

**BASIS FOR DETERMINING AND SHARING FUEL,
OPERATING, MAINTENANCE, AND OTHER COSTS
ASSOCIATED WITH THE OPERATION OF THE UNIT**

1.0 Intent and Definitions

1.1 The Other Owners shall be obligated to pay Cleco Power LLC, (“CLECO”), their appropriate shares, as hereinafter provided in this Exhibit IV, of CLECO's actual and estimated direct and indirect costs of operation and maintenance that are incurred and estimated by CLECO in connection with the operation of the Unit and are not to be paid under any other provision of this Agreement. The Owners shall be obligated to pay to each other their appropriate shares for service provided when coal cars owned or leased by one Owner transport Coal purchased by another Owner, as hereinafter provided in this Exhibit IV.

1.2(A) “Each Other Owner's Share”, for the purpose of determining natural gas costs and fuel handling costs for all fuels hereunder with respect to the generation of electricity by the Unit, shall be determined pursuant to the following formula:

$$\text{Each Other Owner's Share} = \frac{\text{Net Unit Deliveries for Each Other Owner at the Site (KWH)}}{\text{Net Unit Output (KWH)}}$$

The elements of such fuel handling costs shall be those costs related to the transfer of fuel from storage or from the shipping medium to the Unit for the purpose of generation of electricity.

1.2(B) Initially, a fuel oil inventory will not be maintained. Should CLECO deem it necessary to burn oil in the Unit, it will provide such oil, to the extent CLECO determines it to be available, from its oil inventory for its Rodemacher Unit No. 1 and each Other Owner will reimburse CLECO for its share thereof, as determined by the formula contained in Paragraph 1.2(A) of Section 1.0 of Exhibit IV applied to generation using fuel oil, based upon the replacement cost of such oil to CLECO. Replacement cost shall be all those costs incurred by CLECO in replenishment of its oil inventory.

Should CLECO, in its discretion, elect to procure and maintain an inventory of fuel oil for the Unit, such inventory shall be paid for by the Owners in accordance with their Ownership Percentages. Said inventory levels shall be maintained as follows. Following each month and in accordance with Prudent Utility Practice, CLECO will procure for each Owner that volume of fuel oil burned in the Unit to generate the output of the Unit received by each Owner during such month. Each Other Owner will be billed for the amount due it and shall make payment therefor pursuant to the provisions of Section 6.0 of Exhibit IV, which shall also apply to failure to make payment timely. No Owner shall be allowed to use any other Owner's oil inventory without the consent of said other Owner.

1.3 "Each Other Owner's Share" shall, for the purpose of determining costs hereunder (excluding the costs of purchasing or leasing coal cars, freight costs incurred in the transportation of coal, the cost of operating, insuring, maintaining and repairing coal cars, fuel purchases and fuel handling costs referred to in Paragraphs 1.2(A) and 1.2(B) of Section 1.0 of Exhibit IV) with respect to the operation of the Unit, be defined as its Ownership Percentage.

1.4 "Each Other Owner's Share" shall, for the purpose of determining costs hereunder with respect to freight costs incurred in the transportation of coal and the cost of operating coal cars, be that percentage represented by its Share of the Annual Quantity of all Owners, as established each year pursuant to paragraph (2) of Part A of Section 12 of the Agreement.

2.0 Total Amount Due

Each Other Owner agrees to pay CLECO monthly, commencing on the date and in the manner specified in Section 6.0 of this Exhibit IV and continuing throughout the term of this Agreement, its share of the Monthly Charges as defined in Section 4.0 of this Exhibit IV. Such payments shall be made by each Other Owner to CLECO without regard to availability of the Unit, but, subject to the terms of this Agreement, CLECO agrees to use its best efforts to place the Unit in service or to return the Unit to service promptly. If the commencement date occurs on a date other than the first day of the month, Monthly Charges of each of the Other Owners for the first month shall be appropriately prorated.

