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Alliance for Affordable Energy calls for immediate credit ratings agency review of Cleco sale

With major risk-enhancing changes made to deal since credit agencies’ last review, consumer advocacy organization calls for new review of Cleco’s long-term financial health

Baton Rouge – Today, the Alliance for Affordable Energy, a consumer advocacy group based in New Orleans, urged credit ratings agencies to review the details of the sale of Cleco Power that was passed in a special meeting held by the Louisiana Public Service Commission on March 28. Several deal points that will likely increase risk to Louisiana ratepayers were made during the special meeting, an unusual move that did not allow for proper review by the LPSC staff or the public.

“The deal negotiated in the last 20 minutes of the 6-hour special meeting included commitments that will likely affect Cleco’s credit rating. A downgraded credit rating from Moody’s or S&P would significantly impact Cleco’s financial standing, especially in light of the fact that Cleco will already be taking on $2.8 billion of debt to $2.9 billion worth of assets,” said Casey DeMoss, CEO of Alliance for Affordable Energy. “It is simply prudent to know what Cleco’s future outlook will be when we’re talking about billions of dollars of debt carried on the shoulders of Cleco’s customers.”

In late January, both Moody’s and Standard and Poor’s (S&P) issued a revised credit rating assessments that Cleco Corp. would be downgraded to the lowest investment-grade status as a result of the transaction. However, some new stipulations, including $136 million in upfront rate credits, attached to the approved deal (released in a Cleco press release http://investors.cleco.com/phoenix.zhtml?c=82212&p=RssLanding&cat=news&id=2151114), would almost certainly have a negative impact on that outlook.

"Other stipulations were added during the March 28 hearing that could further negatively impact Cleco’s credit rating status. The prior credit assessment did not contemplate a utilities rate freeze through 2020," said DeMoss. “Furthermore, their
latest promise is to return $0.50 on the dollar for money charged customers for taxes the company never intend to pay — intended as a short term sweetener to the Commission and customers, it is expected to directly result in the loss of any Cleco tax payments to the state of Louisiana while the state is struggling with the worst budget crisis in its history. While these schemes would directly enrich foreign investors, they will financially weaken the company, increase risk for customers and further imperil Louisiana’s crumbling state budget."


“The Alliance is formally calling on the Commission to solicit new ratings from credit agencies. This is a matter of due diligence. The rating agencies must review all of the details of the new deal and provide a new ratings assessment. Louisiana cannot afford to be blindsided by a downgraded credit rating,” DeMoss added.

Founded in 1985, the Alliance for Affordable Energy promotes fair, affordable and environmentally responsible energy through education, advocacy and policy. From inception, the Alliance has advanced a philosophy that there is no conflict between lower energy costs and lower pollution, between good jobs and regulation, or between serving the public interest and making a reasonable profit.