

CLECO POWER LLC 2004 RFP

ANSWERS TO QUESTIONS FROM THE MAY 13, 2004 TECHNICAL CONFERENCE AND QUESTIONS POSTED TO THE CLECO POWER RFP WEBSITE BY BIDDERS

I. Technical Conference Questions

Q1: When will the Integrated Resource Plan (IRP) be finished? If the self-build options make the competitive bid will they be refreshed?

A1: Please see Section 1.1 of the RFP, which states in part “The IRP is a continuous evaluation process which provides guidance on future generation and transmission needs. A copy of Cleco Power’s current abridged IRP document is available on Cleco Power’s RFP website at www.cleco.com/cprfp. This RFP is an extension of the Company’s IRP. The initial phase of the IRP has identified products and self-build options that may be able to fill the Company’s needs for power and reliability with competitive pricing and fuel diversity. The results of the RFP will help finalize the initial phase of the IRP.”

Self-build options will be estimated and priced at actual cost-of-service. In this regard, the Company will submit its latest cost estimates prior to bid opening for purposes of bid evaluation and the selection process. It is possible that these estimates could change in the future due to facts and circumstances unknown. The LPSC Staff will review changes on their merits when they become known.

Q2: What about fixed charges over the life of the contract, i.e. rating agencies’ debt equivalency imputation? What will you do for self-build and are you solving for existing rating or for your rating objective?

A2: The Standards and Poors’ (S&P) debt equivalency calculation attempts to equalize the potential credit implications of entering a PPA commitment as compared to an asset purchase or self-build commitment. A long-term PPA is an obligation and therefore, viewed by S&P as debt. In an asset purchase or self-build option there are similar inherent costs as a mixture of debt and equity has to be issued to finance the capital expenditures. If only debt were issued, S & P would factor this into Cleco Power’s credit rating.

The calculation will be designed to maintain the current credit rating for Cleco Power.

Please see Potential Bidders’ Question No. 11 and LPSC’s Question No. 8 for more information.

Q3: Please clarify the process of the deadlines for comment. Will the comment period continue up until indicative bids are due?

A3: Comments on the Draft Solicitation were to be sent the LPSC by August 16, 2004. The LPSC Staff considered those comments and provided guidance to Cleco Power in drafting its Final RFP issued August 31, 2004. Bidders are encouraged to continue to send questions related to the substance of the RFP to the Designated Representative, Jim Clement, up until October 22, 2004, the date when the Notices of Intent to Bid are due. The preferred method is to put

questions in writing and submit them through the Cleco Power RFP website. Cleco Power will answer all questions submitted to its RFP website, and will post the questions and answers on the website for the information of all interested parties. If bidders have any unresolved concerns or questions, they may also send them to the Independent Monitor or the LPSC Staff.

Q4: Please provide more clarification to providing transmission studies. Why was the August 2, 2004 date chosen?

A4: The August 2, 2004 date was chosen by Cleco Power because deliverability of the resource to Cleco Power's control area is a key issue and it typically takes sixty days to complete a transmission study. The August 2, 2004 date allows for the results of System Impact Studies to be received by bidders prior to October 29, 2004, the date when indicative bids are due. Cleco Power prefers that bidders request these studies as soon as possible to facilitate expeditious processing. Cleco Power has extended this date to September 30, 2004 due to concerns from bidders and in cooperation with the Independent Monitor.

Q5: The bidder is concerned about committing to the cost of a transmission study without knowing the types of products they will bid. When evaluating self builds or bids, will you look at a combination of solutions instead of just one PPA or self-build? Also, regarding the fee, is the \$5,000 amount stated per submission?

A5: Cleco Power believes that a transmission System Impact Study is required to confirm deliverability and believes one study can cover various products bid from one source.

When evaluating self-builds or bids, for purposes of the short list, Cleco Power will evaluate within bid categories. Once the short list is determined, bidders will be notified and asked to submit binding bids. Once binding bids are received, Cleco Power will then look at a portfolio of combinations instead of just one PPA or self-build on its own. During this binding bid evaluation, the initial categories will not be binding in determining the optimum combination of alternatives.

