

PUBLIC VERSION

EXHIBIT 3

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DIRECT TESTIMONY OF VINCENT M. SIPOWICZ LA Public Service Commission
ON BEHALF OF CLECO POWER LLC

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COMPETITIVELY SENSITIVE, TRADE SECRET,
AND PROPRIETARY INFORMATION PURSUANT
TO RULE 12.1 OF THE COMMISSION'S
RULES OF PRACTICE AND PROCEDURE

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

EX PARTE: APPLICATION OF	)	
CLECO POWER LLC FOR	)	
AUTHORIZATION OF: (I) SITE	)	
SPECIFIC CONTRACT FOR LARGE	)	
LOAD CUSTOMER;	)	
(II) BRIDGE CAPACITY CONTRACT;	)	DOCKET NO. U-_____
(III) CONSTRUCTION OF NEW	)	
TRANSMISSION	)	
INTERCONNECTION;	)	
(IV) CONSTRUCTION OF NEW	)	
GENERATION; (V) ASSOCIATED	)	
WAIVERS; AND (VI) EXPEDITED	)	
TREATMENT.	)	

DIRECT TESTIMONY

OF

VINCENT M. SIPOWICZ

ON BEHALF OF

CLECO POWER LLC

JULY 1, 2026

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I. INTRODUCTION AND BACKGROUND

Q1: PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A: My name is Vincent M. Sipowicz. I am the Vice President and Treasurer for Cleco Corporate Holdings LLC ("Cleco Corp"). My business address is 2030 Donahue Ferry Road, Pineville, Louisiana, 71360.

Q2: PLEASE DESCRIBE YOUR JOB RESPONSIBILITIES.

A: I oversee Cleco Corp's treasury, financial planning and analysis, analytics, risk, and middle office functions. My current responsibilities include managing all debt and financing activity at Cleco Corp and Cleco Power LLC ("Cleco Power" or the "Company"), including debt issuances and refinancings; maintaining relationships with credit rating agencies and managing credit ratings; managing relationships with banks and fixed income investors; maintaining Company cash and liquidity; and providing financial analysis, budgets, forecasts and funding plans to Company management, as well as the Board of Managers, for financial decision making.

Q3: PLEASE DESCRIBE YOUR PROFESSIONAL AND EDUCATIONAL HISTORY.

A: I hold a Bachelor of Arts degree with a major in Mathematics from Duke University and a Master of Business Administration degree from the Tuck School of Business at Dartmouth College. I joined Cleco Corp in my current role as Vice President and Treasurer in 2020. From 2003 to 2020 I worked for the AES Corporation in Arlington, Virginia, a global energy company operating a portfolio of electric generation and regulated utility businesses. While at AES, I held several positions of increasing responsibility in Financial Planning and Analysis, Investor Relations, and Treasury. The majority of my tenure at the AES Corporation was spent in Treasury, where I was responsible for managing a \$6 billion

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corporate debt portfolio, maintaining corporate credit ratings and relationships with credit rating agencies, and managing cash and liquidity planning.

Q4: HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE THE LOUISIANA PUBLIC SERVICE COMMISSION (“LPSC” OR THE “COMMISSION”)?

A: Yes, I have previously given testimony in front of the Commission. I provided testimony on behalf of Cleco Power in LPSC Docket No. U-36923, *In Re: Application of Cleco Power LLC for: (I) Implementation of Changes in Rates to be Effective July 1, 2024; and (II) Extension of Existing Formula Rate Plan* and in the Company’s recently filed 2027 Rate Case.¹

Q5: WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A: My testimony supports the Company’s application (the “Application”) in this proceeding. The Application seeks, among other things, the approval of an Electric Service Agreement (“ESA”) that is a Site Specific Contract and related agreements with Applied Digital Corporation (the “Customer”); approval to enter into a capacity agreement with Tenaska Frontier Partners, Ltd. (the “Capacity Agreement”); approval of or exemption for construction of transmission interconnection infrastructure to serve the load required by a new \$3.6 billion hyperscale data center to be developed by the Customer in Rapides Parish, Louisiana (the “Project”);² and the certification and approval of the Company’s

¹ LPSC Docket No. U-_____; *In Re: Application of Cleco Power, LLC for (1) Implementation of Changes in Rates to be Effective July 1, 2027; (2) New 2027 Formula Rate Plan; and (3) Expedited Treatment* (the “2027 Rate Case”). Cleco Power filed its application with the Commission on June 23, 2026, and anticipates that it will be noticed in the Commission’s next Official Bulletin on July 2, 2026.

