughlin’s notion that the low-grade coal known as lignite found in northwest Louisiana might someday make good fuel seemed curious. After all, said Scott Brame, “You’ve got to have a houseful of it in order to produce one BTU.” Undeterred, Coughlin sent three engineers to DeSoto Parish during the 1950s. Their report was positive, so Cleco acquired the property and waited. In 1981, the time looked right for lignite. Company engineers began building a 640-megawatt power station near the mouth of the Dolet Hills lignite mine near Mansfield. As at Rodemacher 2, Cleco went into Dolet Hills on a joint venture, this time with Southwest Electric Power Company, which had also invested in the Dolet Hills lignite properties.

The plant opened in April 1986. Everything had gone well – with one big exception: Cleco had not been allowed by the LPSC to adjust its electric rates to cover the new plant. As the troubled economy of the 1970s gave way to the more stable economy of the 1980s, however, the regulators had shown some inclination to provide relief. Cleco had gained rate increases in 1982 and again in 1983 to cover its Rodemacher 2 plant. But three years later, Cleco needed another significant increase to bring Dolet Hills into the rate base. During years of planning and construction, David Warner, Cleco’s vice president of rates, had coordinated the rate filing with the LPSC consultants. Warner had anticipated almost every complication. He had even kept the new executive office building out of the rate filing. But he had not figured in his calculations that 1986 was an LPSC election year.

The commission voted no, three to two. Brame represented Cleco at the LPSC meeting that day. The commission

bluntly informed him that it would allow only a fraction of the needed increase. “They said you can either take \$20 million, or we’ll give you zero,” Brame recalled. He was stunned. Cleco’s outside legal counsel, Bill Bonin, warned Brame that if Cleco took the money it would not be able to litigate the decision, and Bonin was sure that Cleco could make a good case for greater recovery. “This was one of many pieces of wise advice given by Bonin over years of service,” Brame said. Cleco accordingly declined the commission’s settlement offer, and the litigation was on. In August 1986, a district court awarded Cleco a \$51.7 million rate increase, which the Louisiana Supreme Court later upheld. Cleco had reached a landmark. Dolet Hills was included in Cleco rates. For the first time in decades, there were no power plants on the drawing board or under construction. This was a badly needed respite, because Cleco had some other housekeeping to do.

Coughlin was no believer in luxury. Through the 1950s, the administrative offices had been crammed into a small brick building in Pineville. He was persuaded to build a modern facility in 1959, but when building costs rose, Coughlin called a halt to the project. Striding onto the site and gesturing, he told the contractor, “Don’t build anything past here.” Things were soon crowded again, and a solution was needed. The Pineville offices housed only a part of the company operations anyway. Partly out of parsimony and partly out of political expediency, both Coughlin and Rodemacher had been reluctant to remove accounting and other functions to Pineville from the old Gulf Public Service Company facilities in Lafayette and New Iberia. As a result, said Brame, “We were two companies never quite integrated together.”



Henderson, the outsider, could see no point in siting the corporate offices at two locations 125 miles apart. He acquired a tree-covered site on Donahue Ferry Road in Pineville and began building in 1984. The new executive office building was intended to be the kind of place where people want to work. As many pine trees as possible were left standing, so the new spacious seven-story office building could be ensconced in a quiet and shady site. Despite this peaceful setting, there were understandable misgivings as about 300 employees from throughout the system began to arrive in Pineville. Cleco’s roots were in rural central Louisiana; Gulf Public Service was born squarely within Cajun country. For 25 years, the two cultures had rarely mixed. At last, these two branches of the Cleco family began living and working together, tackling the tough job of unifying the company in a state proud of its cultural diversity.

LEFT: Leaders of the 1980s enjoy an informal moment. From left, they are James Henderson, Scott Brame, and William Terbot.

RIGHT: The two parts of the company, Louisiana Ice & Electric from the north and Gulf Public Service from the south, finally came together at the office building on Donahue Ferry Road in Pineville. Construction was completed in 1986.

THE NEW WORLD

that WASN'T

ALTHOUGH IT MIGHT not have been evident at the time, Cleco had been experiencing something of a second golden age. Rodemacher 2 and Dolet Hills had performed as advertised. By slashing the proportion of power Cleco generated from natural gas, those plants had helped the company meet its goal of lowering fuel costs. From 1983 to 1987, the average customer cost for a kilowatt hour dropped from 7.30 cents to 6.73 cents.



Having lowered costs to customers, Cleco next focused on improving service. In the late 1980s, most of the company's construction budget was spent building up the transmission and distribution systems. At the heart of that improvement was a 61-mile high-voltage transmission line from Rodemacher Power Station to the Cocodrie substation at Coughlin Power Station, the biggest transmission construction project in company history. To minimize weather-related outages, Cleco set crews to work clearing the rights of way around transmission and distribution lines. The company had begun to retire its old electromechanical system in the 1970s; it continued substituting solid-state relays and controls in its substations. In the 1990s, Cleco became one of the first companies in the United States to install a completely computerized relay system. Technology was also the key to a new customer information system. Like the transmission projects, it was completed in 1993.

LEFT: President and CEO David Eppler headed the company in 2001.

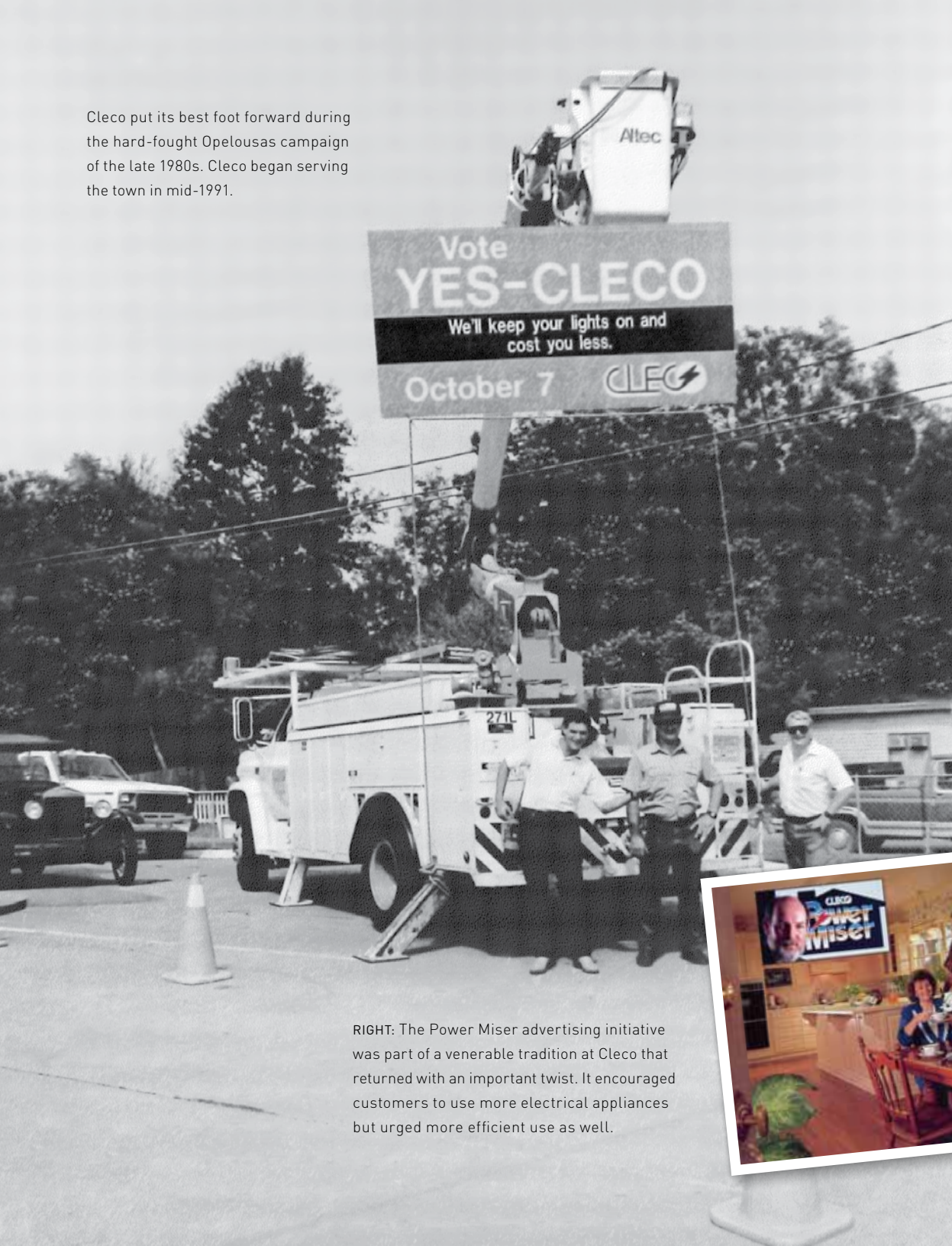
RIGHT: Cleco made customers of the Teche Electric Cooperative an offer that they could not refuse. Cleco purchased Teche in 1997.