The \$5,000 per submission is from the LPSC's Order No. R-26172 and covers the cost of the Independent Monitor (IM). Each submission places additional workload on the IM, i.e. each bid has to be reviewed, redacted, and monitored appropriately. However, with LPSC approval and input from the IM, Cleco Power has agreed to assess bid fees in a manner which will encourage bidders to submit multiple bids from the same resource. Bid fees will be assessed at \$5,000 for first bid off a generating resource and \$500 for each additional bid from that generating resource. Each additional generating resource will be assessed in the same manner with \$5,000 for the first bid and \$500 for each additional bid off that resource. As stated in the RFP, any excess collected from the bids will be returned to bidders on a pro rata basis.

II. Website Questions

Q6. Would it be possible to supply a copy of the Cleco transmission map?

A6. Cleco Power will provide a copy of its transmission system map to bidders upon their request.

Q7. For purposes of the RFP, can Cleco take delivery from bidder at a substation on the Entergy/Cleco control area interface, or would Cleco prefer bidder to submit a TSR to Cleco for wheeling across its system to a point of delivery at a substation inside its control area?

A7. The delivery point shall be Cleco Power's control area interface with Entergy, CSW, or City of Lafayette consolidated government, as applicable. In the case of an IPP internal to the transmission system of Cleco Power, the delivery point shall be the established point of interconnection between that IPP and Cleco Power.

Q8. Can Cleco provide a list of Cleco's preference for interconnection (including substation voltage and MW delivery amounts), so that bidder can enter into the TSR process?

A8. If the customer is asking regarding a delivery from a source outside of the Cleco Power's system, the delivery point shall be Cleco Power's control area interface with Entergy, CSW, or City of Lafayette consolidated government, as applicable. In the case of an IPP internal to the control area and transmission system of Cleco Power, the delivery point shall be the established point of interconnection between that IPP and Cleco Power. In either of these two cases, the established voltage level at that particular point on the transmission system shall apply and the MW delivery amounts is as stated within the terms of the RFP.

Q9. Due to limited time constraints, if a situation occurs where the approved Transmission Request is submitted but not approved, would Cleco accept evidence that the request has been filed in lieu of an approved request?

A9. Yes. However, an approved (signed) request must be filed with a bidder's indicative bid on October 29, 2004, or if received later than the indicative bid due date, within three business days of its receipt by the bidder.

Q10. Regarding transmission interconnection, bidder has already completed a study with a transmission provider that ties into an adjacent service territory, which interfaces with Cleco. Does bidder need to submit another transmission feasibility request for Cleco's service system or can bidder provide this other study?

A10. Yes, another transmission System Impact Study for deliverability to the Cleco Power System must be submitted. The RFP requires a current study matching the volume and time period contemplated in a bidder's proposal.

Q11. Please describe in detail how the imputed equity penalty will be calculated. What interest rate will be used in the present value calculation? What costs will be included? Will Cleco affiliate bids also be subject to the equity penalty? Why or why not? Why won't Cleco self-build options have similar penalties if debt is issued to cover capital expenditures?

A11. Please see Potential Bidders, Question No. 2 and LPSC's Q & A Question No. 8 for additional information and the calculation methodology used. The discount rate used in the present value calculation is 10%, as specified by S & P. The costs included are the capacity payments over the life of the PPA times a risk factor from 0% to 100%. For purposes of the Cleco Power RFP calculation, the Company has applied an estimated risk factor, which has been implied by S & P in discussions with Cleco Power. Affiliate PPA bids will also be subject to the equity penalty as S & P does the same type of imputation, otherwise affiliate bids would receive preferential treatment. Cleco Power's self-build options have similar inherent costs as a mixture of debt and equity has to be issued to finance the capital expenditures. If only debt were issued, S & P would factor this into Cleco Power's credit rating.

Q12. Could the deadline for request for transmission service be moved to the date on which proposals are submitted?

A12. The deadline for request of transmission System Impact Study has been moved to September 30, 2004 and an approved (signed) request must be filed with a bidder's indicative bid on October 29, 2004, or, if received later than the indicative bid due date, within three business days of its receipt by the bidder.

Q13. Regarding the term, does this RFP require a 15 year minimum term beginning 2006 or would you consider proposals for a shorter term?

A13. The intent of the RFP is to seek long-term power supply. The term of the bids should be 15 years to life of asset. However, as disclosed in the Technical Conference held May 13, 2004, Cleco Power, in November 2004, anticipates separately requesting outside this RFP process one year proposals to meet Cleco Power's immediate needs.

Q14. Is it possible to have Cleco request Network Transmission Service from the source (we would reimburse Cleco for the impact study charges) or do we have to request Point to Point service from the source to Cleco?

A14. The bidder must request Point to Point service from source to Cleco Power's Control Area.