² See <https://www.opportunitylouisiana.gov/news/central-louisiana-secures-3-6-billion-applied-digital-ai-factory-campus>.

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1 construction of new generation to serve Cleco Power's existing and future customer load.

2 The data center's primary tenant will be [REDACTED] (the "Offtaker"), a subsidiary of
3 [REDACTED] (the "Parent").

4 Cleco Power's Application describes its prayers for relief; however, my direct testimony
5 will focus on the reasonableness of the financial protections provided by the Customer, the
6 Offtaker, and the Parent, as applicable, in the ESA between Cleco Power and the Customer,
7 dated effective April 17, 2026, and the related transaction documents, as well as Cleco
8 Power's current credit ratings and the anticipated impact of the Project on Cleco Power's
9 financial profile and credit ratings going forward.

10 **II. GENERAL TRANSACTION STRUCTURE AND IDENTIFICATION OF**
11 **THE PARTIES**

12 **Q6: PLEASE PROVIDE A GENERAL DESCRIPTION OF THE PROJECT.**

13 **A:** The Project at issue in this Application is the development of a hyperscale data center
14 facility to be constructed in Rapides Parish, Louisiana, with anticipated electric load
15 requirements of approximately 430 MW once the Project is fully operational. The scale of
16 the Project requires coordinated planning between Cleco Power, the Customer, the
17 Offtaker, and the Parent to ensure reliable electric service while appropriately allocating
18 costs and risks associated with serving such a substantial new load. Please refer to the
19 Direct Testimony of Company witness Austin Finn for a more detailed description of the
20 Project.

21 **Q7: PLEASE PROVIDE A GENERAL DESCRIPTION OF THE PROJECT**
22 **TRANSACTION STRUCTURE.**

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1 **A:** The Customer will serve as Project developer, with the Customer and the Offtaker entering
2 into a Leasing and Services Agreement (the “Colocation Agreement”). [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED] Cleco Power will provide energy to the Project under the ESA, which, if authorized
8 by the Commission, would constitute a “Site Specific Contract”, as defined by the
9 Commission’s Electric Utility Tariff Filings Order.³ The ESA would enable the Customer
10 to fulfill its obligations to the Offtaker under the Colocation Agreement. The provisions of
11 the ESA that effectively render the ESA a Site Specific Contract are discussed by Mr. Finn
12 and by Company witness D. Andrew Owens.

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

³ LPSC General Order 7/1/2019 in Docket No. R-34738; *In re: Proceeding to Establish Rules Regarding Electric Utility Tariff Filings and Related Review, Including Site Specific Rate Filings.*

⁴ See <https://www.cleco.com/docs/default-source/rates-and-fees/other-documents/july-2025/38-standard-terms-and-conditions-04-01-2025.pdf>.

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1 Cleco Power and the Customer have negotiated and executed a 15-year ESA, together with
2 related agreements and several provisions that are being submitted for Commission
3 approval in this Application. The ESA and related agreements, along with the LPS rate
4 schedule and the Company's Standard Terms and Conditions, provide the terms under
5 which Cleco Power will provide electric service to the Project, including load
6 characteristics, pricing, service commencement, credit support, and termination provisions.
7 The ESA and related agreements also include robust financial protections designed to
8 ensure that Cleco Power's existing customers are not exposed to undue risk. Among other
9 things, the Customer is responsible for funding, through Contribution in Aid of
10 Construction ("CIAC") payments, the cost of the incremental transmission facilities and
11 related upgrades required for Cleco Power to interconnect and serve the Project. The direct
12 interconnection transmission infrastructure is discussed in detail by Company witness
13 Shannon Jenkins. In addition, the ESA and related agreements require substantial credit
14 support from the Customer and provide for termination payments that obligate the
15 Customer to pay any remaining unrecovered costs and contractual obligations associated
16 with serving the Project if the ESA is terminated prior to the end of its term (subject only
17 to very narrow exceptions).

