

LOUISIANA PUBLIC SERVICE COMMISSION

ORDER NO. U-35755

CLECO POWER LLC,
EX PARTE.

Docket No. U-35755, In re: Application for (I) Authorization of a Non-Material Upstream Restructuring of BCI's Interest in Cleco Power LLC.

(Decided at the December 16, 2020 Business and Executive Session.)

Overview

On October 13, 2020, Cleco Power LLC ("Cleco Power" or the "Company") filed an *Application of Cleco Power LLC for: (I) Authorization of a Non-Material Upstream Restructuring of BCI's Interest in Cleco Power LLC; and (II) Expedited Treatment* ("Application"). The Application requested the Louisiana Public Service Commission ("Commission" or "LPSC"), to authorize a non-material upstream restructuring ("Proposed Restructuring" or "BCI Restructuring") of British Columbia Investment Management Corporation's ("BCI") interest in Cleco Power, pursuant to the Commission's General Order dated March 18, 1994, *In re: Commission Approval Required of Sales, Leases, Mergers, Consolidation, Stock Transfers, and All Other Changes of Ownership or Control of Public Utilities Subject to Commission Jurisdiction, ("1994 General Order")*. Notice of Cleco Power's Application was published in the Commission's Official Bulletin #1230, dated October 16, 2020. Cabot Corporation and Packaging Corporation of America filed timely interventions.

The Parties

Cleco Power is an electric public utility engaged in the generation, transmission, distribution, and sale of electricity at retail and wholesale. Cleco Power is a wholly-owned subsidiary of Cleco Corporate Holdings LLC, and the Company's retail operations are subject to the jurisdiction of the Commission. Cleco Power has an ownership interest in approximately 3,310 MW of electric generating capacity and serves approximately 290,000 retail customers in Louisiana. The Company has its principal place of business located in Pineville, Louisiana.

In April 2016, the Commission authorized the acquisition of Cleco Corporation, Cleco Power's parent company, and Cleco Power by a consortium of investors, including BCI (36.9%), a subsidiary of Macquarie Group Limited ("Macquarie") (53.9%), and John Hancock Financial

("John Hancock") (9.2%). (LPSC Order No. U-33434-A, dated April 7, 2016 (the "Cleco Merger Order"))).

BCI is a Canadian institutional investor, managing retirement investments for almost 630,000 public sector pension plan members in Canada. BCI is the direct owner of bcIMC Como GP Inc., which is the general partner that controls bcIMC Como Investment LP. bcIMC Como Investment LP is the direct owner of BCI's 36.9% interest in Cleco Partners LP ("Cleco Partners"). Cleco Partners LP is also owned by Macquarie (53.9%) and John Hancock (9.2%). Cleco Partners is a 100% owner of Cleco Group. Cleco Group is a 100% owner of Cleco Corporate Holdings LLC, and Cleco Corporate Holdings LLC is a 100% owner of Cleco Power LLC.

The BCI Restructuring

The BCI Restructuring will permit the consolidation of the existing passive interests in bcIMC Como Investment LP into a single BCI-controlled limited partner of bcIMC Como Investment LP. It is designed to allow BCI's investors to adjust their economic participation in BCI's various infrastructure and renewable resource programs. The Proposed Restructuring involves transactions four levels upstream from Cleco Power. BCI, as before, will continue to maintain its interest in Cleco Partners LP through bcIMC Como Investment LP. After the Proposed Restructuring, the general partner will remain bcIMC Como Group Inc. In addition, BCI will continue to wholly own the general partner.

Jurisdiction

The Commission exercises jurisdiction in this proceeding pursuant to Article IV, Section 21(B) of the Louisiana Constitution and La. R.S. 45:1163(A)(1).

La. Const. Art. IV, Sec. 21 provides in pertinent part:

(B.) The commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations, and procedures necessary for the discharge of its duties, and shall have other powers and perform other duties as provided by law.

Approval of this transaction is specifically required pursuant to the Commission's 1994 General Order regarding transfers of ownership and/or control of LPSC-jurisdictional public utilities. In the 1994 General Order, the Commission established 18 factors to be considered when determining whether or not to approve the transfer of ownership and/or control of public utilities and common carriers subject to Commission jurisdiction. These standards are designed to ensure that all

transfers are in the best interest of the ratepayers and do not deprive the Commission of jurisdiction over the resulting entity.

Staff Review

Commission Staff (“Staff”) reviewed the Proposed Restructuring from a number of perspectives. First, the Staff reviewed the proposed transaction to determine whether or not it would have any impact on the ownership, control, management or operations of Cleco Power. Staff determined that, in fact, the BCI Restructuring would not change control, management, operations, or ultimate upstream ownership of Cleco Power. It will not result in a change in ownership or control of BCI itself. BCI's interest in Cleco Partners through bcIMC Como Investments LP will not change. Significantly, the Proposed Restructuring will not result in a change in the proportionate control or ownership of Cleco Power among BCI, Macquarie, and John Hancock — each will retain the original percentage shares as proved in the Commission's 2016 Merger Order.