Q15. Are indicative bids and binding bids evaluated differently? In other words, can a bidder update numbers from the indicative phase before submitting the binding bid?

A15. Bidders are encouraged to provide their most competitive proposals in the indicative phase in order to allow Cleco Power to construct its short list to reflect the best economics in each bid. The Company expects binding proposal pricing to be at or lower than indicative bids.

Binding proposals whose pricing increases without reasonable explanation will be subject to removal from consideration.

Q16. Will the evaluation forms (Appendix C and E) be made available in document format? It will be difficult to fill out the forms electronically if they are in PDF format.

A16. Yes. These forms are available electronically on the website in the drop down box "Select a document" in Microsoft Word format.

Q17. Will the Notice of Intent to Submit an Indicative Bid Form (Appendix G) be made available in document format?

A17. Yes. This form is available electronically on the website in the drop down box "Select a document" in Microsoft Word format.

Q18. Is there a list of attendees from the Technical Conference available to bidders?

A18. Yes. There is a sign-in sheet from the Technical Conference that will be faxed to bidders upon request.

Q19. If the bidder plans to propose a sale to CLECO of an asset outside CLECO's service territory and inside of Entergy's, for what term shall we request the firm point-to-point transmission study to be performed? The OASIS requires a fixed start and end date vs. "life of unit" Also, excessively long requests (i.e. 30-years) may result in excessively large upgrade costs due to the general uncertainty of the outer years. Would CLECO accept a request covering the 1st 5-years of ownership?

A19. Any System Impact Study submitted to Entergy for consideration is evaluated for a minimum of 10 years. The study should run thru 2016 as a minimum. This time frame will align with Cleco Power's assumptions of a fully functioning RTO and the removal of physical transmission constraints into its control area. To that end, if Cleco Power purchases a plant, the transmission costs for this same time period, including upgrades will be factored into the evaluation. In a Cleco Power self-build example, all costs including transmission upgrades needed to interconnect are considered and the evaluation of self-build units factors in transmission costs for the same time period including upgrades (both known and projected). In the case of a new generator inside Cleco Power's control area, any cost of long term transmission upgrades would also be factored into the evaluation. Likewise, any long-term PPA should include the cost of transmission over the life of the PPA or at a minimum thru 2016.

Q20. Regarding the Transmission Study Request Deadline: 1) Given the postponement of the issuance of the Final Version of the RFP, would it still be possible to submit a request for a transmission study? 2) Is the minimum size of 50 MWs a hard and fast rule? Could we submit a request for a plant as small as 25MWs?

A20. Given the postponement of the issuance of the Final RFP until August 31, 2004, a company may still submit a request for a transmission study. However, this request should be submitted by September 30, 2004 to allow Cleco Power to receive the results of the study and confirm delivery to Cleco Power's control area by October 29, 2004, the date when Indicative Bids are due. Despite the schedule delay, the bid products requested in the Final RFP are essentially the same as the products requested in the Draft RFP. Therefore, a bidder's transmission study results will not be invalidated by the issuance of the Final RFP.

The 50 MW threshold is the minimum block Cleco Power will evaluate in this RFP. However, as specified in LPSC's Order No. R-26172, bids below 35 MW are not subject to the RFP process and can be submitted to and discussed with Cleco Power at any time.

Q21. The transmission service provider's study for firm service was denied and evidence of the constraints provided. However, the very next day the transmission service provider informed the bidder that they now believe they can complete all of the required upgrades prior to the delivery date specified in the RFP. However, to determine the costs of said upgrade will require a "Facilities Study" at a substantial cost. The bidder has 15-days to execute the request.

The delay in the RFP has caused the bidder great concern about several issues such as changes in product type, start dates, duration, further postponement and the UNKNOWN. This makes the bidder doubt the likelihood that bidder can be successful in providing an offer that will ultimately be acceptable to CLECO. Therefore, if CLECO would agree to split the costs of the facilities study, the bidder would be encouraged to proceed with the expenditure. Will CLECO agree to pay for 50% of the estimated cost for the Facilities Study? There are many other costs related to preparing an offer in response to an RFP. These include but are not limited to G&A of Quantitative Analyst, Asset Managers, Originators, Management, and consultants. There are also the external costs of transmission studies and independent monitors.

