

APPENDIX A-3

Code of Conduct: - Cleco Power LLC (“Cleco Power”) 2007 Request for Proposals (“RFP”) for Long Term Resources (“RFP Code of Conduct”)

A. Introduction

The Louisiana Public Service Commission (“LPSC”) in its Market-Based Mechanism Order, issued April 10, 2002, as amended (“MBM Order” or “Order”), requires objective and arm’s-length RFP procedures for significant power-supply projects, which this Code of Conduct mandates. In doing so, the LPSC in the MBM Order requires a utility soliciting such resources to adopt procedures to safeguard against “the utility’s merchant-affiliate bid receiv(ing) preferential treatment, preferential access to information or unfair or improper advantage,” which this Code of Conduct also mandates. MBM Order at 12. In addition, the LPSC in the Order requires the utility “to protect the confidentiality of bids and bidder information and to ensure such information is not improperly used by the utility or its utility affiliates nor provided to the utility’s merchant-affiliate,” which this Code of Conduct also mandates. *Id.* These mandates apply to “self build or self-supply” projects, also. *Id.* at 13.

Further, in the Order, the LPSC requires that the utility’s filing must describe its “methods and safeguards” to achieve the quoted and self-build/self-supply restrictions, as well as any other applicable codes of conduct governing affiliate bids or inter-affiliate contracting. *Id.* at 12. The purpose of this RFP Code of Conduct is to implement the confidentiality, inter-affiliate, and self-build/self-supply mandates of the MBM Order; for simplicity of reference, the term, “affiliate,” as used throughout herein, refers to Cleco Power’s self-build and self-supply projects, as well as to Cleco Power’s affiliates, unless Cleco Power’s affiliates are referenced by specific name or as “merchant affiliates.”

It also is important to note that the LPSC in the MBM Order requires the appointment of an “independent monitor” (“IM”) to oversee, on behalf of the LPSC, the utility’s compliance with the inter-affiliate and self-build/self-supply requirements of the Order. *Id.* at 13. Specifically, the LPSC defines the IM’s oversight functions as follows:

The IM will review and track the utility’s conduct of the RFP to ascertain that no undue preference is given to affiliates and their bids, self-build or self-supply projects. This will include, to the extent necessary, reviewing the draft RFP and the utility evaluation of bids, monitoring communications (and communications protocols) with market participants; monitoring adherence to codes of conduct; and monitoring contract negotiations.

The IM shall report to the Staff at appropriate intervals and facilitate regular communication between Staff and the utility on the RFP process. The IM will immediately report any irregularities, problem or concerns with the RFP process to the utility and Staff.

Id. Accordingly, in implementing this RFP Code of Conduct, Cleco Power anticipates close coordination with the IM.

B. Policy Statement – Affiliate Bids

The fundamental purpose of the RFP Code of Conduct is to ensure that Cleco Power, a subsidiary of Cleco Corporation, and Cleco Power’s affiliates,* operate separately and independently with respect to Cleco Power’s RFP, and thus, that Cleco Power’s affiliates receive no preferential treatment, contrasted to non-affiliate bids. Put another way, the LPSC in its rules for Cleco Power’s RFP prohibits Cleco Power from advantaging affiliate bids versus non-affiliate bids and may require that any affiliate bids given such advantage be disqualified from consideration in Cleco Power’s RFP. Such preferential treatment would include the communication directly or indirectly of material non-public information about or derived from Cleco Power to affiliate bidders as well as any preference by Cleco Power expressed in any way whatsoever for affiliate bids per se. *“Material non-public information” may be defined as information about or derived from Cleco Power, including information about bids submitted to Cleco Power, not equally available to non-affiliated bidders that they reasonably could consider to be significant to their decision-making of whether to bid or how to bid in the RFP or how to negotiate a transaction in the RFP.*

Accordingly, it is critical that there be operational independence between Cleco Power and potential affiliate-bidders in order that any bids by affiliate-bidders that may be selected by Cleco Power in its RFPs not be disqualified on account of the fact or appearance of their having had any material advantage in the selection process over arms-length bids by non-affiliates. Such disqualification could deprive Cleco Power’s customers of least cost, reliable power supplies that otherwise could be available from a relatively attractive affiliate bid.

Additionally, and also of critical importance, independence of operations is required by the Federal Energy Regulatory Commission (“FERC”) of Cleco Power and its merchant-affiliates via identical Codes of Conduct governing their power marketer authorizations granted by the FERC. Especially pertinent is that Cleco Power may not share any market information with any of its merchant-affiliates, without simultaneous public disclosure. *“Market Information” may be defined as information that any wholesale market participant reasonably could consider to be significant to its decision to sell or buy or not sell or buy power or to its decision-making as to terms, conditions, and other contractual arrangements for any sale or purchase of power.*

* Acadia Power Partners LLC, and Cleco Evangeline LLC, both subsidiaries of the intermediate holding company subsidiary of Cleco Corporation, Cleco Midstream Resources LLC (“Cleco Midstream”). As mentioned above, the term, “affiliate,” as used in this RFP Code of Conduct also generally refers to self-build and self-supply projects; for simplicity of reference, proposals for such projects are referred to herein, interchangeably, as “bids.”