18 Taken together, the ESA and related agreements submitted in support of the Application
19 establish a comprehensive framework that enables Cleco Power to serve the Customer's
20 significant electricity requirements while ensuring that the direct interconnection costs
21 attributable to the Project are borne by the Customer and do not adversely affect Cleco
22 Power's existing customers.

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Q8: PLEASE PROVIDE FURTHER DETAIL REGARDING THE OTHER PARTIES INVOLVED IN THE PROJECT.

A: Applied Digital Corporation is the developer of the Project and will be Cleco Power's customer and direct counterparty to the ESA. It is a Nevada corporation headquartered in Dallas, Texas and is publicly traded on the Nasdaq Stock Market under the ticker APLD. The Offtaker is the Customer's licensee of the Project facility under the Colocation Agreement. [REDACTED]

Q9: PRIOR TO EXECUTING THE ESA, WHAT FINANCIAL DUE DILIGENCE DID CLECO POWER CONDUCT ON THE CUSTOMER AND THE PARENT AND WHAT WAS CLECO POWER'S RISK ASSESSMENT OF THE CUSTOMER AS COUNTERPARTY TO THE ESA AND THE PARENT AS GUARANTOR?

A: Prior to executing the ESA, Cleco Power conducted customary financial due diligence on both the Customer and the Parent. These reviews included analysis of each company's publicly available financial disclosures, including Form 10-K filings, as well as third-party credit rating agency reports and internally developed financial metrics.

Cleco Power determined that the Customer is a suitable commercial counterparty to do business with as a customer. However, the Customer does not have the scale or credit profile that Cleco Power would rely on to support or backstop investments and obligations of the magnitude contemplated under the ESA. Accordingly, Cleco Power required

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1 appropriately structured credit protections commensurate with the size and risk of the
2 underlying obligations, as more fully described in the subsequent section of my testimony.

3 The Parent is uniquely positioned to provide these types of credit protections. It is one of
4 the largest and most well capitalized companies globally, with a market-leading business
5 position, exceptional liquidity, and very conservative financial profile. The Parent's
6 investment-grade credit ratings of [REDACTED] reflect its strong business fundamentals,
7 disciplined financial policy, and significant financial flexibility. [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED] Cleco Power would be hard pressed to find a more credit-worthy guarantor
11 to backstop the obligations under the ESA.

12 **III. KEY DOCUMENTS; FINANCIAL RISK MITIGATION MEASURES PRIOR**
13 **TO AND AFTER LPSC APPROVAL OF THE APPLICATION**

14 **A. KEY DOCUMENTS**

15
16 **Q10: PLEASE IDENTIFY THE KEY DOCUMENTS FOR THE PROJECT.**

17 **A:** The key documents related to the Project are:

- 18 • The 15-year ESA between the Customer and Cleco Power;
- 19 • The Direct Agreement, entered into as April 17, 2026, by and among Cleco Power, the
20 Customer, and the Offtaker, which includes as an exhibit the Parent Guaranty by the
21 Parent (the "Direct Agreement");
- 22 • The Assignment and Amendment of Electric Service Agreement, entered into as April
23 17, 2026, by and among Cleco Power, the Customer, and the Offtaker (the "Assignment
24 and Amendment of ESA");

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- The Parent Guaranty; and
- The Cost Reimbursement Agreement between Cleco Power and the Customer.

Q11: PLEASE PROVIDE A BRIEF SUMMARY OF THE ESA.

A: Let me start by noting that Mr. Finn discusses the ESA and related agreements in his direct testimony along with certain provisions that effectively render the ESA a Site Specific Contract that is subject to Commission approval. Simply put, the ESA contains the terms and conditions under which Cleco Power will provide electric service to the Customer. Material provisions include the parties' obligations to provide and pay for electric service up to the Contract Demand, point of delivery and type of service, applicable rate and rider schedules, provisions related to application of the LPS rate schedule, and Cleco Power's construction of transmission and distribution infrastructure. The ESA also contains other customary provisions such as representations and warranties by the parties, indemnity and insurance requirements of the parties, default and remedies, conditions precedent and force majeure provisions. Of particular relevance to my testimony, the ESA contains provisions governing the Customer's credit support obligations, term and termination, fees for cancellation and early termination of the ESA, and customer payments, including CIAC payments for transmission and distribution investments.