WE WANT
TO SERVE
YOU
CLECO

CLECO
INFORMATION
STATION

Cleco put its best foot forward during the hard-fought Opelousas campaign of the late 1980s. Cleco began serving the town in mid-1991.



RIGHT: The Power Miser advertising initiative was part of a venerable tradition at Cleco that returned with an important twist. It encouraged customers to use more electrical appliances but urged more efficient use as well.



Cleco's steady performance during these years was reflected in steady management. Terbot, who became president in 1985, had been something of a transitional leader. He understood the importance of Henderson's efforts to tighten up the administration of the company. But Terbot was a lifelong Cleco employee. To him, Cleco would always be as much family as company. Terbot pursued Henderson's plans to consolidate various administrative and engineering functions in the company's corporate offices in Pineville. In 1988, Scott Brame took over as president and CEO. In many ways, his leadership was reminiscent of Coughlin's. He stepped up the company's industrial marketing and economic development, bringing back people who had led that project in the 1960s and launching a new residential initiative. The Power Miser program, which offered reduced rates to owners of energy-efficient all-electric homes, was a direct descendant of the Gold Medallion all-electric home program.

In the mid-1980s, it had fallen to Brame to take on the Louisiana Public Service Commission (LPSC) in Cleco's toughest rate fight. That experience left its mark on him. Throughout his presidency, Brame was concerned first and foremost with keeping costs down for the company and consumers. He emphasized good relations with the LPSC, and he spoke frequently to civic clubs in the service area. Brame was proud that Cleco's rates were far below national averages and among the lowest in the Southeast, and he was determined to keep them that way. This, he believed, had helped the company win a hard-fought battle to bring in 7,700 new customers in the city of Opelousas. In a 1989

referendum, Cleco narrowly defeated the existing provider, a co-op, and survived several court challenges before initiating service in mid-1991. Two years later, the cities of St. Martinville and Alexandria also signed wholesale power supply agreements with Cleco.

While new business, economic development, and the Power Miser program brought rewards, a string of hot summers in the early 1990s also kept revenues growing. There were challenges, too. Congress passed tough new clean air laws. Older coal-burning utilities suffered serious cost impacts, but Cleco, with its newer equipment, was unaffected for the time being. Just as the economic recession was lifting, the “peace dividend” at the end of the Cold War brought about the closing of England Air Force Base, one of the company’s largest customers. That loss was balanced by continued growth of Slidell and Covington. Both of these towns became Cleco territory in the Gulf Public Service merger. Not even Hurricane Andrew, the strongest storm to hit Louisiana in 25 years, could keep Cleco down. Although Andrew plowed right through the southernmost part of the company’s service area in 1992, the company was able to absorb the \$17 million rebuild cost without raising rates.

FROM FAMILY TO TEAM

When Terbot left the company, he expressed his great thanks and high praise for the employees. “I cannot imagine a finer group of people than the Cleco ‘family,’” he wrote. It was a metaphor that had cropped up again and again in the history of Cleco. Although it had been more accurately two families, the northern Cleco branch and the southern Gulf Public Service branch, the metaphor

applied nonetheless. Like a family, the company provided unconditional security and unquestioning support. “At that time if you came to work for Cleco, and you did your job, you had a job for life,” said Judy Miller, then an accountant at the Pineville office. In 1950s and 1960s, when rapid growth was the rule, regulations were simpler and competition was collegial. By the 1980s, things had changed for Cleco, as they had for the rest of corporate America.

Brame well understood this. He knew that on both the state and national levels, there was far too much regulatory uncertainty for comfort. Even with no new generation plant in the works and no prospect of a rate case, Brame still made one-on-one cultivation of the Louisiana Public Service Commissioners a top priority. But there was little he could do when reports came from Washington about the deregulation of the entire industry. Deregulation would mean competition and tough choices.

Of course, the company had long been concerned with costs, but most of its efforts had focused on power generation. Embracing the lean-and-mean approach that some corporations had been forced to adopt in the 1980s would not be easy. But Brame knew that the company had inefficiencies that needed to be addressed. Late in the 1980s, he brought in a consulting firm to evaluate company management and make cost-saving recommendations. The results were relatively minor. They proved to be a good start, but there was still more to do. In late 1992, Brame, on the verge of retirement, asked Greg Nesbitt, an executive vice president, to launch a major organizational effectiveness study. That study, which would have a profound impact on Cleco, was ultimately completed and implemented by Nesbitt. He became Brame’s successor in April 1993.



Mid-1980s Cleco management included (from left) Robert Duncan, senior vice president of commercial operations; Scott Brame, senior vice president of finance; William Terbot, president and CEO; and Greg Nesbitt, senior vice president of electricity operations.



Scott Brame (left) had a long history as a member of the Cleco family. In 1993, he left Cleco in the hands of Greg Nesbitt (right).

Gregory Leon Nesbitt was an engineer and an outsider, a colleague of Henderson at San Diego Gas & Electric who moved to Cleco shortly after Henderson did. Just as Henderson had brought the two Cleco families together in Pineville, Nesbitt was determined to convert the Cleco family into a more efficient corporate entity. Like Brame, he knew such change would be unwelcome in some quarters, but he was certain that it was necessary to survive in a more competitive world. As Nesbitt described the uncertain future, he explained, “We are about to get on a roller coaster and had better

make sure we have our seat belts on.”