Therefore, employees, as well as outside consultants and advisors, involved directly or indirectly in Cleco Power's RFP, whether on behalf of Cleco Power, on behalf of an affiliate, or on behalf of Cleco Corporation or Cleco Midstream, shall comply with this RFP Code of Conduct. Failure to do so by such an employee, as stated in the RFP Participation Agreement to be signed by such employees (see Exhibit A), may lead to adverse employment action. Also, as provided in part E 3, below, if such employee observes or otherwise becomes aware of any non-compliance with this RFP Code of Conduct, that person immediately shall notify Cleco Power's Senior Vice President, General Counsel, Chief Compliance Officer, and Director, Regulatory Compliance ("CCO") (as used throughout herein, the term CCO also refers alternatively to the CCO's designee, the Associate General Counsel of Cleco Power) and the IM. Failure to do so may lead to adverse employment action. Outside consultants and advisors shall be treated similarly.

C. Protocols for Affiliate Activities

1. For purposes of this RFP Code of Conduct, "affiliate" means "affiliate" relative to Cleco Power and specifically refers to Cleco Midstream or its subsidiaries authorized by the FERC to act as power marketers, as well as to any groups of employees of Cleco Power analyzing, developing, or proposing a self-build or self-supply project in the RFP (see Introduction and footnote, above), including their employees and outside consultants and advisors, and including any employee of Cleco Support Group LLC ("Cleco Support Group"), the service-company subsidiary of Cleco Corporation) designated, via items 2 and 3, immediately below, to assist such entities in developing, analyzing, evaluating, preparing, submitting, negotiating or executing a bid in the RFP.
2. The President and Chief Operating Officer of Cleco Power and the Senior Vice President and Chief Operating Officer of Cleco Midstream directly shall designate and/or authorize separate and different employees and outside consultants and advisors to perform work in connection with the RFP on behalf of their respective entities. In the case of Cleco Power, employees and outside consultants and advisors designated to work on self-build or self-supply projects of Cleco Power shall be separate and different employees from the personnel designated to work on the RFP; provided, however, that analytical support personnel so involved with self-build or self-supply projects of Cleco Power prior to the time when such projects may be proposed into the RFP subsequently may provide analytical support services solely to RFP evaluation teams.
3. It is recognized that, in the senior position of President and Chief Operating Officer of Cleco Power, said senior officer will have knowledge of non-public information of self-build or self-supply projects derived from and/or about Cleco Power. Said senior officer shall not serve as a conduit of such information to any personnel or outside consultants or advisors of Cleco Power designated by Cleco Power to work on the RFP.
4. The Senior Vice President and Chief Financial Officer of Cleco Corporation ("CFO") may designate employees and outside consultants and advisors of Cleco Support Group as analysts to model the potential or actual bids of affiliates and

the potential or actual bidding results of the RFP upon Cleco Corporation's and its subsidiaries' financial conditions, including credit and financing parameters. Such designees, however, shall not perform any other RFP-related analyses, evaluations, or any other services for Cleco Power or Cleco Midstream related to the RFP (i.e., such designees cannot be designees pursuant to the immediately above item 2).

5. The CCO, together with the IM, shall review the foregoing designations prior to their implementation for compliance with the requirements of the FERC's Codes of Conduct and Standards of Conduct, and with this RFP Code of Conduct.
6. It is recognized that there may be employees and outside consultants and advisors within Cleco Corporation and its subsidiaries other than Cleco Power, who possess material non-public information about Cleco Power as a result of simultaneously or previously working on business of Cleco Power other than the RFP. Also, it is recognized that employees of Cleco Power with material non-public information may be transferred to a merchant-affiliate before or during the RFP. Possession of material non-public information about Cleco Power by such personnel may limit their ability to assist merchant-affiliates in Cleco Power's RFP. In assessing this issue, the following guidelines shall be applied:
 - i. *Does a non-Cleco Power employee or outside consultant or advisor, who is designated to work for a merchant-affiliate, possess information that at any time was material non-public information about or derived from Cleco Power? If so, that person may be disqualified from working for the merchant-affiliate on the RFP, if the information continues to be material non-public information during the RFP. If the information continues to be material non-public information, the CCO shall so inform the Senior Vice President and Chief Operating Officer of Midstream Resources and that person shall be barred from participating in the RFP on behalf of the merchant-affiliate. If the information no longer is material non-public information during the RFP, such a determination by the CCO, before that determination is implemented, shall be reviewed and approved by the RFP's IM.*
 - ii. *More specifically, has a non-Cleco Power employee or outside consultant or advisor received any material non-public information about Cleco Power's current integrated resource planning, 2004 RFP for Long Term Resources, or Short Term RFPs for 2007 or 2008 Resources? If so, that person shall not participate on behalf of any merchant-affiliate in the RFP.*
 - iii. *Has an employee or outside consultant or advisor of Cleco Power with material non-public information about or derived from Cleco Power transferred from Cleco Power to a merchant-affiliate? If so, that person shall not participate on behalf of any merchant-affiliate in the RFP.*