Q12: PLEASE PROVIDE A BRIEF SUMMARY OF THE DIRECT AGREEMENT.

A: The Direct Agreement is a tri-party agreement among Cleco Power, the Customer, and the Offtaker, that governs the parties' rights and obligations following the occurrence of certain "trigger events," which include non-payment of sums due under the ESA, early termination of the ESA, and potential bankruptcy of the Customer, which in turn may trigger potential

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1 assignment of the ESA under the Assignment and Amendment of ESA. Importantly, the
2 Direct Agreement includes the executed Parent Guaranty as an exhibit.

3 **Q13: PLEASE PROVIDE A BRIEF SUMMARY OF THE ASSIGNMENT AND**
4 **AMENDMENT OF ESA.**

5 **A:** Under the Assignment and Amendment of ESA, upon the occurrence of an assignment
6 triggering event described in the Direct Agreement, the ESA is assigned by the Customer
7 to the Offtaker, and the Offtaker steps into the rights and obligations of the Customer under
8 the ESA. The Parent Guaranty springs into effect upon the Assignment effective date.

9 **Q14: PLEASE PROVIDE A BRIEF SUMMARY OF THE PARENT GUARANTY.**

10 **A:** The Parent Guaranty is a commercial guaranty containing usual and customary guaranty
11 provisions wherein the Parent guarantees the Offtaker's payment of all obligations under
12 the ESA, in the event the Offtaker becomes the customer under the ESA. As noted, it is a
13 springing guaranty, effective immediately upon assignment of the ESA to the Offtaker.

14 **Q15: PLEASE PROVIDE A BRIEF SUMMARY OF THE COST REIMBURSEMENT**
15 **AGREEMENT.**

16 **A:** The Cost Reimbursement Agreement was an agreement between Cleco Power and the
17 Customer under which the Customer agreed to reimburse Cleco Power for certain costs
18 incurred in support of the Project. These payments are similar in nature to the CIAC
19 payments that will be made for transmission infrastructure under the ESA, and facilitated
20 progress on the Project before the parties had fully negotiated and signed the ESA. The
21 Cost Reimbursement Agreement was terminated and superseded by the signing of the ESA,
22 by which time the Customer had reimbursed Cleco Power [REDACTED]. The Cost
23 Reimbursement Agreement represented a substantial financial commitment by the

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1 Customer and shielded Cleco Power's existing customers from any costs associated with
2 the Project incurred prior to the signing of the ESA.

3 **B. FINANCIAL RISK MITIGATION MEASURES IN THE ESA**

4 **Q16: CLECO POWER WILL BE MAKING SIGNIFICANT INVESTMENTS TO SERVE**
5 **THE CUSTOMER'S CONTRACT DEMAND. WHAT POTENTIAL FINANCIAL**
6 **RISKS HAS CLECO POWER IDENTIFIED?**

7 **A:** There are three general categories of risk. The first risk is the potential early cancellation
8 of the Project prior to LPSC authorization, or the potential termination of the ESA
9 following LPSC authorization and prior to the end of the 15-year term of the agreement.
10 The second risk is the potential the Customer defaults during the term of the ESA, including
11 potential for payment default, credit erosion, and bankruptcy. The third risk is the potential
12 erosion of the Parent's credit quality during the 15-year term of the ESA.

13 **Q17: WHAT ARE THE DIFFERENT FORMS OF FINANCIAL RISK MITIGATION**
14 **PROVISIONS THAT ARE INCORPORATED INTO THE ESA AND THAT WILL**
15 **ENSURE CLECO POWER'S CUSTOMERS ARE SHIELDED FROM COSTS**
16 **THAT ARE ATTRIBUTABLE TO THE PROJECT?**

17 **A:** [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]

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1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]

21 **Q18: PLEASE DESCRIBE THE CREDIT SUPPORT CLECO POWER IS REQUIRING.**

⁵ As part of the application, Cleco Power is requesting Commission's authorization of the Capacity Agreement; please refer to the Direct Testimony of Cleco Power witness D. Andrew Owens in this proceeding.