To aid the study of the organization, management brought in a consulting firm to collaborate with a company team of a dozen employees. Working out of a company warehouse, the team members began scrutinizing every aspect of Cleco’s organizational structure and work flow. They made innumerable trips to offices and work sites throughout the properties, gathering data and consulting with employees. “Basically, we said we want to do it better, faster, cheaper, and safer,” Nesbitt said. As the weeks went on and it became clear that the company was serious about improving its competitive position, some employees grew anxious. Still, the task force took its mission seriously. “One of our favorite sayings was there were no sacred cows,” recalled Ken Dickerson, general manager of electric production at that time.

After six months, the team had a plan for a smaller, more efficient company. It was time for the restructuring to begin. In the fall of 1993, with the help of a second

consulting firm, Cleco implemented a zero-based staffing process. Every employee, from the top down, had to reapply for his or her old job or for a new one. Eppler remembered it as a relentless process. In six weeks, the company was rebuilt, one level per week. All along the way, there was anguish. “Some people didn’t end up where they wanted to be, but where they wanted to be didn’t exist anymore,” recalled Larry Wells, then transmission general manager. When it was all over, some 150 employees, about 10 percent of the total Cleco work force, were gone – retired or not rehired.

Henceforth, management explained, Cleco might no longer be a family, but it would be stronger as a team. “When you’re on a team, you have to carry your own weight,” said Mike Prudhomme, treasurer. The teamwork approach also meant that managers intended to instill a sense of empowerment. They had listened carefully to the people who knew the company’s operations best. During the months after the restructuring, the company implemented several key initiatives that came from employee suggestions. For example, it created a centralized 24-hour call center and consolidated its customer service offices from 25 to 10 locations. For Team Cleco, leadership and active participation became paramount values. “Bosses are out, and leaders are in” was the new Cleco mantra. Employees also put more time into democratic decision making, which was a novel activity for managers and workers alike. Clearly, Nesbitt had piloted Cleco through a traumatic transition and steadied it for the future. But the process hadn’t been easy on anyone. “It was like cutting diamonds with a chain saw,” recalls Eppler.

Having transformed the company into a leaner corporation, Nesbitt's team saw little risk in acquiring one small company that could not be expected to survive alone. In 1994, Cleco initiated a campaign to purchase the Teche Electric Cooperative, one of Louisiana's old Rural Electric Administration co-ops in the southern part of the state. The deal closed in 1997. Meanwhile, Nesbitt tried to press further on the co-op front. However, an attempt to acquire the Washington – St. Tammany Electric Cooperative in 1995 was unsuccessful, as was a 1996 bid Cleco made in partnership with U.S. Generating Co. to purchase the generation assets of Cajun Electric, the wholesale supplier to all of the Louisiana electric cooperatives.

Pleased with the restructuring and the acquisition of Teche but wary of future deregulation, Cleco's board of directors thought the time was right for a comprehensive strategic assessment of Cleco's options. One proposed plan could boost generating capacity: Cleco would repower and restart one of the moth-balled generating units at the Coughlin Power Station. Still, it remained unclear where Cleco's best long-term prospects lay in a deregulated market. With the Coughlin repower project uppermost in their minds, Cleco and its

consultants completed yet another expansive evaluation in 1998. Repowering the Coughlin station was indeed a great idea, they decided, but they thought Cleco could do much more. Their proposal was something much larger.

GLIMPSES OF A NEW WORLD

The economic turmoil of the 1970s had torn away the underpinnings of the postwar boom, among them America's faith that regulation was the best way for a natural monopoly to act in the public interest. There was a strange convergence of thought: From the right came the familiar arguments that regulation would dampen the competitive impulse vital to economic enterprise. From the left came claims that letting the industry influence its own regulators

would work to the detriment of the public interest. Then, one by one, the regulatory pillars fell. The airlines, trucking, railroads, and the natural gas industry were all deregulated in turn. The result was wholesale upheaval. Businesses that were more attuned to the mandates of regulation than to the variations of the market struggled to reinvent themselves. And while lower prices usually resulted, there were hundreds of corporate fatalities. Under the whip of competition, larger or more aggressive companies swallowed up smaller companies, even with no assurance of future success.



LEFT: The 1994 annual report, issued after a major staff restructuring, emphasized Team Cleco for the first time.

“LET ME SEE IF
I UNDERSTAND THIS...”



In 1987 and 1988, when corporate income tax rates were low, Cleco reduced its rates voluntarily to give customers the benefit of the lower rates. The move was popular among customers, but puzzling to everyone else. After corporate taxes were reduced, other utility executives got together to make the case for the status quo to the Louisiana Public Service Commission (LPSC). Elton King, president of Bell South Louisiana, was in the room when the LPSC considered the matter. At some point, David Warner, Cleco's vice president of rates, stood up.

“We're reducing the rates,” Warner announced. “There was no oxygen in the room,” King recalled later. “Everybody just scurried for the door. They didn't know what to do.” Some years later, King was elected to the Cleco board. The move was equally perplexing to state regulators. Utilities came to them for rate increases, not decreases. One of the commissioners gazed at Warner and began, “Let me see if I understand this...”

In the end, Cleco was the only company to take this unusual step. As Scott Brame recalled years later, “We thought it was the right thing to do.”

This was the world the electric utility industry was about to join. Deregulation was clearly not going to happen all at once, but almost everyone was sure that it would happen. The first step came in 1992 when the Federal Energy Regulatory Commission (FERC) decided to separate regulated retail utilities from competitive wholesale markets. Instead, it would permit electricity “wheeling.” Wheeling is the sale of electricity from one utility to another. By 1994, a few companies that had learned the art of wheeling in the gas industry had begun to sell electricity. FERC then began laying plans for the deregulation of transmission systems, so that wholesalers could get access to interstate markets. The last step, a step dependent on state regulators, would be deregulating local retail service. Generation, transmission, distribution, and retail services could be provided by several different players in this new world of unbundled electric markets.

It was still early for that, however. Some states, such as California, where prices had long been high, were eager to deregulate. But in Louisiana, where prices were low, the LPSC saw no reason to revamp a system that was working well. So while the state offered Cleco some protection for its retail service, the federal government offered it an opportunity to engage in the interstate wholesale business. It was this opportunity that prevailed in the company's strategic evaluation. The consultants agreed with the recommendation to repower Coughlin station, but they urged Cleco to do it in a big way and sell the energy in the competitive wholesale market. It seemed like a good plan. Nesbitt hoped Cleco would also sell some of the Coughlin output to the regulated utility, but under regulatory requirements that could happen only after the utility



eliminated all other viable energy purchase options through a request-for-proposal process. In the end, Nesbitt decided that Cleco's expertise was in building and operating power plants, not in selling electricity in speculative commodity markets. Therefore, management decided to operate its wholesale plants under what are called tolling agreements. Cleco would operate and maintain the plants under a contract, then sell the output to an energy trading company which would take the marketing and commodity risk in the wholesale market.

Cleco knew that if it did not get into unregulated enterprises quickly, it would be overtaken by companies that did. "We felt like we were sitting on top of a gold mine, and we wanted to benefit from it," recalled David Eppler, chief financial officer at the time. Cleco had proven itself in its field. In 1996, of the nation's 80-plus leading utilities, Cleco had the 12th-lowest costs. The lean-and-mean approach had always counted in generation, but in the competitive world it would be essential. Cleco was ready. The electricity was the same, but this was an entirely new business.