3.0 Basis of Total Amount Due

The Other Owners and CLECO agree that the payment provided in Section 2.0 of Exhibit IV shall be based upon, and computed in accordance with, the definitions and the methods of calculation set forth in the following Sections of this Exhibit IV.

4.0 Other Owners' Monthly Charges

Monthly Charges of each of the Other Owners for the following costs shall be determined as follows:

4.0(A) Natural gas costs as determined under Paragraph 4.1 of Section 4.0 of Exhibit IV multiplied by "Each Other Owner's Share" as determined by Paragraph 1.2 (A) of Section 1.0 of Exhibit IV, unless such natural gas is not used for the generation of electricity, in which case such natural gas costs shall be multiplied by "Each Other Owner's Share" as determined by Paragraph 1.3 of Section 1.0 of Exhibit IV.

4.0(B) The sum of the amounts determined under the following paragraphs of Section 4.0 multiplied by "Each Other Owner's Share" as determined by Paragraph 1.3 of Section 1.0 of Exhibit IV.

Paragraph 4.2,	Operation and Maintenance Costs
Paragraph 4.3,	Local Tax Costs
Paragraph 4.4,	Insurance Costs

4.0(C) The sum of amounts for "Other Costs" under the estimated annual costs under Paragraph 4.5 of Section 4.0 of Exhibit IV, divided by twelve (12) and the dividend multiplied by "Each Other Owner's Share" as determined under Paragraph 1.3 of Section 1.0 of Exhibit IV.

4.0(D) The sum of amounts for fuel handling costs related to the generation of electricity during the month, as determined under Paragraph 4.6(E) of Section 4.0 of Exhibit IV, multiplied by "Each Other Owner's Share" as determined by Paragraph 1.2(A) of Section 1.0 of Exhibit IV, plus the sum of all other fuel handling costs as determined under Paragraph 4.6(E) of Section 4.0 of Exhibit IV, multiplied by "Each Other Owner's Share" as determined by Paragraph 1.3 of Section 1.0 of Exhibit IV.

4.0(E) The sum of amounts determined under Paragraph 4.6(A) of Section 4.0 of Exhibit IV multiplied by "Each Other Owner's Share" as determined by Paragraph 1.4 of Section 1.0 of Exhibit IV.

4.0(F) Insurance costs for and the cost of maintenance and repair of coal cars owned or leased by any Owner shall be determined under Paragraph 4.6(B) of Section 4.0 of Exhibit IV.

4.1 The cost of natural gas utilized in the Unit will be based on the average cost of such natural gas at the Site. Each Other Owner's natural gas cost shall include all CLECO's natural gas expenses, expressed on a monthly basis, properly allocable to the Unit, and charged to the following accounts in the Federal Energy Regulatory Commission's Uniform System of Accounts:

- 501 - Fuel-Gas Purchased
- 501 - Fuel-Gas Transportation

4.2 Operation and maintenance costs shall include CLECO's monthly operation and maintenance costs properly allocable to the Unit charged to the following accounts in the Federal Energy Regulatory Commission's Uniform System of Accounts:

- 500 – Operation Supervision and Engineering
- 502 – Steam Expenses
- 505 – Electric Expenses
- 506 – Miscellaneous Steam Power Expenses
- 510 – Maintenance Supervision and Engineering

- 511 – Maintenance of Structures
- 512 – Maintenance of Boiler Plant
- 513 – Maintenance of Electric Plant
- 514 – Maintenance of Miscellaneous Steam Plant

- 4.3** Local Tax Cost shall be all property and ad valorem taxes, both personal and real, expressed on a monthly basis, properly allocable to the Unit, provided, that each Other Owner shall be entitled to the entire benefit of all exemptions from and reductions in said property and ad valorem taxes attributable to its joint ownership in the Unit under the terms of this Agreement.
- 4.4** Insurance Cost shall be CLECO'S insurance costs, expressed on a monthly basis, properly allocable to the Unit.
- 4.5** Other Costs shall be CLECO's expenditures, not included pursuant to any other provision of Section 4.0, of an appropriate portion of expenses of CLECO properly allocable to the Unit. Other Costs shall include, by way of enumeration and not of limitation, the following accounts in the Federal Energy Regulatory Commission's Uniform System of Accounts:

- 920 - Administrative and General Salaries
- 921 - Office Supplies and Expenses
- 923 - Outside Services Employed
- 925 - Injuries and Damages
- 926 - Employee Pensions and Benefits
- 928 - Regulatory Commission Expenses
- 929 - Duplicate Charges - Credit
- 930.2 - Miscellaneous General Expenses
- 931 - Rents
- 935 - Maintenance of General Plant

Also:

- - - Payroll Taxes Paid
- - - Selected Stores Allocation
- - - Selected Transportation Allocation
- - - Selected Engineering Department Expense:
- - - Selected Production Department Expenses
- - - Charges for Selected General Plant
- - - Legal and Financial Expenses
- - - System Dispatching Costs

- 4.6 (A)** Freight costs and the cost of operation of coal cars shall be those costs, other than costs of purchase or lease of coal cars or costs set forth in paragraphs 4.6(B) and (C) below, incurred by CLECO and properly allocable to the transportation of coal and the operation of coal cars owned by or leased to any Owner. Notwithstanding Paragraph 4.0(E) of Section 4 of Exhibit IV, until such time as the coal cars purchased or to be purchased by LPPA are placed in operation, all amounts payable by any Owner for delayed delivery and for or in connection with storage shall be operating expenses and the cost to each other Owner therefore shall be as set forth in Paragraph 1.3 of Section 1 of Exhibit IV. Notwithstanding those of Paragraph 4.0 (E) or any other provisions of this Agreement or Exhibit IV, if any Owner causes an increase in the freight cost which would otherwise be due on the total volume of Coal to be transported for all owners because of the volume of Coal received by it, such increase shall be borne solely by that Owner and if such an increase is caused by the volume of Coal received by two or more Owners, then the increase shall be borne by them in the proportions in which they contributed to the increase.
- 4.6 (B)** Insurance costs for and the cost of maintenance and repair of coal cars shall be those costs incurred by CLECO for the insurance, maintenance and repair of coal cars owned or leased by any Owner. Such costs shall be borne by the owner or lessee of those coal cars insured, maintained and repaired; i.e., LPPA shall make payment to CLECO for the cost of insuring, maintaining and repairing coal cars owned by it and CLECO shall bear the cost of insuring, maintaining and repairing coal cars leased by it. Portions of amounts payable under the provisions of this paragraph are subject to recovery by the owner and/or lessee of the coal cars under Paragraph 4.6(C) of Section 4.0 of Exhibit IV.
- 4.6 (C)** In addition to all other amounts payable by LEPA pursuant to Exhibit IV, LEPA shall pay to CLECO for the transportation service provided by CLECO pursuant to Paragraph 3(a) of Part A of Section 12 of the Agreement a monthly fee computed as follows: \$41,404.80 (the "Base Amount"), multiplied by 110%, multiplied by that percentage yielded by LEPA's Share of the Annual Quantity divided by the total Shares of the Annual Quantity of CLECO and LEPA, with the result of the foregoing divided by 40%. Such fee is based on CLECO's current lease costs under the Leases of Railroad Equipment (the "Leases"), dated March 1 and June 1, 1981, respectively, each as amended and each between Wilmington Trust Company as Owner Trustee for the Lessor, and CLECO, as Lessee, and such fee shall be adjusted by adding to the Base Amount 40% of any additional amounts resulting from coal car and/or coal car equipment replacements payable by CLECO to Lessor pursuant to the Leases. In addition, LEPA shall pay to CLECO 40% of any additional amounts (other than amounts relating to operation, maintenance and repair of and

insurance for the coal cars) resulting from other than coal car and/or coal car equipment replacement payable pursuant to the Leases. In addition, LEPA will pay to CLECO that portion of CLECO's cost of insuring, maintaining and repairing the coal cars leased by CLECO computed as follows: CLECO's cost of insuring, maintaining and repairing the coal cars multiplied by 40%, multiplied by that percentage yielded by LEPA's Share of the Annual Quantity divided by the total Shares of the Annual Quantity of CLECO and LEPA, with the result of the foregoing divided by 40%.