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1 **A:** [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]

17 **Q19: PLEASE DESCRIBE THE CANCELLATION PAYMENT.**

18 **A:** [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]

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1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]

6 **Q20: PLEASE DESCRIBE THE EARLY TERMINATION FEE.**

7 **A:** [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]

16 **Q21: IF EITHER THE CANCELLATION PAYMENT OR THE EARLY TERMINATION**
17 **FEE BECOMES PAYABLE, DOES CLECO POWER HAVE AN OBLIGATION TO**
18 **MITIGATE?**

19 **A:** [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]

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1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]

7 **Q22: PLEASE DESCRIBE THE TRANSMISSION AND DISTRIBUTION CIAC.**

8 **A:** [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]

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1 [REDACTED]

2 [REDACTED]

3 **Q23: WHAT IS THE FORWARD CAPACITY PURCHASE ADDER AND WHAT IS ITS**
4 **PURPOSE?**

5 **A:** The Forward Capacity Purchase Adder is a dollar-for-dollar pass-through of the costs for
6 market capacity purchases that Cleco Power must make to serve the Customer's Contract
7 Demand. It will be broken out as a separate line item on the Customer's bill and ensures
8 that Cleco Power's customers are not responsible to pay any of the costs associated with
9 the Capacity Agreement.

10 **Q24: WHAT IS THE [REDACTED] AND WHAT IS ITS**
11 **PURPOSE?**

12 **A:** [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

C. FINANCIAL RISK MITIGATION MEASURES IN THE DIRECT

AGREEMENT AND THE ASSIGNMENT AND AMENDMENT OF ESA

**Q25: WHEN DO THE FINANCIAL RISK MITIGATION MEASURES ESTABLISHED
IN THE DIRECT AGREEMENT AND THE ASSIGNMENT AND AMENDMENT
OF ESA COME INTO PLAY?**

A: The agreements are executed and effective as of April 17, 2026, but the risk mitigation
measures that they establish would become effective on the LPSC Approval Date (*i.e.*, the
date the Commission issues an Order approving the Application). [REDACTED]

**Q26: PLEASE DESCRIBE EVENTS THAT TRIGGER THE OPERATION OF THE
DIRECT AGREEMENT.**

A: [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

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1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]

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1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 **Q30: WHAT IS THE TERM OF THE DIRECT AGREEMENT?**

8 **A:** The Direct Agreement remains in effect until the earlier of the expiration or termination of
9 the ESA in accordance with its terms, or the Assignment Effective Date, [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

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1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 **Q33: DOES CLECO POWER HAVE A DUTY TO MITIGATE?**

5 **A:** [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 **Q34: WHAT IS THE PURPOSE OF THE ASSIGNMENT AND AMENDMENT OF ESA?**

11 **A:** [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 **Q35: PLEASE DESCRIBE THE AMENDMENT OF THE ESA CREDIT SUPPORT**

20 **PROVISION REFERENCED ABOVE.**

21 **A:** [REDACTED]

22 [REDACTED]

23 [REDACTED]

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1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]

8 **Q36: PLEASE DESCRIBE THE PARENT GUARANTY.**

9 **A:** [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]

21

D. THE FINANCIAL RISK MITIGATION MEASURES PROTECT CLECO

POWER'S CUSTOMERS

Q38: PLEASE DESCRIBE HOW THE RISK MITIGATION MEASURES DESCRIBED ABOVE PROTECT CLECO POWER'S CUSTOMERS.

A: The financial risk mitigation measures described above were the end-result of careful, comprehensive, and robust negotiations among the parties. From Cleco Power's perspective, these measures accomplish two key objectives: (1) they will help to ensure that the significant investment that Cleco Power is making is appropriately backstopped financially by the Customer, the Offtaker, and the Parent; and (2) consistent with the Commission's Large Load Additions Non-Binding Guidelines (the "Guidelines"),⁶ they will help to ensure that the costs that Cleco Power incurs to provide electric service to the Customer are borne by the Customer and not the Company's other LPSC-jurisdictional retail customers.

Q39: PLEASE EXPLAIN HOW THESE MEASURES PROTECT CLECO POWER'S EXISTING CUSTOMERS.