In July 1997, the new Cleco was born. Five divisions were created: retail energy, distribution services, generation services, financial services, and employee/corporate services. Each had its own vice president, and each had its own profit and loss responsibility. Hoping to gain some experience selling energy before state deregulation took effect, Cleco also formed Cleco Energy, a joint venture with a Houston company, to sell mostly natural gas on the unregulated wholesale market. This was a big step, and Nesbitt took to saying, "We're not just a utility anymore."

By the time Eppler succeeded Nesbitt as president and chief operating officer of the utility in 1998, Cleco was well on its way toward being a wholesale generating supplier. The LPSC was still equivocating on state-level retail competition, but plans for production at the Coughlin facility, now renamed the Evangeline Power Station, had been expanded to 775 megawatts. Also on the drawing board was a new holding company structure in which every entity and enterprise would be established separately. On July 1, 1999, the old Central Louisiana Electric Company was gone, replaced by Cleco Corporation, a holding company with subsidiaries. Each was expected to operate independently, but for the collective benefit of Cleco's investors. The regulated utility became Cleco Utility Group Inc. It was renamed Cleco Power LLC the next year. Cleco Midstream Resources LLC housed the wholesale generating subsidiaries. This profit-center approach put a spark into both areas – the new endeavors and the old cost-oriented regulated business.

In December 1999, Cleco closed the financing for the Evangeline plant. Cleco would pay about 15 percent of construction costs with company equity while raising the rest through external financing. That plan was far different



The employee newsletter covered the company's initiative to reopen the old Coughlin Station as the Evangeline plant. This would be Cleco's first foray into the deregulated industry.



By the time Greg Nesbitt (right) retired in May 2000, the pressures of adapting Cleco to the deregulated world were evident. David Eppler (left) soon faced even bigger challenges that Nesbitt had.

from the 50-50 split typically associated with regulated investments. It was not hard for Cleco to find a counterparty to the Evangeline tolling agreement. The company had entered the business early enough to have its pick of the energy trading firms who were then hungry for supply. It entered into a 20-year agreement with Williams Energy Marketing and Trading.

When the Evangeline Power Station went online in July 2000, Cleco had already begun to build two more plants, part of its \$1.2 billion master plan to own 4,000 megawatts of unregulated generating capacity by 2005. Unlike Evangeline, these brand-new plants would use state-of-the-art combined-cycle technology. The first project, Acadia Power Station, was to be a 1,160-megawatt gas-fired project located south of Eunice in Acadia Parish. Rather than assembling a consortium of investors for Acadia as it had for Evangeline, Cleco entered into a 50-50 partnership with Calpine Corporation, one of the leading midstream operating and marketing companies nationwide.

The second project was a 750-megawatt gas burning plant in Perryville, in the northern part of the state. That plant was built in two phases. A 180-megawatt simple-cycle unit went online in 2001, and a 570-megawatt combined-cycle unit followed it the next year. Cleco built the Perryville plant in partnership with a subsidiary of Southern Company that, like Calpine, was an early participant in the midstream business. That partner, renamed Mirant in early 2001, entered into a 20-year tolling agreement and agreed to supply the natural gas for generation.

The Acadia and Perryville partnerships enabled Cleco to build on a larger scale than it could have done alone. Like the tolling agreements, these partnerships insulated the company somewhat from the unpredictable midstream power market. In the Evangeline and Perryville construction, the company also used project financing to keep the risk isolated to the project subsidiary, without endangering the entire corporation or Cleco Power. Unfortunately, because of litigation that challenged the plant's environmental permits, Cleco was not able to get project financing in place for Acadia. The parties reached a settlement in 2002, which included the construction of a 35-acre pond that would reduce groundwater use by 25 percent.

Through most of the year 2000, signs were good. The midstream energy market that Cleco was rushing to join was booming. Corporate earnings were up 15 percent over the year before. Eppler, who became CEO in May 2000, was sure that it was the beginning of an era of growth for Cleco.

Trained as an accountant, Eppler had come up through the rates department of a New Mexico utility. He joined Cleco as part of an infusion of outside talent during the Henderson years. After the 1981 spinoff from ENERGY, he had helped Cleco reestablish relations with banks and other financial institutions. Eppler, regarded as smart and energetic, tempered his outsider's perspective with a deep respect for tradition. But with the industry on the verge of transformational change, Eppler saw no alternative but to embrace that change and push ahead.

THE TSUNAMI

2001
By the summer of 2001, however, it was beginning to appear that deregulation of the electric industry held more liabilities than benefits. One needed only to look to the West Coast for evidence. In the late 1990s, California had been the first state to substantially deregulate. Energy marketers, led by Enron, moved in quickly to shape the market. By mid-2000, prices had shot up, and blackouts had hit San Francisco. Some people considered these troubles to be the inevitable growing pains of deregulation. Industry experts claimed that deregulation had not been accompanied by adequate growth in generating capacity. But in 2001, things only got worse. It became apparent that the energy marketers were manipulating the system. In January of that year, California Governor Gray Davis, calling deregulation “a colossal and dangerous experiment,” declared a state of emergency. In March and May, more rolling blackouts hit California. Investors began turning away from energy stocks partly because of what was happening in the West and partly because of an old problem, rising natural gas prices.

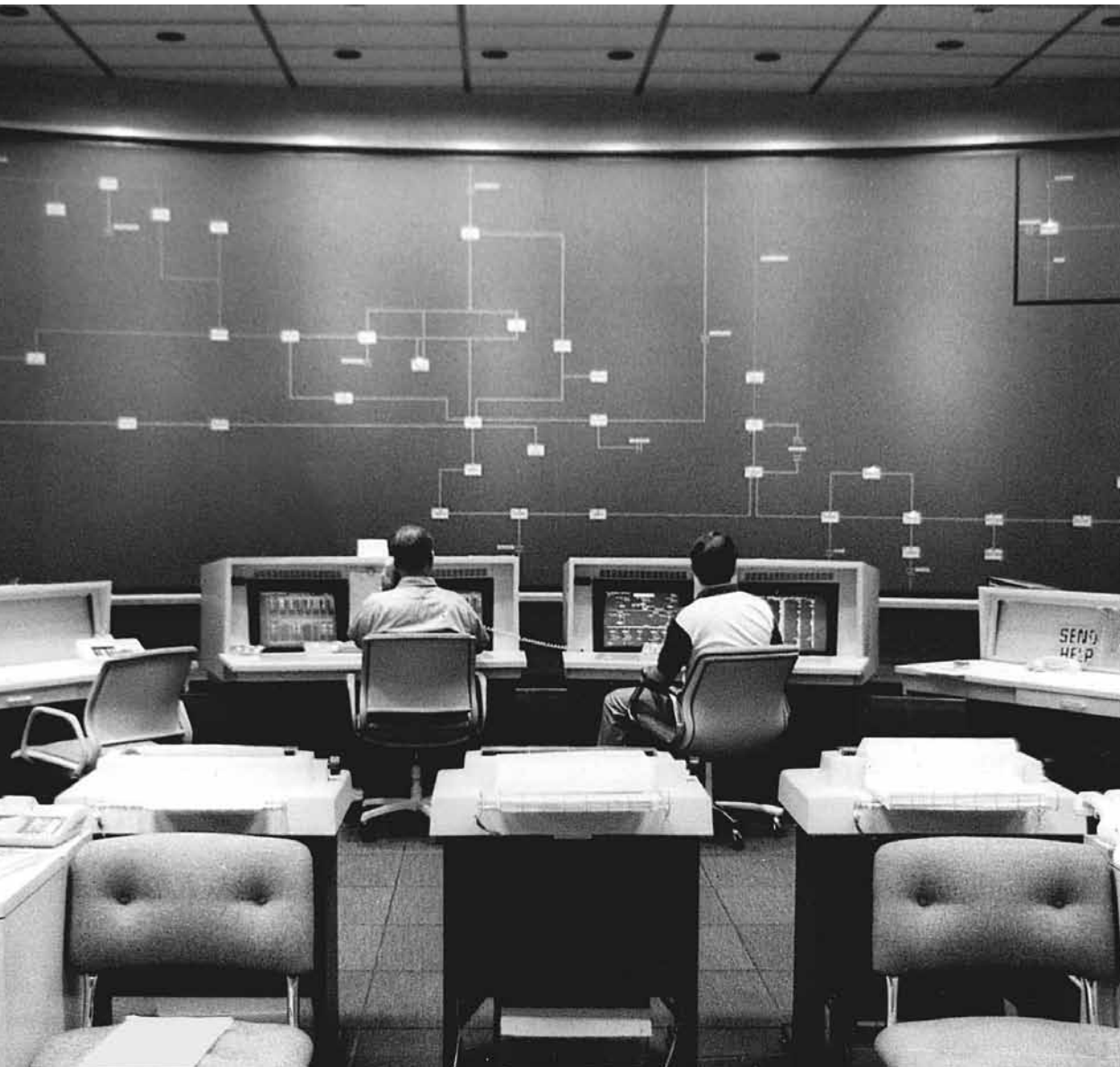
Some people viewing the transformation of Cleco at a distance were puzzled. Why was a company that had worked so hard to reduce its dependence upon expensive and unpredictable natural gas now investing millions in gas-fired plants? The answer lay in timing and the wholesale model. Prices had come down since Cleco had decided to build Rodemacher and Dolet Hills in the 1980s. That allowed energy marketers to mitigate natural gas price swings by pricing that risk into the electricity they sold to utilities while remaining competitive versus other fuel