- iv. *Is there an employee or outside consultant or advisor designated to participate in the RFP for Cleco Power who was involved in the bidding activities of any merchant-affiliate in Cleco Power's 2004 RFP for Long Term Resources or its Short Term RFPs for 2007 or 2008 Resources? If so, that person's prior involvement with the merchant-affiliate shall be evaluated for the fact or appearance in the RFP of potential or actual preferential treatment of a merchant-affiliate bid. If the CCO determines that said person can participate in the RFP for Cleco Power, that determination, before implementation, shall be approved by the RFP's IM.*
7. It also is recognized that there may be employees and outside consultants and advisors of Cleco Power, who are designated pursuant to paragraph C-2, above, to serve in a group of employees of Cleco Power analyzing, developing, or proposing self-build or self-supply projects in the RFP, and who possess material non-public information about Cleco Power as a result of their previously working on business at Cleco Power other than the RFP. Such groups of personnel and their members shall operate separately and independently of the RFP and, during the course of the RFP, shall not receive any material non-public information from Cleco Power with respect to the RFP .
8. It is recognized that the Chief Executive Officer (CEO) of Cleco Corporation is a shared senior officer in substantially the same position with Cleco Power (as Chief Executive Officer) and Cleco Midstream (as Chairman). As such, the CEO exercises ultimate responsibility for both Cleco Power and its affiliate bidders, as well as for Cleco Corporation, in the RFP; it being recognized that such a highly placed executive function does not involve day-to-day duties and responsibilities for planning, directing, organizing, or executing RFP-related operations on behalf of any of the Cleco entities. The CEO, in consultation with the shared support-services officers identified in item 9, immediately below, may assess the overall strategic impact to each said Cleco entity of potential or actual bids, including affiliate bids, into the RFP. In doing so, however, the CEO must act consistently with the requirements for separate and independent operations of Cleco Power and its affiliates in the RFP, as required, collectively, in the MBM Order, FERC Codes of Conduct, and this RFP Code of Conduct. Therefore, the CEO shall not participate in the operational activities (i.e., bidding activities), in the RFP of the affiliates, including directing, organizing, or managing any personnel involved in the development, preparation, implementation, analyses, evaluations, or execution of any affiliate bid in the RFP. Nor shall the CEO participate in the operational activities (i.e., RFP development, formulation, and implementation; bid analyses and evaluations; or bid selections) of Cleco Power in the RFP. In performing non-operational CEO functions with respect to the RFP, the CEO also shall not serve as a conduit of information from Cleco Power to any affiliate or otherwise engage in any conduct creating any preferential treatment or unfair or improper advantage for any affiliate in violation of the MBM Order, FERC Codes of Conduct, or this RFP Code of Conduct. In performing such CEO functions on behalf of Cleco Corporation, Cleco Power, and the affiliates with respect to the RFP, the CEO contemporaneously shall document such activities in sufficient

detail to demonstrate compliance with the referenced rules of the LPSC and FERC, including this RFP Code of Conduct.