A: The CIAC payments for transmission and distribution infrastructure will help to ensure that the Customer pays for the capital investment Cleco Power must make to bring electric service to the Project, and that these costs are paid solely by the Customer. The Forward Capacity Purchases Adder will help to ensure that the Customer pays for all third-party capacity that Cleco Power must secure to serve the Customer's Contract Demand, specifically including the Capacity Agreement. The Cancellation Payment and Early

⁶ See https://www.lpsc.louisiana.gov/docs/general/Non-Binding_Guidelines_For_Potential_Large_Load_Customers.pdf.

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Termination Fee provisions will help to ensure that the costs that Cleco Power has incurred will be borne by the Customer (or, if there is an Assignment Trigger Event, by the Offtaker) and not borne by Cleco Power's existing customers if the Project is cancelled prior to LPSC approval or the ESA is terminated after LPSC approval but before the expiration of the ESA term. The Direct Agreement and the Assignment and Amendment of ESA serve as credit support that will help to ensure that the Company's other retail customers do not bear costs associated with the ESA, and that these costs are ultimately backstopped by the Parent Guaranty. In sum, these measures provide robust protections for Cleco Power's existing retail customers, consistent with the Commission's Guidelines.

IV. IMPACT ON CLECO FINANCIAL PROFILE

Q40: WHAT ARE CLECO POWER'S CURRENT CREDIT RATINGS?

A: Cleco Power is currently rated by S&P Global Ratings ("S&P"), Moody's Investor Service ("Moody's"), and Fitch Ratings ("Fitch"). The current senior unsecured issuance ratings are as follows:

- S&P – A-, stable outlook;
- Moody's – A3, stable outlook; and
- Fitch – A-, stable outlook.

Ratings of BBB- (Baa3 for Moody's) and above are considered investment grade. Each of Cleco Power's credit ratings are currently comfortably in the investment grade range. Cleco Power's credit ratings are important to the Company's ability to borrow at reasonable interest rates and minimize the interest expense paid by Cleco Power's customers.

Q41: WHY ARE CREDIT RATINGS IMPORTANT?

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1 **A:** Credit ratings are indications of a company's ability to service and repay its debt
2 obligations. Debt investors rely heavily on these ratings to ascertain the risks associated
3 with specific debt issuers and issuances. For regulated utilities and Cleco Power
4 specifically, credit ratings are important to the Company's ability to borrow at reasonable
5 interest rates and minimize the interest expense ultimately paid by Cleco Power's
6 customers.

7 **Q42: WHAT IMPACT WILL CLECO POWER'S REQUESTS IN THIS APPLICATION**
8 **HAVE ON ITS CREDIT RATINGS?**

9 **A:** Ultimately that will be determined by the rating agencies, but based on the Company's
10 outlook, Cleco Power does not expect any impact to Cleco Power's current ratings. The
11 Company currently projects that it will be able to maintain credit metrics supportive of
12 current ratings, even during construction of new generating capacity, a time when metrics
13 are typically stressed. This is due in part to the significant revenue that the Project will
14 provide, including the proposed deferral plan discussed by Ms. McDowell in her Direct
15 Testimony.

16 **Q43: PLEASE DESCRIBE CLECO POWER'S BUSINESS MODEL AS IT RELATES TO**
17 **THE PROJECT.**

18 **A:** Once operational and taking service, the Project is expected to become Cleco Power's
19 largest single customer and, as such, will have an immediate and meaningful impact on the
20 Company's cash flow generation and overall financial profile.
21 From a business model perspective, the Project aligns incremental revenue the Company
22 will receive for selling electricity with a period of significant planned capital investment.
23 Irrespective of the Project, Cleco Power plans to undertake substantial capital expenditures,

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1 including the construction of a new CCGT generator as discussed in detail by Mr.
2 Breedlove in his Direct Testimony, which, without the Project, would be without a
3 corresponding increase in near-term revenues or operating cash flow. This would create a
4 temporary mismatch between cash outflows and inflows.

5 By contrast, with the Project, revenues will be realized contemporaneously with the
6 construction and deployment of that proposed generation project. This concurrent revenue
7 stream and the Company's proposed deferral plan will provide a direct source of cash to
8 support the Company's capital projects, reducing reliance on external financing and
9 mitigating construction-period cash flow pressure.

