

Our view: Sales deal has power to hide truth

December 23, 2008

Anyone who has lived in the city of Alexandria in the past 22 years has plenty of reason to go to City Hall this afternoon.

Beginning at 5:30 p.m., members of the City Council will talk -- on the record, thank you -- about the flawed relationship between the city and Cleco Corp. over the better part of a quarter-century. Those dealings are at the heart of the city's lawsuit filed against the power company, alleging systematic fraud and deceit.

The allegations also reflect a tremendous failing on the part of elected and appointed city officials through the 1980s, '90s and into the 2000s. For two decades, they did not do their jobs, leaving city utility customers wondering if someone knew what was going on but did nothing about it.

Specifically, City Council members today will be wondering aloud about a proposal shaped in confidence during more than three-and-a-half years by Cleco's attorneys and the city's utility consultant. Council members now have to decide if what has been proposed is appropriate, or whether it's time to try this case in court.

The proposal is in fact a new power supply agreement which, by the way, also spikes the city's lawsuit. It offers the following as a likely best-case scenario:

Cleco pays the city \$29 million up front and agrees to sell power to the city and its 46,000 residents at a discount for 13 years.

In return and continuing for 13 years, the city gives Cleco control of the total output of the city-owned D.G. Hunter power plant and agrees to keep buying power from the defendant in the fraud lawsuit.

If the deal is approved, the lawsuit goes away. The city is left with is no chance to refile the allegations in the matter and no chance to try them in court.

This is one powerful sales contract.

From Cleco's point of view, it locks in one of its biggest accounts; gives the company control of D.G. Hunter, which Cleco has long sought and needs to ensure the operational and financial success of its billion-dollar Rodemacher 3 project; and clears away the kind of suspicion that makes investors very skittish.

From the city's point of view, it discounts the price of electricity by tying the rate to actual costs; provides payment for the use of a broken-down asset; and buys the time needed to consider options, starting with getting out of utility business altogether.

These are the broad brushstrokes, except for three: Cleco wants the city in its portfolio, the city wants Cleco as a business partner, and neither party wants the truth to come out.

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