The bidder appreciates CLECO's concern about a supplier being pre-approved for transmission. This is like being pre-approved for a mortgage before the house-hunting trip. Not many people would pay a mortgage company for loan pre-approval unless they thought there would be a home for sale. The real estate industry would need to require the Seller to provide a survey and title insurance before contracting to sell his home. To impose costs before the final RFP is issued is a bad idea, but to impose that cost and then delay the RFP for modification which could make the study useless is a deterrent to bidders in the future. The bidder applauds CLECO, the LPSC, and the IM for their efforts and offers this information not as a complaint but as an effort to obtain an answer to a specific question and to improve further RFP efforts.

A21. The bidder has met the system impact study (SIS) requirement by submitting the impact study prior to the September 30, 2004 due date and has also demonstrated that the bid product is deliverable with transmission upgrades, which can be constructed in a timely manner. The fact that a follow-on Facilities Study will be required does not disqualify the bid. Cleco Power realizes that there is an inherent risk in the process that in 15 days the SIS request is considered withdrawn by the transmission provider and that a follow on SIS will be necessary to confirm delivery at a later date. However, in the SIS requirement, Cleco Power is not asking a bidder to contract with the transmission provider for the long-term transmission path, but merely to demonstrate that a path is possible. In this case, this is precisely what the SIS has demonstrated.

Cleco Power does not want a bidder to contract with the transmission provider until an agreement with Cleco Power has been reached. Therefore, prior to the short-list, Cleco Power will not pay for a Facilities Study in response to any bidders' SIS. However, if a bidder is confident that its bid will be short-listed and wants to be further along in the process, the bidder can contract with the transmission provider and pay for a Facilities Study at its own risk. Once bids are short-listed, Cleco Power will do its own Facilities Study at Cleco Power's expense on the cost of estimated upgrades. If a bid is short-listed and Cleco Power's internal Facilities Study indicates a need for an additional third party Facilities Study, Cleco Power will pay 50% of the cost of this third party Facilities Study.

Cleco Power understands the bidder's concerns with the schedule delay, but a bidder's SIS results are not invalidated by the Final RFP. Moreover, the bid products requested in the Final RFP are essentially the same as the products requested in the Draft RFP. Cleco Power appreciates the bidder's input and welcomes any feedback and suggestions which can be constructive to this collaborative RFP process.

Q22. On September 9, 2004, I was provided a copy of Cleco's RFP dated August 31, 2004. The proposed schedule for the RFP states that the "Deadline for Bidder's Requests for Transmission Studies" was August 2, 2004. Will Cleco consider extending the deadline for bidders to request transmission studies until the latter part of September? One of our energy's subsidiaries is interested in tendering at least one bid in response to Cleco's August 31, 2004 RFP; however, we were unaware of the RFP and did not participate in RFP conferences or discussions earlier this year. Upon review of the RFP, we find that one of the RFP milestone dates, or proposed RFP schedule dates, has passed.

I would very much appreciate a prompt response to my request for an extension of the deadline for bidders to request transmission studies. Our company desires that its subsidiary's bid(s) to Cleco's August 31, 2004 RFP be seriously considered and not be disqualified, or penalized, due to a missed RFP schedule date (particularly, an RFP schedule date that occurred prior to the date that the RFP was formally issued).

A22. Cleco, in response to bidders' concerns and in cooperation with the Independent Monitor, has agreed to extend the deadline for filing System Impact Study (SIS) Requests to September 30, 2004 from the August 2, 2004 date published in the Final RFP. Bidders are encouraged to get their SIS requests to the Transmission Provider(s) as soon as possible in order for results to be received by the October 29, 2004 deadline for Indicative Bids.

Q23. Would CLECO consider a bid for 48 megawatts baseload with stable pricing attributes? The 48 MW is below the 50 MW threshold stated in the RFP.

A23. The 50 MW stated is a gross amount. Therefore, as part of Cleco Power's review of conformance, Cleco Power will allow for a 4% transmission loss delivering a 50 MW resource to the Cleco control area. Thus, a resource that provides at least 48 MW at the 'Delivery Point' (Cleco's Control Area Interface) will be accepted. In the specific case of accepting a 48 MW proposal as conforming, the answer is 'yes' only if the resource is directly connected to Cleco Power's control area. Please note that Bidders proposing PPA products originating outside Cleco Power's transmission system are responsible for all costs to deliver those products to Cleco Power's control area (the effect of losses are the Bidder's responsibility). For Asset Purchase proposals, these effects will be included in the economic evaluation.