ABOVE: Ken Nolley (from left), assistant treasurer, Keith Crump, manager of technical services, Russ Snyder, plant manager, and Ken Dickerson, vice president of generation, stand on the newly completed Evangeline Power Station. The men represented the balance Cleco sought. Nolley and Crump looked for new opportunities while Snyder and Dickerson kept the plants running.

RIGHT: Opened in the summer of 2000, the gas-burning Evangeline Power Station produced energy for the deregulated midstream market.





The display in Cleco's control room in the 1990s represented a small part of the nationwide power system.

sources. The new gas plants were much more attractive than the old ones, because they were inexpensive to build and clean to operate. Calpine alone had acquired more than 60 of them in the late 1990s. But soon the wellhead prices, which had been below \$2 in recent years, began spiking again. They topped \$6 in early 2001. Worried investors began selling their investments in the midstream energy companies. *2001*

Cleco was running into its own challenges. For one thing, the company had entered into a tolling agreement with Aquila Energy for only half of Acadia's output. Cleco negotiators were still trying to get the best deal possible out of Calpine for the remainder. But for Eppler, the biggest concern was the most basic: supply and demand. Cleco had entered the midstream generation business early, but a host of other participants had since followed. Eppler wondered whether too many players were in the game; he spent much of his time scrutinizing the latest generation statistics. He was not the only one. Cambridge Energy Research Associates, a highly regarded industry think tank, had also been looking into the matter. By the time utility executives from across North America met in Montreal for the annual convention of the Edison Electric Institute in 2001, they had their answer.

At the convention, Eppler attended the Cambridge Energy session called "The Coming Supply Tsunami." He sat stunned as the researchers laid out in detail the likelihood of a national oversupply of generating capacity, potentially worse in the mid-South. Although Cleco was still largely protected by partnerships and tolling agreements, the 50 percent of the Acadia output Cleco still held became an urgent concern to Eppler. He phoned his

negotiators and insisted in no uncertain terms that they complete the Acadia tolling agreement with Calpine immediately, at whatever price they could get. The deal came just in time. A few weeks later, the president of Enron, the lead company in the transformation of the energy industry, resigned abruptly. In late 2001, Enron collapsed and the energy trading bubble burst. The next year, electricity reserves in the region, usually at 15 to 20 percent, hit 42 percent. The supply tsunami had come ashore. It was a “one-two punch,” Eppler said, a blow that the best of plans could not withstand. Cleco’s share price began tumbling. By the time the crisis ended, Cleco stock had dropped 36 percent, settling nine points below the industry average.

Protected by partnerships and tolling agreements, it seemed that Cleco Midstream would survive so long as its partners and counterparties did. There would have to be more big cuts, however, including yet another traumatic work force reduction. This time, the reduction in force was 11 percent, but the shock was less than before.

By the fall of 2002, it seemed that the whole new world of unbundled energy services was in jeopardy. The bulk of Cleco’s earnings came from the regulated utility, and the company needed some luck to cushion itself from its deregulated problems. Fortunately, it got some. In July 2002, when Williams Energy teetered toward bankruptcy, financier Warren Buffet saved it. Then, in May 2003, when Aquila Energy decided to exit the merchant energy business, Calpine assumed Aquila’s 20-year agreement for the other half of the Acadia output. The bigger challenge ultimately surfaced in Cleco Midstream’s small trading operations. Started with the intent to monitor

developments in regional energy markets, Cleco Marketing & Trading LLC had become an active daily trading operation by 2002. However, Cleco Corporation had to provide credit support for the trading. Ultimately, management decided that the financial cost was too great in such a volatile environment. Finally, in the midst of trimming back trading operations, the board of directors received an anonymous complaint alleging that Cleco had engaged in questionable energy trading practices. The company self-reported its activities to its regulators, investigations ensued, and fines were paid. The golden age was over and the energy bubble had burst. Cleco leaders decided to go back to the basics.

THE “UNBUNDLED ENERGY COMPANY”

When it entered the midstream business full force, Cleco formed a holding company, eventually named the Cleco Corporation. Cleco Corporation had previously been the name of the regulated utility.

The following were the most significant subsidiaries of the new Cleco Corporation:

- Cleco Power LLC (the regulated utility)
- Cleco Midstream Resources LLC

Midstream had the following major subsidiaries:

- Cleco Energy LLC (oil and gas company)
- Cleco Marketing & Trading LLC
- Cleco Evangeline LLC
- Acadia Power Holdings LLC (50 percent)
- Perryville Energy Partners LLC (originally 50 percent, later wholly owned)



5

CHAPTER

THE *Right* THING



UNDER THE LEADERSHIP OF COUGHLIN, Cleco had internalized a simple and compelling goal: Stick to the core business and offer good service at inexpensive rates. Although those who followed Coughlin strove to meet that goal, a constantly changing environment and market structure made it challenging to do so. The establishment of Cleco Midstream was a well-conceived first-mover strategy, designed to capitalize on Cleco's successful history of owning and operating power generation. However, the instability of the fledgling 1990s energy markets caused virtually every company in the industry to retrench. They all turned their attention to surviving the unprecedented overbuilding of generation capacity across much of the country.

