

# Powering Central Louisiana

Conversation with Cleco CEO Bill Fontenot,  
with Guidehouse partner Ted Walker



Cleco Corporate Holdings is a regional energy holding company that conducts business operations through two subsidiaries, Cleco Power and Cleco Cajun. Headquartered in Pineville, Louisiana, and in business since 1935, the company has approximately one thousand three hundred employees.

Cleco Power is a regulated electric utility that owns nine generating units and operates more on behalf of its generation partners. It also owns transmission and distribution lines.

Cleco is celebrating a record year in safety in 2023 as the leader across the board in safety performance reports for the Southeastern Electric Exchange, a trade association of investor-owned electric utility companies founded in 1933. That is quite an accomplishment.

Public Utilities Fortnightly's Steve Mitnick and Guidehouse Partner Ted Walker wanted to know more and had an engaging discussion with Cleco Corporate Holdings CEO Bill Fontenot. There is much to learn from Cleco's safety record and how it is seizing opportunities born out of the global energy transition.

**PUF's Steve Mitnick:** What were the most important accomplishments in 2023 at Cleco to leverage going into the new year?

**Bill Fontenot:** While there was much for Cleco to celebrate in 2023, our most important accomplishment was our safety performance. 2023 was Cleco's best safety performance record in the company's eighty-five-plus-year history.

Our company had a record-breaking year in safety with only one OSHA recordable injury in 2023, which was non-life threatening. That's driving an injury incident rate of about 0.076.

It has been a long journey. It's something we've been driving as a safety culture for the last eight to ten years. In 2023, we arrived in our safety performance at what I would consider world-class, at the top of our industry.

Cleco was ranked number one in the Southeastern Electric Exchange (SEE) Safety Performance Report in the following categories: Year-end Total Company, Year-end Transmission and Distribution Personnel, Year-end Total Company, Year-end Fossil and Hydro Generation Personnel, and Year-end Support and Corporate Personnel.

While we are celebrating our accomplishments, we understand that safety is a journey and progress never ends. We had one injury last year, and we aspire to achieve target zero this year.

**PUF:** It's not easy to make that journey and take such a big leap.

**Bill Fontenot:** In 2016, we began to invest in various additional safety programs, culture assessments, and changes. By 2019 and 2020, we experienced one of our best safety performances ever, with five to seven recordables a year.

Then in 2021 and 2022, we took a few steps backwards approaching recording incident levels of 1.07 and 0.845 respectively. In 2023, we again began investing in safety training and driving change and are seeing the results.

Investment and training are no silver bullet to good safety performance, as there were many things we did to support safe performance. But continuing with safety programs and training are a key to our success.

**Ted Walker:** In 2024, what outside of the safety area are you looking ahead to as one of the most important challenges?

## Our most important accomplishment was our safety performance. 2023 was Cleco's best safety performance record in the company's 85+ year history.

**Bill Fontenot:** The challenge, for our company and the industry, is going to be engaging and capturing the opportunities born out of the global clean energy transition. In the electric utility business, we must provide reliable, affordable, and now increasingly clean solutions to customers.

We know it takes investment in clean energy

technology, including renewables. But how do we remain reliable and affordable?

Investment means challenging affordability because as we invest, we also expect to recover. This is the necessary balance to keep rates affordable and customers satisfied, as we invest in clean energy resources.

The best solution to solving affordability is bringing in more revenue and customers to the company so we can spread out our costs or invest without a significant cost consequence to our customers. By serving these emerging clean energy customers, we can increase revenue, enabling a more reliable, affordable, and increasingly clean solution.

The Inflation Reduction Act was enacted in September 2022. What we experienced in 2023 was this army of opportunities for our company to serve these future clean energy producers.

These potential customers are seeking to produce everything from hydrogen, to ammonia, to aviation, to maritime fuels – all clean energy solutions. These producers have huge power demand requirements.

They are one hundred-megawatt or even five hundred-megawatt demands driving profitable revenue streams for our company. However, they are demanding around-the-clock clean energy supply.