9. Also, it is recognized that the CFO; the CCO; and the Senior Vice President, Corporate Services (“SVP, CS”), of Cleco Corporation are shared senior officers, as support-services officers, in the same positions with Cleco Power and also are similarly shared with Cleco Midstream. Other shared support services officers of Cleco Corporation, who comparably serve Cleco Power and Cleco Midstream, also may provide RFP-related support services to both Cleco Power and Cleco Midstream. Said shared support-services personnel must act consistently with the separate and independent operations of Cleco Power and its affiliates in the RFP, as required in the MBM Order, FERC Codes of Conduct, and this RFP Code of Conduct. Therefore, said personnel shall participate neither in the bidding activities in the RFP of the affiliates, including the development, preparation, or implementation of any such bids, nor in Cleco Power’s consideration or selection of them. Such personnel, however, on behalf of Cleco Corporation may review, analyze, and evaluate potential or actual bids of affiliates and other bids received by Cleco Power in the RFP as to their overall impact upon Cleco Corporation, Cleco Power, and Cleco Midstream and its affiliates. In performing such support services, however, such shared officers also shall not serve as conduits of information from Cleco Power to any affiliate or otherwise engage in any conduct creating any preferential treatment or unfair or improper advantage for any affiliate in violation of the MBM Order, FERC Codes of Conduct, or this RFP Code of Conduct. In performing such shared support services, such officers contemporaneously shall document such activities in sufficient detail to demonstrate compliance with the referenced rules of the LPSC and FERC, including this RFP Code of Conduct.
10. No shared officer identified in items 8 and 9, immediately above, may so participate in the RFP on behalf of Cleco Corporation if they also participate in directing, organizing, or executing self-build or self-supply projects of Cleco Power or the wholesale merchant function, i.e., wholesale power transactions or generation business, on an operational, or day-to-day, basis of any merchant-affiliate that participates in the RFP.
11. The Senior Vice President & Chief Operating Officer of Cleco Midstream shall seek approval, as necessary, of an affiliate’s bid in the RFP, from the CEO of Cleco Corporation, who in turn shall seek any necessary authorizations of the bid from the board of directors of Cleco Corporation.
12. The President & Chief Operating Officer of Cleco Power shall seek review and approval of Cleco Power's RFP decisions, as necessary, from the CEO of Cleco Corporation, who in turn shall seek any necessary authorizations of such RFP decisions from the board of managers of Cleco Power. Any proposal to the RFP of a self-build or self-supply project shall be approved, as necessary, by the CEO of Cleco Corporation, who in turn shall seek any necessary authorizations of such proposal from the board of managers of Cleco Power.

13. The President & Chief Operating Officer of Cleco Power contemporaneously shall document the RFP activities of Cleco Power and of any self-build or self-supply projects in the RFP to ensure compliance with this RFP Code of Conduct, as well as with FERC Codes and Standards of Conduct, in sufficient detail to demonstrate compliance.
14. The Senior Vice President & Chief Operating Officer of Cleco Midstream contemporaneously shall document the bidding activities in the RFP of any merchant-affiliate to ensure compliance with this RFP Code of Conduct, as well as with FERC Codes and Standards of Conduct, in sufficient detail to demonstrate compliance.
15. The board of directors of Cleco Corporation and the board of managers of Cleco Power, in their respective separate and independent review and approval of Cleco Power's and its affiliates' operations in the RFP shall not serve as conduits of information from Cleco Power to any affiliate or otherwise engage in any conduct creating any preferential treatment or unfair or improper advantage for any affiliate in violation of the MBM Order, FERC Codes of Conduct, or this RFP Code of Conduct. The minutes of the boards shall document their activities with respect to the RFP in sufficient detail to demonstrate compliance with the referenced rules of the LPSC and FERC, and this RFP Code of Conduct.

D. Protocols for Exclusion of Non-Public Transmission Information

Non-public, i.e., off-OASIS, transmission information from Cleco Power's transmission function shall not be communicated to or used in the evaluation or selection processes of the RFP.

Therefore, the following protocols shall apply:

1. There shall be no sharing or discussion of Cleco Power's transmission function's non-public transmission information at any RFP or self-build/self-supply meetings.
2. All requests for transmission studies shall be made through Cleco Power's OASIS, including requests relating to retail native load.
3. Non-transmission function employees assigned to an RFP evaluation team or self-build/self-supply group should refrain from entering transmission sensitive areas of Cleco Power or otherwise receiving Cleco Power's transmission function's non-public transmission information.
4. It is recognized that, in the positions of Vice-President-Regulatory, Retail Operations and Resource Planning; General Manager-Retail Operations; and President and Chief Operating Officer of Cleco Power, said personnel and other personnel reporting to them may have knowledge of non-public transmission information derived from and/or about Cleco Power. Said personnel shall not serve as conduits of such information to any personnel or outside consultants or

advisors of Cleco Power, its affiliates, or Cleco Corporation involved in the RFP.

E. Further Implementation

1. Each employee designated to participate in the RFP, and senior management, shall attend training on this RFP Code of Conduct and shall sign a Participation Agreement, the form of which is attached as Exhibit A.
2. Any questions related to the meaning and application of this RFP Code of Conduct should be directed to the CCO, who is responsible for interpretation and application hereunder.
3. Any and all reports of non-compliance with this RFP Code of Conduct should be directed to the IM as well as to the CCO, who is responsible for enforcement and compliance hereunder.
4. Implementation and operation of this RFP Code of Conduct shall be supervised by the CCO, who, in doing so, shall coordinate directly with the RFP's IM.

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Attachment:
Exhibit A (Participation Agreement)