BACK TO BASICS

By late 2002, Cleco's tolling agreement counterparties were in big trouble. Williams, the partner in the Evangeline agreement, had narrowly escaped bankruptcy in July by obtaining a \$900 million loan from Lehman Brothers and Warren Buffett's Berkshire Hathaway Inc. Then in July 2003, Mirant, the tolling partner on the Perryville Plant, declared bankruptcy. Cleco had no choice but to write down the value of the plant, taking a \$1.94 per share impairment charge in 2003. The Perryville situation was particularly frustrating, because Cleco had been close to selling the plant when Mirant went under. The bankruptcy meant that the negotiations had to begin anew, and the bankers that were

In the 21st century, Cleco learned to bring new strengths to old assets. Here, Cleco's employee Anna Hanna, environmental specialist, and Rich Phillips, shift operations supervisor, confer at Dolet Hills.



The basics are still important. David Feucht, lead line mechanic, repairs a residential transformer in the early 2000s.

party to the agreement refused to approve the new terms. In January 2004, Cleco put Perryville into bankruptcy in order to get the bankers out of the transaction. In June 2005, the sale was finally completed, and Cleco recovered its investment in the plant.

That transaction confirmed the wisdom of management's decision to use project financing. Because that project had been financed independently, when Perryville was put into bankruptcy, Cleco's other assets were still safe. Unfortunately, Cleco had not been able to do the same with Acadia, so the risks were much higher when Calpine declared bankruptcy in December 2005. Not only did Calpine own half of the Acadia plant, it also had

two long-term tolling agreements with Cleco: its own, and the one it had bought from Aquila Energy. Cleco was better prepared for this bankruptcy. Additionally, management lined up a third party to market Acadia's output during the proceedings. The settlement came in 2007 when a Louisiana court approved Cleco's \$85 million claim against Calpine. The court also put Calpine's half of Acadia up for bid. It was won by Cajun Gas Energy L.L.P. in an agreement that enabled Cleco to recoup much of its investment. The Acadia story came full circle in 2009 when Acadia Power Partners, a Cleco Corporation and Cajun Gas consortium,

agreed to sell 50 percent of the plant to Cleco Power in a transaction overseen and approved by both the LPSC and the FERC. Entergy entered into an agreement to acquire the other half of the plant that same year.

Perhaps the spirit of Coughlin stood guard over the plant once named after him, for of the three midstream ventures, only Evangeline seemed blessed. Williams Energy, despite its 2002 bailout, was soon in trouble again. But a subsidiary of the seemingly flush investment bank Bear Stearns bought out Williams. Then, in the event that set off the economic catastrophe of 2008, Bear Stearns itself failed. The tolling agreement ended up in the hands of JPMorgan Chase, arguably the most secure investment bank in the world. This welcome piece of luck helped make Cleco's partial retreat from the midstream business successful.

As for the trading issues, it was some solace that the questionable transactions accounted for less than 1 percent of corporate revenues. Even so, the FERC fined the company and revoked its trading authority. An LPSC fuel audit related to the trading investigation resulted in additional customer refunds. Cleco admitted that it simply was not fully prepared to make and monitor these transactions. "We had inexperienced people working in areas where there were dangers that they didn't know existed," Eppler later explained. He took full responsibility for the lapse.

The company soon instituted ethics and compliance training, and corporate governance became an area of focus from the top down. With the Sarbanes-Oxley Act of 2002, Congress added significant new governance requirements for all public companies. Cleco's board was reconstituted, with an outside director, retired Houston lawyer

Pat Garrett, taking over the chairmanship. The company wrote corporate guiding principles and ethics standards.

In spite of these efforts, new problems with affiliate interactions surfaced during the periodic self-reporting required of Cleco by the 2003 FERC settlement. In 2007, Cleco was fined a second time by the FERC.

FINDING THE WAY FORWARD

Restoring its reputation now became Cleco's most important job. There was also other work to do remedying the trading issues and restructuring the midstream business. Eppler focused on getting the company's finances in shape, substituting equity for short-term debt, and renewing low-cost long-term loans. And there was still the utility to run. Keenly aware that Cleco Power needed more attention than he could give it, Eppler began a search in 2002 for someone to take over the utility and perhaps to be his successor.

Michael H. Madison was an Oklahoma native and a trained mechanical engineer. Starting out with a utility in his home state, Madison worked his way up through almost every aspect of the electric power business: generation, system planning, customer relations, and even human resources. At one point, Madison spent time in England helping utilities there deregulate. More recently, Madison had been the Louisiana president for American Electric Power (AEP), one of the largest power generators in the business. Since AEP and Cleco were part of the Southwest Power Pool transmission network, Eppler and Madison had often worked together. To Eppler, it was a plus that Madison proudly referred to himself as a "doug," or "dumb old utility guy."

In October 2003, Madison retired from American Electric Power and came to Pineville. Eppler asked him to take a good look at the company and set a practical strategy. Madison, strong on principle and passionate about the business, had a straightforward answer. "We'll decide what we want to do, and what we want to look like, and then let the market prove us wrong," he said.

Within weeks, Madison stood before the board of directors with a broad and ambitious agenda. Cleco Power, he said, would draw up an integrated resources plan that would carefully balance load and capacity with additional purchased and generated power. The generated power especially, said Madison, would have to be competitively priced, from a stable source. He believed that Cleco Power could spend up to \$1 billion on the plan. "The board was skeptical, to say the least," Madison recalls. First there were the construction costs, which so often run over budget. Then there was the financing of \$1 billion. That exceeded Cleco Power's existing rate base and would double the balance sheet. Finally, there was the regulatory risk. Chairman Garrett, a board veteran of almost 30 years, remembered the contentious rate cases of the 1970s and 1980s all too well. What would happen if the LPSC refused to go along? Or worse, what if it assented and then changed its decision after construction was under way?

These were all reasonable concerns, but everyone knew that it would take a bold initiative to get Cleco moving again. It was also reassuring that the plan had strong potential to improve price stability while lowering rates. To be sure, time and changing circumstances had given that old formula some new twists: The price volatility of



As part of Cleco's efforts to improve corporate governance, long-time "outside" director J. Patrick Garrett became Cleco's first nonmanagement chairman in 2003.

CLECO TOP EXECUTIVES

Woodcock	President, January 1935 to April 1947
Coughlin	President, April 1947 to April 1966 (remained chair to April 1972)
Rodemacher	President and CEO, April 1967 to August 1979
Galloway	President and CEO (Central Louisiana Energy Corp. parent), August 1979 to October 1981 (until spinoff of Cleco; Henderson president of utility during this time)
Henderson	President and CEO (Cleco), October 1981 to April 1985
Terbot	President and CEO, April 1985 to April 1988
Brame	President and CEO, April 1988 to April 1993
Nesbitt	President and CEO, April 1993 to May 2000
Eppler	President and CEO, May 2000 to May 2005
Madison	President and CEO, May 2005



ABOVE: In 2005 a new management team headed by president Michael Madison helped bring calm and also big plans to the Pineville General Office.

RIGHT: Cleco workers such as Garman Cyprian, lead line mechanic, handle heavy weather as a matter of course. The company had more trouble weathering the collapse of the midstream tolling agreements during the mid-2000s.



natural gas had once again eliminated it as a fuel source option. But in a world newly sensitized to climate change, fossil fuels also carried some risk. Fuel diversity, as Madison said over and over, was the key.