To the extent any Coal is transported in coal cars leased by CLECO which is to be purchased by LPPA, LPPA will pay CLECO a fee for such transportation service equal to CLECO's proportionate lease costs for such coal cars used to transport such Coal, plus 10% of such costs, plus a proportionate share of CLECO's costs incurred under Paragraph 4.6(B) of Section 4.0 of Exhibit IV. To the extent any Coal is transported in coal cars owned by LPPA which is to be purchased by CLECO or LEPA, CLECO will pay LPPA a fee for such transportation service equal to LPPA's proportionate debt costs (inclusive of any replacement costs) for such coal cars so used to transport such Coal, plus 10% of such costs, plus a proportionate share of LPPA's costs incurred under Paragraph 4.6(B) of Section 4.0 of Exhibit IV. The costs provided for in this paragraph as related to costs incurred under Paragraph 4.6(B) of Section 4.0 of Exhibit IV shall be levelized by the Operating Committee which shall agree on the amount which shall be payable for such costs, the time such amounts will be payable and the adjustments to be made to reflect the actual costs. If agreement cannot be reached on the foregoing by the Operating Committee, the matter shall be referred to a Project Consultant and the cost thereof shall be borne by the Owner or Owners against whom his decision is made.

If in the future LEPA purchases coal cars, as provided in paragraph 3(a) of Part A of Section 12 of the Agreement, the foregoing provisions of this Paragraph 4.6(C) will no longer be applicable and the following provisions will apply. To the extent any, Coal is transported in coal cars owned or leased by one Owner which is to be purchased by any other Owner, the Owner purchasing such Coal will pay the Owner transporting such Coal a fee for such transportation services equal to the appropriate Owner's proportionate lease or debt costs (inclusive of replacement costs), as the case may be, for such coal cars used to transport such Coal, plus 10% of such costs, plus a proportionate share of the appropriate Owner's costs incurred under Paragraph 4.6(B) of Section 4.0 of Exhibit IV. The costs provided for in this paragraph as related to costs incurred under Paragraph 4.6(B) of Section 4.0 of Exhibit IV shall be levelized by the Operating Committee, as provided for in the preceding paragraph of this Paragraph 4.6(C).

- 4.6 (D)** CLECO shall, in accordance with Prudent Utility Practice, attempt to equalize the utilization of those railroad cars owned or leased by all Owners. The billing, payment, interest, records and inspection provisions of Section 6.0 of Exhibit IV will apply to amounts payable under Paragraph 4.6(C) between the Owner to whom payment is due and the Owner obligated therefor.
- 4.6 (E)** The cost of fuel handling will be based on those costs incurred by CLECO, on a monthly basis, associated with fuel handling, properly allocable to the operation of the Unit. Fuel handling costs are broken out in two components: one component is those fuel handling costs which shall include those costs related to the transfer of fuel in storage or from the shipping medium to the Unit for the purpose of generation of electricity, and the second component is all other fuel handling costs including, but not limited to: inventory replenishment, inventory care, burning of fuel for other than the generation of electricity, etc.

5.0 Use of Other Owner's Capacity

In the event, pursuant to the provisions of the fifth paragraph of Section 11 of the Agreement, one Owner utilizes capacity and energy from the Unit to which any other Owner would otherwise be entitled, the Owner using such unused capacity and energy shall, in addition to paying its own operating, maintenance and other charges provided in this Exhibit IV allocable to the portion of the Unit owned by it, compensate monthly the Owner whose capacity and energy are being used at the rate of 14% of the cost of the current fuel used with respect to that portion of the unused capacity and energy which is actually utilized and, in addition, shall pay it for its current fuel used in the generation if the Owner with unused capacity designate such fuel as having been used. If the fuel is Coal, the cost of the fuel shall be determined by the CLECO Fuels Department and the elements of such costs shall be: coal cost at the mine, transportation, coal car cost, coal car maintenance, operation and maintenance unloading to stock pile, operation and maintenance associated with purchasing of coal, transportation management, and inventory management. The Owner, whose capacity was used by the other Owner, shall declare whether or not its fuel was burned in the use of the capacity shall make payment for the cost thereof, determined in the foregoing manner, but in the event the other Owner using such capacity and energy is required to use its own fuel, then, it shall not be required to pay the Owner, whose capacity is being used, for fuel, but shall pay only 14% of the cost of the current fuel being utilized to generate such capacity and energy.

