



Clyde C. Holloway  
Commissioner

## Louisiana Public Service Commission

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Dear Concerned Citizen:

Thank you for taking the time and effort to write regarding the proposed sale of Cleco to the Macquarie led investor group of non-U.S. entities.

Please know that during the past 17 months, I have been carefully studying the issues surrounding the proposed transaction. My focus has been and will continue to be on what is in the best interest of CLECO's ratepayers, employees, as well as CLECO supported community organizations, *over the long term*. While we have extracted many concessions from CLECO and its representatives that greatly strengthening protections for ratepayers, I still have grave concerns regarding the sale of Cleco.

Unfortunately, the Cleco/Macquarie led investors chose to file important aspects of the proposed transaction under a confidential seal, thereby barring any commissioners and/or staff from publicly sharing concerns. At my request, this confidentiality seal was lifted by a judge, thereby allowing me to finally share with you and the public some of the larger issues I find troublesome. Below I have identified my ongoing concerns, which include the spread of misinformation regarding the risk to employees if the transaction is not approved.

**Tax Avoidance Scheme**----Macquarie plans to execute a tax avoidance scheme in which they (Macquarie) will collect up to \$30 million dollars of taxes each year from Cleco customers for the purpose of paying taxes, BUT they will instead distribute that money to their shareholders thereby NEVER paying that money in state and federal taxes. (See footnote #1 Page Two.)

**Practice of "double leverage"**—essentially treating borrowed money (debt) as equity in order to increase the return for investors, with no benefit for ratepayers. (See footnote #2 Page Two.)

**Employee fears of losing jobs** if the transaction is not approved. At my request, levels of employees will be protected through a service quality plan...whether or not the sale is approved. (See footnote #3 Page Two.)

**The Macquarie business model** requires it to sell Cleco in approximately 10 years. (See footnote #4 Page Two.)

**Impression left with civic organizations/recipients**, that charitable donations will be halted by Cleco if the sale is not approved. No testimony or discovery filed by Cleco to LPSC gives indication Cleco will not or cannot continue to fulfill its civic obligations if the sale is not approved. (See footnote #5 Page Two.)

In closing, as your Public Service Commissioner, I take very seriously my job to protect the customers of monopoly utilities. If I can be of assistance to you regarding this matter or any other service, please do not hesitate to contact me.

Sincerely,

Clyde Holloway

Footnotes:

#1) The new ownership plans on employing a tax scheme, by which, instead of using up to \$30 million dollars a year in taxes that are collected from ratepayers in rates for the purpose of paying federal and state taxes, they will instead distribute that money to shareholders in a manner to increase their rate of return and that money will never be paid to federal and state authorities.

**(Public Direct Testimony of Staff's Witness Mr. R. Lane Sisung, at page 54, lines 1-2.)**

#2) The new ownership plans on using the practice of "double leverage" which means they plan on collecting from ratepayers rates based on a 10% rate of return on equity capital which in fact that they are borrowing at much lower rates. **(Public Direct Testimony of Staff's Witness 11/12/15.)**

#3) Cleco is in good financial shape and an extension of the company's formula rate plan, prior to the transaction's announcement was settled to support the current employee levels. However, reports are being received that employees are of the understanding/left with the impression that if the transaction does not close employees' jobs will be in jeopardy. **(The LPSC recently approved a service quality program –which shall maintain current employee levels to insure quality of service for Cleco customers even if the company remains publicly traded and is not sold LPSC Order S-33825.)**

#4) Cleco is in good financial shape today as evidenced by its recent filings and direct testimony given by Cleco under oath during November 2015 LPSC hearings. Given this information, it is concerning that Macquarie, the majority interest of the new owners, openly plans on weakening the company and using double leverage and tax schemes to enhance its returns for 10 years and yet plans to sell its interest in Cleco in approximately 10 years. If the current proposed sale is approved, and Macquarie or Cleco experiences financial distress, the Commission would have no way of knowing under which condition the fire sale to a new purchaser might have to be conducted. **(Public Direct Testimony of Staff's Witness Mr. R. Lane Sisung, at page 15, lines 10-17.)**

#5) There is no indication that Cleco Power would cease supporting economic development or supporting charities or providing assistance to low-income rate payers if the transaction is not completed. **(Transcript dated 11/10/15 at 169-170 – Olagues.)**