In May 2005, Madison took over as president and CEO of Cleco Corporation. He named Dilek Samil president of Cleco Power. Samil, a veteran of the electric utility industry in Florida, had led Cleco's financial restructuring efforts as chief financial officer since 2001. "With Cleco Power's

ambitious new construction and financing program and the biggest rate case effort in our history, Dilek was a natural choice," said Madison. Although there was much left to be done, it looked as if Cleco had turned a corner. Judy Miller, corporate secretary, recalled, "Mike focused on setting the right tone at the top, from the board on down." Madison often assured employees "Cleco is always going to do the right thing"

PEOPLE AND POWER

During the first decade of the new century, Cleco managers signaled in a variety of ways that the fundamentals of the business, the customers and the employees, had not been forgotten. Earlier, in a cost-cutting effort, Cleco had sought to consolidate customer service. But by 2004, it was clear that there was no substitute for staying close to the customer, and Madison decentralized the customer service functions.

The electrical industry had been dangerous to life and limb long before it had become a hazard to the balance sheet. But even as Cleco endured the deregulation storm, employee safety remained a bright spot in a dark sky. By mid-decade, Cleco had been named one of the safest utilities by the Edison Electrical Institute for the sixth straight year. In 2008, employees at the Teche Power Station completed a remarkable 20 years without a lost-time injury.

Just as management found fuel diversity the key to a successful future, it also found strength in employee diversity. In July 2006, Madison established the position of chief diversity officer and appointed Jeffrey Hall to fill it. Hall was appointed not because he was African-American, but because he had come up through Cleco's customer service organization and knew how to make the most of its people, every company's chief asset. In 2007, Hall instituted a diversity education and training program that did two important things. First, it helped employees to appreciate diversity in all of its forms. Second, it made a business case for the value of diversity to Cleco and its communities. It was not Cleco's first attempt to address such critical matters. Previous programs had sought to

THE LOGO THROUGH THE YEARS

The company's earliest logo emerged around 1938. It was a simple plaque surrounded by two crests that emphasized the company's "best service" and "low cost."



In the mid 1940s, however, after Louisiana Ice had become Cleco, someone decided to make a small adjustment, changing the wording to "good service" and "low rates."



A few years later, a minor change to the logo included the now ubiquitous name: "Cleco."



That logo prevailed until the 1960s when a period of logo drift set in. For a while, the name Cleco was featured in a variety of typefaces.



The early 1980s brought a bold new lightning bolt design.



In 1998, the now-familiar Cleco "sparks" or "sunrise" logo appeared.





Technology and safety go hand in hand at Cleco's power plants. In 2004, Barry Hilton (right), shift operations supervisor, and the other employees of Rodemacher Power Station had operated almost two years without a lost-time injury.

bridge gaps between black and white, male and female. But in Hall's estimation, this was the first such program that worked because it set aside these stereotyped categories. It addressed diversity as a positive quality and encouraged people to welcome it as a means of bringing people together.

Adversity, of course, also brings people together. It certainly did when Louisiana was hit by a series of natural storms far more powerful and devastating than anything the company had seen before.

Cleco had suffered through many storms in its history. Indeed, the company, like the native Louisianan it is, marked the passage of time by landmark hurricanes. But the first decade of the 21st century, which brought an unprecedented string of back-to-back storms to the Cleco service area, also brought out the best in both employees and customers. In 2002, there were Hurricane Lili and Tropical Storm Isadore. Lili cut power to 170,000 businesses and homes, 65 percent of Cleco's customers. It cost \$26 million to repair the damage.

2005
Then came the big year. On August 29, 2005, Hurricane Katrina hit, taking out 86,000 customers. On September 24, Hurricane Rita swept through, cutting off 137,000 customers. In the largest restoration effort of its history, Cleco replaced more than 6,000 poles and 3,000 transformers. In total, 2,878 employees and contractors worked on damage from Katrina; 2,435 cleaned up after Rita. These were trying times, but even employees who had seen their own homes imperiled put their personal concerns aside to help their neighbors. In the aftermath, Cleco established the Cleco EmPowers Fund for storm victims, donating \$300,000 to the fund and raising much more from employees and other donors worldwide.

Although deregulated power markets had recently dominated Cleco's attention, the company had never forgotten how to rebuild after a storm. Cleco always shared its expertise widely, helping rebuild North Carolina and Virginia after Isabel in 2003 and helping out in Mississippi and Florida after Ivan in 2004. For its outreach to other communities, Cleco won the Edison Electric Institute emergency response assistance award repeatedly during the storm-plagued decade.

2008
The costs of such efforts were high, of course, and Cleco was reluctant to pass them on to ratepayers. After the 2005 storms, management came up with the idea of securitizing the costs of rebuilding. Madison and Samil obtained approval for the plan from the Louisiana Public Service Commission (LPSC) and for good measure obtained permission to establish a \$50 million storm reserve. This proved to be invaluable when a third pair of back-to-back storms, Gustav and Ike, hit the service area in 2008, taking out 90 percent of Cleco's customers, the

largest outage ever. In rebuilding Louisiana after the storms, Cleco also had helped rebuild itself. "Whether it's a tornado, an ice storm, or two sisters called Katrina and Rita," said Hall, "at the end of the day, everybody pulls together."

READY FOR ANYTHING

Much like Coughlin, Madison is by nature a builder: He sees the future in boilers, turbines, condensers, and cooling towers. But Coughlin's world was simpler than Madison's. Coughlin's Cleco was built on plentiful and cheap natural gas. Madison's Cleco is Coughlin's legacy

LEFT: Line repairs went on for weeks in the wake of the back-to-back 2005 hurricanes Katrina and Rita.

RIGHT: Cleco personnel gather at the distribution operations center in St. Tammany following Hurricane Katrina in August 2005.



BALD EAGLES AND BLACK BEARS

Like most Louisianans, the people of Cleco appreciate wildlife and nature. On a few occasions the company has pursued that passion directly. In the early 1970s, bald eagles were fast disappearing from Louisiana. By 1990, there were none left in the central part of the state. So, Cleco joined some other firms to build and maintain a 30-foot nesting tower at the Lake Ophelia National Wildlife Refuge in Avoyelles Parish. Efforts like this helped the bald eagle make a comeback. By 2004, there were 234 known nests in the state.

We also like bears. When it came time to bring the black bear back to central Louisiana in 2004, Cleco adopted one of eight female black bears brought to Lake Ophelia. The black bear, named Hullabaloo, and her four cubs were expected to help repopulate an area that was historically home to the species. David Eppler, noting Cleco's simultaneous effort to restore 3,000 acres of

hardwoods near Lake Ophelia remarked that "in the future, it will be a wonderful place for these bears to roam."



plus the impact of 50 years of national energy policies, regulatory evolution and, of late, intense international advocacy for environmental stewardship. Pollution had long been a concern of the industry. Now it appeared that concern over greenhouse gases would remake the power generation market yet again. New plants would not only have to be clean, but perhaps even greenhouse-gas-neutral.

In its capital investments of the early 2000s, Cleco took on this challenge. In 2001, to reduce carbon emissions and protect the environment, Cleco planted 65,000 hardwood seedlings on the 120-acre site near Rodemacher. In 2007, Cleco completed a two-year project that cut nitrogen oxide emissions at Dolet Hills, its other solid-fuel site, by 60 percent. By then, Madison was convinced that federal regulation of greenhouse gases and a federally mandatory renewable portfolio were inevitable. And so the company began considering new sources of renewable energy, even exploring with the U.S. Army Corps of Engineers the viability of tapping geothermal energy beneath Louisiana.