Staff also investigated whether the Proposed Restructuring would impact Cleco Power's ability to provide safe, reliable, and non-discriminatory service to its LPSC-jurisdictional ratepayers, at the lowest reasonable costs. Staff concluded that the Proposed Restructuring will not have any impact on Cleco Power's quality and reliability of LPSC-jurisdictional service; will not have any impact on Cleco Power's rates, terms, and conditions of LPSC-jurisdictional service; and will not have any impact on the Commission's ability to audit and regulate Cleco Power. Staff noted that if the Proposed Restructuring were approved, the Commission would retain all authority it currently has over Cleco Power, its parent company, and all upstream owners. Staff determined that the Proposed Restructuring would not have any impact on either BCI's or Cleco Power's compliance with the applicable merger-related Regulatory Commitments adopted in Order No. U-33434-A, and all of those Regulatory Commitments would remain in full force and effect.

As Cleco Power recognized in its Application, the 1994 General Order's requirement to obtain prior Commission authorization of either direct or indirect transfers of upstream control or ownership of LPSC-jurisdictional utilities, even to subsidiaries and affiliates, makes that General Order applicable to the proposed transaction. (Application pp. 2-3). Staff reviewed the BCI Restructuring as well as Cleco Power's analysis to ensure that the 18 factors contained in the Commission's 1994 General Order have been satisfied. Staff concluded that the Proposed Restructuring will not impact the Commission's ability to regulate Cleco Power or its rates; will

not negatively impact Cleco Power's financial condition or quality of service; will have no impact on Cleco Power's terms or conditions of LPSC-jurisdictional service; will not impact competition; will not negatively impact the management of Cleco Power; will have no negative impact on Cleco Power's employees or shareholders; will not adversely impact the state or local economies in Louisiana; will not impair the Commission's jurisdiction over Cleco Power; will not impact the ability of Cleco Power to make necessary repairs or undertake upgrades; will not negatively impact the ability of Cleco Power to obtain all necessary safety and other permits; and will not involve encumbering any of Cleco Power's or its parent company's assets. Therefore, Staff found that the Proposed Restructuring complied with the 18 factors contained in the Commission's 1994 General Order, subject to the certain conditions.

Staff also found that the Merger-Related Regulatory Commitments attached to Commission Order No. U-33434-A are not implicated or violated by the BCI Restructuring. Finally, neither of the intervenors in this docket indicated any opposition to the Proposed Restructuring.

Staff Recommendation

Based upon the Application, as well as the analysis performed by Commission Staff, and under these specific facts and circumstances, Staff recommended that the Commission determine that the requirements of the 1994 General Order have been satisfied and grant the authorization for BCI to go forward with the BCI Restructuring, subject to certain conditions.

Commission Consideration

Staff's Report and Recommendation was considered at the Commission's December 16, 2020 Business and Executive Session. On motion of Commissioner Skrmetta, seconded by Vice Chairman Greene, and unanimously adopted, the Commission voted to adopt Staff's Report and Recommendation filed into the record on December 3, 2020.

IT IS, THEREFORE, ORDERED THAT:

- 1) The BCI Restructuring sought in this docket, under the specific facts and circumstances in effect today, satisfies the requirements of the 1994 General Order.
- 2) Should any future restructuring trigger the requirements of the 1994 General Order, Cleco Power shall submit another application to the Commission.
- 3) All of the provisions of Order No. U-33434-A, including the Regulatory Commitments adopted in that Order, shall remain in full force and effect.

- 4) This decision on behalf of the Commission is made without prejudice to the authority of the Commission to make investigations and require any reasonably necessary change it may legally find to be in the public interest. The Commission reserves its right to rescind its Order if facts and circumstances change following the issuance of any Order in this docket.
- 5) The Commission's decision in this docket is non-precedential.
- 6) This Order is effective immediately.

BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
December 22, 2020



A handwritten signature in blue ink, appearing to read "Brandon M. Frey".

BRANDON M. FREY
SECRETARY

/S/ MIKE FRANCIS
DISTRICT IV
CHAIRMAN MIKE FRANCIS

/S/ CRAIG GREENE
DISTRICT II
VICE CHAIRMAN CRAIG GREENE

/S/ FOSTER L. CAMPBELL
DISTRICT V
COMMISSIONER FOSTER L. CAMPBELL

/S/ LAMBERT C. BOISSIERE, III
DISTRICT III
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/S/ ERIC F. SKRMETTA
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