

CLECO TAKEOVER

The high cost of a bad deal

CLECO Power, The oldest of Louisiana's major electric utilities, is the target of a private equity takeover by foreign-owned investment groups who are buying up utilities around the country. They say customers won't notice a difference, but there is more to this story.

The **CLECO takeover** attempt is being led by **MACQUARIE**, a multinational conglomerate that has been found guilty of **fraud** and **swindling** investors, engaged in **deceitful** contracting practices, was cited for **obstructing** government investigations, and fostered a corporate culture that encouraged **cheating** on internal competency exams by corporate executives. They have bought up toll roads and run them into the ground, declaring **bankruptcy** or **reneging** on operating contracts before selling them off to **cut their losses**. Now MACQUARIE is making a big move into electric, gas, and water utilities.

CLECO's current corporate executives, board, and shareholders are authorizing an enormous amount of debt to be passed on to customers, while taking a huge payout for themselves. Corporate executives are slated to receive \$47 million, including a golden parachute worth nearly **\$30 million for CLECO CEO Bruce Williamson**. If this transaction goes through, CLECO could be in debt for more than the value of all its power plants combined. This is a shaky financial transaction that increases risks for virtually no benefit to customers, but **customers are ultimately on the hook for the cost**.

A comparison of CLECO's corporate income statements, customer satisfaction rankings, and leadership changes all point to a **striking shift in corporate strategy at CLECO**, squeezing customers for greater profits while plans were underway to drive up the utility's value to put it up for sale. Higher costs for these profits were **passed on to customers**.

All Risk, No Benefit

Credit Downgrades: Utilities with poor credit scores pay higher rates when borrowing money, and customers pay for it. This buyout will lead to downgrades.

Unprecedented Obstruction of Oversight: With multiple shell companies creating barriers between the utility and its parent corporations, financial and regulatory oversight becomes clouded.

Higher Rates - In its other utility holdings, Macquarie has consistently and relentlessly pressured regulators to raise rates on customers.

Service Quality Suffers - To increase earnings after a leveraged buyout, it is common for new owners to cut costs by cutting corners. This means less accessible customer service agents, inadequate infrastructure maintenance, more frequent outages, and slower response times for restoration when the power goes out.

Inadequate Future Investment - To manage customer costs and ensure reliable service, utilities must periodically make large capital investments in power generation and infrastructure. Excessive debt inhibits these necessary capital projects and can force higher costs on customers.

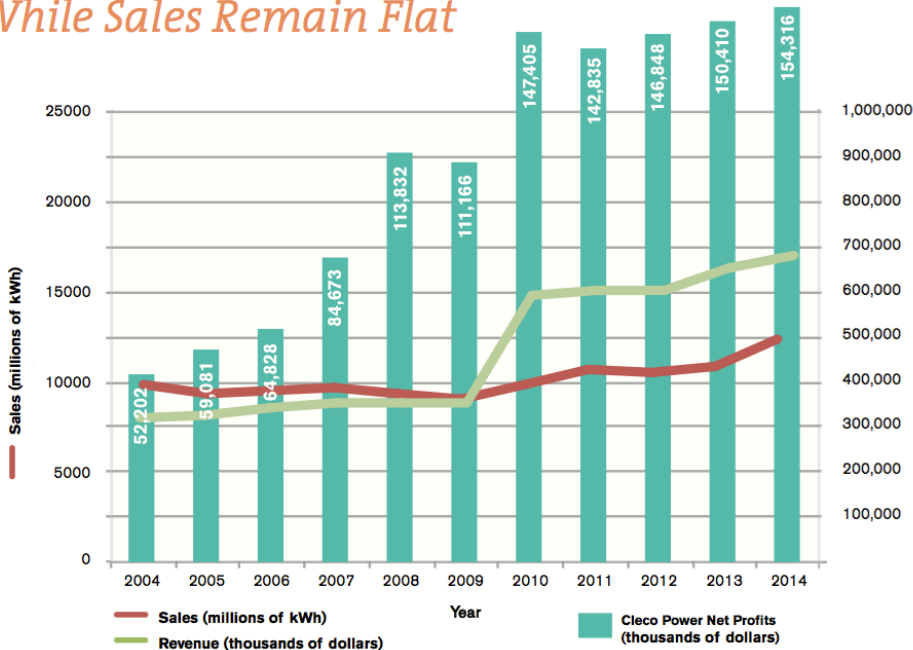
Risk of Default - When a company is piled with more and more debt, the risk of default increases. Bankruptcies are messy, expensive, and could lead to the utility being taken over by creditors - all of which create service problems and added customer costs.

Macquarie wants to purchase your utility with your money.

The only source of income to pay back the enormous debt incurred by the leveraged buyout is customers.



Profits and Revenues Skyrocket While Sales Remain Flat



Cleco's board and executive team have likely been preparing the company for the auction block for years, pushing profits and revenues higher to attract lucrative bids. Customer bills have doubled even when you're using the same amount of electricity.



The LPSC can and should reject this deal.

CLECO and MACQUARIE have pushed for expedited LPSC approval to limit public awareness and involvement. **Why? Because this deal stinks** – corporate insiders get rich while you pay the cost. They want to cash in and walk away, but as captive customers of a monopoly utility we can't walk away. **Instead, Louisiana families and business get stuck with the bill.**

More information at all4energy.org

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