10 In addition, providing electricity to the Project will enhance Cleco Power's credit profile
11 by increasing the level and stability of operating cash flows. This, in turn, supports higher
12 debt capacity while maintaining targeted credit metrics, thereby improving financial
13 flexibility.

14 **Q44: WHAT WOULD BE THE IMPACT ON THE BUSINESS IF THE CUSTOMER**
15 **TERMINATES THE ESA AT SOME POINT PRIOR TO THE EXPIRATION OF**
16 **ITS INITIAL TERM?**

17 **A:** Cleco Power expects the impact of an early termination of the ESA to be manageable,
18 primarily due to the significant credit protections embedded in the agreement. In the event
19 of termination, Cleco Power would receive the Early Termination Fee. The Company's
20 expectation is that these proceeds would be used principally to reduce outstanding debt,
21 thereby preserving its balance sheet strength while compensating for reduced revenues.

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1 In addition, Cleco Power would have the ability to adjust its capital expenditure plans in
2 response to the change in circumstances, including deferring, resizing, or cancelling
3 portions of its planned investment program as appropriate.

4 Taken together, the combination of termination compensation and measured capital plan
5 flexibility is expected to enable Cleco Power to maintain its targeted financial metrics and
6 support its existing credit ratings, even in a downside scenario where the Customer exits
7 the Project.

8 **V. CONCLUSION**

9 **Q45: PLEASE SUMMARIZE YOUR TESTIMONY.**

10 **A:** The key points of my testimony are as follows:

- 11 • The 15-year ESA between the Customer and Cleco Power; the Direct Agreement by
12 and among Cleco Power, the Customer, and the Offtaker, which includes as an exhibit
13 the Parent Guaranty by the Parent; and the Assignment and Amendment of ESA by and
14 among Cleco Power, the Customer, and the Offtaker in combination provide significant
15 protections to the Company and, by extension, the Company's other customers.
- 16 • CIAC payments for transmission and distribution investment will help to ensure the
17 Customer pays the full cost of facilities needed to interconnect and serve the Project.
- 18 • The Forward Capacity Purchase Adder fully mitigates the cost of the Capacity
19 Agreement [REDACTED]

20 [REDACTED]

21 [REDACTED]

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- 1 • Various measures have been put in place per the ESA and related agreements as well
2 as collateral requirements that will help protect the Company and the Company's other
3 customers in the event of early termination of the ESA.
- 4 • The substantial revenues expected from the Customer and the Company's proposed
5 deferral plan will help the Company maintain its credit metrics while the proposed new
6 CCGT generator is under construction and other planned capital projects are completed
7 and placed in service.

8 **Q46: DOES THIS CONCLUDE YOUR TESTIMONY?**

9 **A:** Yes, at this time.

STATE OF LOUISIANA

PARISH OF RAPIDES

AFFIDAVIT

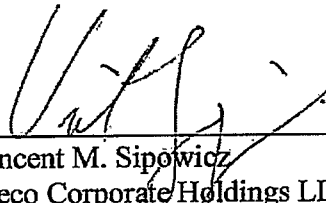
BE IT KNOWN, that before me, the undersigned Notary Public, duly commissioned and qualified for the state and parish/county aforesaid, personally came and appeared:

VINCENT M. SIPOWICZ

("Affiant"), who after being duly sworn did depose and say:

1. Affiant has prepared Direct Testimony on behalf of Cleco Power LLC in support of the Application of Cleco Power LLC for Authorization of: (I) Site Specific Contract for Large Load Customer; (II) Bridge Capacity Contract; (III) Construction of New Transmission Interconnection; (IV) Construction of New Generation; (V) Associated Waivers; and (VI) Expedited Treatment.

2. To the best of Affiant's knowledge, information, and belief, Affiant's Direct Testimony is true, accurate, and complete in all material respects as of the date of this Affidavit.



Vincent M. Sipowicz
Cleco Corporate Holdings LLC
2030 Donahue Ferry Road
Pineville, LA 71360

SWORN TO AND SUBSCRIBED
BEFORE ME, NOTARY PUBLIC,
THIS 29th DAY OF JUNE 2026.



NOTARY PUBLIC
BAR ROLL/NOTARY ID NO.: 5183
MY COMMISSION EXPIRES: 04 2027