Bills for amounts due under the foregoing provisions of this Section 5.0 shall be rendered as soon as possible after the end of each month and payment is required to be made within ten (10) days from receipt thereof. Amounts owing under invoices for which payment is not received within the required time shall bear interest thereafter until paid at the applicable prime rate at Citibank, N.A. Should any Owner default in payment of such invoices after ten (10) days written notice, its right to use the capacity and energy from the Unit to which any other Owner would otherwise be entitled shall be suspended so long as payment has not been made and the Owner to

whom payment is due shall be entitled to enforce all rights and remedies available to it under this Exhibit IV, the Agreement to which it is attached or by operation of law.

Nothing contained herein shall be construed as affecting in any way the right of either party furnishing or receiving service under the above provisions of this Section 5.0 to (1) unilaterally make application to the Federal Energy Regulatory Commission under Section 205 of the Federal Power Act for a change in rates, charges, classifications, or service, or in any rule or regulation relating thereto; or (2) to petition for investigation of existing rates under Section 206 of the Federal Power Act, whichever shall be applicable, and pursuant to the Commission's Rules and Regulations promulgated thereunder.

6.0 Commencement of Monthly Charges, Billing Procedures, Records, Inspection.

Charges to the Other Owners provided for in this Exhibit IV will commence upon the Closing Date and shall be governed by the following provisions.

As soon as practicable prior to the Closing Date, CLECO will present the Other Owners with a budget of operating and maintenance expenses for the Unit by months for the remainder of the calendar year. Thereafter, at least 30 days prior to July 1 of each calendar year, CLECO will provide the Other Owners with a budget by month for an eighteen (18) month period, beginning July 1. On November 15, subsequent to such July 1 date, CLECO will provide the Other Owners with a calendar year budget for the Unit by month.

On or before the first day of the month following the month in which the Closing Date occurs, the Other Owners will deposit with CLECO an amount equal to one month's budgeted operating costs (excluding fuel) determined by taking the average monthly operating costs (excluding fuel) in the initial budget submitted to the Other Owners. Thereafter, the deposit will be subject to change upon submission of the annual budgets (July 1) and midyear (November 15) revisions to the Other Owners.

CLECO will mail invoices to the Other Owners as soon as possible after the end of each month and payment by the Other Owners is required to be received by CLECO within 10 days from receipt thereof. Amounts payable each month under the preceding sentence shall be adjusted for actual expenses incurred in that month and will be reflected in the invoice for the month which follows the date of determination of such actual expenses.

Amounts owing under invoices for which payment is not received within the required time shall bear interest at the lesser of the maximum annual rate of interest then permitted by law, or the annual rate of 2% over the then current prime interest rate (or equivalent rate) of Citibank, N.A., and any amount remaining unpaid after 30 days following the date of receipt of invoices under this Exhibit IV shall bear interest at the lesser of the maximum annual rate of interest then permitted by law, or the annual rate of 18%. All invoices will state the total amount of actual expenses for the preceding month and the basis on which "Each Other Owner's Share" was determined.

Books of account and records in reasonable detail shall be kept and maintained by CLECO, showing expenditures and disbursements made by CLECO in connection with the operation of the Unit. Books and records shall be kept in conformity with generally accepted accounting practices and the Federal Energy Regulatory Commission Uniform System of Accounts, and shall be open to inspection by each Other Owner at the then principal accounting office of CLECO (presently in Pineville, Louisiana), upon reasonable advance notice given by any Other Owner to CLECO, during normal business hours.