As an alternative, the 48 MW could be bid in conjunction with another resource. As long as the total meets the minimum 50 MW threshold, then the bidder has met the requirement. Other option would be to bid part of the 48 MW since bids below 35 MWs are not subject to the RFP process and can be offered at any time.

Q24. It is the policy of our firm that a standard version of our confidentiality agreement is executed before submitting any sensitive project information. I have informed our legal department of Cleco's confidentiality agreement associated with the RFP, which they have reviewed, yet they still recommend we execute our firm's standard confidentiality agreement. Who do I contact within Cleco regarding this? What is the correct procedure for having this document reviewed and signed prior to submitting our proposal information?

A24. It is Cleco Power's stated intent to safeguard the confidentiality of all confidential information submitted by or to potential bidders and bidders. This intent is expressly manifested in the standard form of confidentiality agreement included within the RFP as Appendix D. This standard form of confidentiality agreement is understood by Cleco Power to be comprehensive in detail and to be fair and well-balanced with respect both to disclosing parties as well as recipient parties of confidential information. Cleco Power will give reasonable consideration to individual requests of potential bidders and bidders to make relatively minor revisions in their individual cases to the standard form of confidentiality agreement in order to make the agreement as suitable as possible for unique and varying individual circumstances, but given the large number of potential bidders and bidders and the relatively short time remaining before bids are due, it will be difficult to vary from the standard form of confidentiality agreement, and especially so, if any material or other significant revisions to Cleco Power's standard form are sought.

Q25. Reference the Intermediate Power Purchase bid option. What is the difference between Option 2 & 3 bid options? Can you explain in detail the Heat Rate request differences?

A25. In regard to the Intermediate Power Purchase bid option, Option 2 is for fixed heat rate pricing, i.e., a specified contract heat rate by year, which cannot be changed once the contract starts. This contract heat rate does not have to match the unit's actual heat rate. Option 3 is for unit heat rate pricing, which is a heat rate pricing based on the actual expected performance of a unit.

Q26. We interpret RFP Section 3.6 (Reliable Delivery) to apply to Power Purchase Agreements pursuant to which the seller would be expected to provide or ensure "Reliable Delivery." In the case of an Asset Purchase Proposal or the sale of an asset, the seller of the asset is no longer expected to ensure "reliable delivery" of power once ownership of the asset is transferred to the buyer. Therefore, we do not believe that it was Cleco Power LLC's intent that Section 3.6 (Reliable Delivery) apply to asset sales such as those, for example, proposed or bid through the use of Appendix E-2. Does Cleco Power LLC agree with our interpretation of the applicability of Section 3.6 of the RFP?

A26. The bidder's interpretation is correct. However, the costs to ensure reliable delivery in the case of an Asset Purchase Proposal are included as part of the bid evaluation. As stated in Section 3.5 Asset Purchase Proposals, Paragraph 4 (RFP, p. 14) "Any and all costs that would be incurred by Cleco Power for delivery of power from such sources, including but not limited to: costs of transmission; costs of transmission congestion; cost of ancillary services; and any fees or taxes, present and future, over the term of the proposal will be considered in evaluating the bid."

Q27. The last sentence of Section 3.6 of the RFP states that the Transmission System Impact Study "... describing the deliverability of power shall be submitted to Cleco Power with indicative bids, or, if received later than the indicative bid due date, within three business days of its receipt by the bidder." The RFP does not provide instructions concerning how to submit the transmission system impact studies ("SIS") to Cleco Power. To whom and to which location should the SIS be addressed? In addition, does Cleco prefer that the bidder's name, or the Cleco Power assigned "bidder number," be used to indicate the bidder on the envelope or package (bidder's do not know the bidder number assigned by Cleco Power)? Should the information required for submission of bids (e.g., see label shown on Section 4.12 of the RFP) be provided when submitting the SIS?

A27. The SIS results should be submitted to the same name and address location as the bid as shown on Page 23 of the RFP Informational Filing:

Elizabeth Benson
Energy Associates
c/o Cleco Power LLC
2030 Donahue Ferry Road
Pineville, LA 71360

The SIS results should be submitted in the same manner as the bid: using the bidder's name. The Bid Opening and Redaction Team, led by the IM, will redact the necessary confidential information and assign the proper bid identification number and forward to the Dispatch/Deliverability Team for their review. Please see Page 26 of the RFP Informational Filing for further information.

The information required for submission of bids, e.g., the label shown on Section 4.12 of the RFP, is useful and can be provided when submitting the SIS. This information will make the bid easier for Cleco to identify.