Some of Cleco's building during these years was of a more conventional nature. The FERC had long ago called for the creation of regional transmission organizations (RTOs), which were to be a key part of the deregulated industry. By the 2000s, the Southwest Power Pool, a consortium of utilities, had been designated an RTO, but state and federal regulators were still arguing over just what the system should look like. "Our customers can't wait for regulatory clarity," Madison concluded. He formed a partnership with another Louisiana utility to begin building up the transmission backbone in southern Louisiana. In 2005, Cleco spent \$20 million on the Wells Substation as part of that backbone.

By 2009, Cleco, Lafayette Utilities System, and Entergy were working together to further upgrade the area dubbed the Acadiana Load Pocket. Cleco was helping to prepare Louisiana for future load.

Cleco's road map for growth was published in its integrated resource plan, a document designed to help the company look at the big picture for supply in the coming years. Coal and lignite were reliably priced fuels, but the threat of new greenhouse gas limits kept Cleco weighing other options. The company was too small for nuclear power. Large solar-powered and wind-powered plants had not proved commercially viable in Louisiana. The answer seemed to lie instead in clean coal technologies already approved by the U.S. Department of Energy.

Cleco approached its decision regarding this cutting-edge technology in characteristically conservative fashion. One type, called integrated gasification combined-cycle, had promise, but it was relatively new and untested on the commercial scale Cleco required. But another type, circulating fluidized-bed technology, looked feasible for Cleco's needs – about 600 megawatts. In fluidized bed technology, emissions are run through scrubbing processes that capture common emittents, such as nitrogen oxide and sulfur. Most important, it had been tested and proven in the field. Madison visited a plant in Florida using the technology with great success. The Florida plant was also burning an unusual fuel called petcoke. Petroleum coke, or petcoke, is a byproduct of oil refining. When it is used with fluidized-bed combustion and other environmental controls, 98 percent of its sulfur content is removed. Petcoke is plentiful on the Gulf Coast, and it could be transported inexpensively by barge. Perhaps most



Upgrading transmission was a priority for Cleco in the mid-2000s. Here, Terry Whitmore (left) and Christopher Thibodeaux discuss expansion plans in the Coughlin Transmission Operations Control center.

important, a circulating fluidized-bed plant could burn not only petcoke, but almost any other kind of carbon-rich fuel, including greenhouse-gas-neutral biomass.

But Cleco's board was wary of construction costs, financing, and regulatory risk. Madison knew that the LPSC, too, would have its own concerns. He put extraordinary effort into addressing the issues raised by the LPSC, and the effort paid off. The LPSC approved tentative construction plans in 2005. At the same time,

it allowed Cleco to recover 75 percent of the plant financing costs in rates during the construction. The last piece of the puzzle, the construction cost itself, snapped into place when a Louisiana firm, the Shaw Group, agreed to build the plant for a fixed price.

In mid-June 2005, Governor Kathleen Blanco joined Cleco executives in a news conference at the state Capitol to announce the construction of a \$1 billion solid-fuel plant at the company's Rodemacher site near Boyce. Reporters



LEFT: Clark Bordelon (from left), David Lee, and Lenny Kliebert review plans for Rodemacher Unit 3 with circulating fluidized-bed “clean coal” technology. Construction began in 2006.

BELOW: This image shows Rodemacher Unit 3 under construction.



and industry observers played up the significance of this high-profile endorsement. Blanco herself had once been a member of the LPSC, so presumably she knew what she was talking about.

Cleco was moving steadily ahead thanks to hard work, persistence, and vision, but the company still needed a bit of luck and good judgment. At mid-decade, the board proposed to finance the early construction with debt and to sell equity on the market later. Kathleen Nolen, the chief financial officer, insisted instead that the company issue equity up front. “We did it in a very low-risk fashion that served Cleco very well,” she said. No one knew then that the market was at its peak and that investors would soon be scarce, but Nolen persuaded Madison not to take the risk. After the severe recession hit, Madison sent Nolen flowers. Building began in 2006 with a 42-month timetable. By early 2009, despite the economic heavy weather, it appeared that Cleco’s foresight was good, and that its luck was holding.

The world had changed during the years the plant, Rodemacher Unit 3, was under construction. The economy had crashed, and the repercussions were still being felt. But because Cleco had returned to its roots, it was ready for change. At a time when greenhouse gas reduction and renewable energy were still talk, Cleco was already well down the road.

If 75 years of history has taught us anything, it is to expect change. Old lessons are often forgotten, and new wisdom is usually hard won. There is no way to see far into the energy future, but it is likely that fuel flexibility will be part of that future. Rodemacher Unit 3 is ready for

In early 2010, Cleco completed Rodemacher Unit 3 (far right), a 600-megawatt facility with the capability of using renewable resources such as biomass.



anything because of its unique technology. “If it’s solid, and if it has carbon in it,” says Madison, “we can use it to light homes and businesses throughout Louisiana for at least the next 30 years.” Having renewed its historic commitment to the people of Louisiana – good service at a reasonable price – Cleco is ready to serve its customers for many years to come.

LEFT: President and CEO Michael Madison began developing plans for Rodemacher Unit 3 almost as soon as he arrived at Cleco. He is pictured here during construction in 2008.

RIGHT: Mike Madison (center) rings The Closing Bell in celebration of the company’s 75th anniversary on April 16, 2010, while Rodney Hamilton (from left), Darren Olagues, a representative of the New York Stock Exchange, Mike Madison, Dilek Samil, Russell Davis, and Franchesca Phoenix applaud.



Acknowledgements

SPECIAL THANKS TO

HISTORY ASSOCIATES

Mary Bays, Garry Adleman, and Ken Durr for their extensive research, organization and articulation of Cleco Corporation's history.

PROWOLFE PARTNERS

Eileen O'Connor, Melissa Albers, and Bob Prow for their design and production of this book. Mark Green/MGP2 for his photography contribution.

CONTRIBUTORS

Scott Brame
David Eppler
Pat Garrett
Jeff Hall
Mike Madison
Judy Miller
Greg Nesbitt
Kathleen Nolen
Mike Prudhomme
Larry Wells

EDITORS

George Bausewine
Susan Broussard
Robbyn Cooper
Kerri DeSelle
Tatum Dutile
Ann Jenkins
Judy Miller
Franchesca Phoenix
Ed Taylor

TOP LEADERS HONORED

In recognition of the leadership that helped shape Cleco's 75 years, the Cleco Corporation Board of Directors passed a resolution in June 2010 to honor four of its top leaders. The company renamed Rodemacher Power Station to Brame Energy Center in honor of Scott O. Brame, former president and CEO. In recognition of former President and CEO Gregory L. Nesbitt, Unit 1 at the Brame Energy Center became Nesbitt Unit 1. Unit 3 was renamed Madison Unit 3 to honor current President and CEO Michael H. Madison. Unit 2 at the Brame Energy Center will remain Rodemacher Unit 2, and the lake will continue to be known as Rodemacher Lake. Finally, Evangeline Power Station reverted to its original name, Coughlin Power Station, in honor of F. Hugh Coughlin, former president and CEO.