Cleco is a Louisiana energy company, and our state is the



**The best solution to solving affordability is bringing in more revenue and customers so we can spread out our costs or invest without a significant cost consequence to our customers. By serving emerging clean energy customers, we can increase revenue, enabling a more reliable, affordable, and increasingly clean solution.**

perfect place for businesses to call home with certified sites, world-class infrastructure, skilled and diverse workforce, state and local incentives, and rich clean-energy solutions.

The key challenge today is meeting the varying power supply guidelines for either qualification for tax credits domestically, or qualification as a clean energy producing product internationally.

I believe that we're going to experience a pumping of the brakes in 2024 until the issue of eligibility requirements is resolved.

**PUF:** How do you see your workforce and corporate culture developing?

**Bill Fontenot:** We're a typical workforce for the electrical infrastructure business. We have operational, field employees,

As an example, in December, the U.S. Treasury provided draft guidelines for 45V credits for hydrogen facilities.

As drafted, they're extremely stringent. So stringent that I don't think anybody's going to say, "Got that." But for a couple of regions in the U.S., qualifying power supplies to support tax credit eligibility are going to be a challenge.

But if these guidelines are made final, qualification for 45V hydrogen tax credits are going to challenge the industry's capacity to provide a clean and reliable solution that will enable eligibility.

As you look across the globe, there are varying clean energy qualifications across Europe and Canada. Those qualifications for either tax credits or qualification as a clean energy source are complex.

The IRA complexities for eligibility coming out of the Treasury are going to delay investments. When you look at the commitments companies are trying to make, with no immediate power solutions to qualify as 24/7 clean power suppliers to source the tax credits, or ESG strategies, it's going to slow down investment.

I believe that evaluation of these clean energy investments will continue, but commitment and financial investment decisions are going to get delayed until eligibility requirements can be met.

What we see is a huge challenge to what can be a big opportunity to provide more clean, reliable, and affordable solutions for our customers. We're excited about it, but

and deskbound office employees. Let me talk first about the operational teams. They underpin our success.

We're fortunate in Louisiana. We've got a prolific workforce. We're an energy infrastructure state.

The biggest challenge for our operational workforce is communication. For investments in renewable and related technologies like solar, batteries, and wind solutions, it's essential we acknowledge that fossil fuel generation will remain the solution to drive reliability for customers for many years to come.

Yes, there's a clean energy transition, but we're going to complement our existing fossil-fired fleets with these clean energy technologies in order to decarbonize our power supply and achieve our decarbonization strategies.

The fossil fuel units and associated workforce are necessary to ensure grid reliability until clean energy solutions and technologies mature. We must effectively communicate with these employees, so they understand their jobs are sustainable as we transition.

Then we've got to develop a workforce around these clean energy technologies which, we feel, is very doable. But we're going to need both fossil- and renewable-focused employees as we transition.

The operational focus is connecting with those employees to make sure they understand they're needed for the future. Training will emerge with those employees supporting renewable generation.

As for the office employees, we saw a lot of changes because of the pandemic. Many of us worked remotely and employees got used to it with many not expecting a return to the office.

With that backdrop, with a tight labor market coming out of the pandemic, and the perspective that we could all work from home, it became the norm and desirable to employees.

Fast-forward two years later, corporate America and the office workforce are gradually returning to the office. Maybe it's not every day, but more so in the future.

Cleco's experience I think, is typical; the clear signal was a lack of employee engagement due to remote work, which led to high turnover. That is especially with employees thirty years of age and younger.

Contributing factors could include limited face-to-face interactions with coworkers and gaps in training leading to a lack of connection to the company's vision and culture, and ultimately a departure from the company. These employees weren't getting a lot of face time, and didn't connect to the company, its mission or culture. Ultimately, many of them left.

At one point, we were one-hundred-percent remote for employees whose work could be performed away from the office. We later transitioned to three days per week in the office and now moved to four. All to address turnover and enable a better culture, establish a connection to the company, and improve training and development.

Turnover is important as you look at sustainable infrastructure companies. You need that commitment, care, and employee engagement. In our business, we are not looking for just a commodity skillset, we're looking for a commitment and we believe more face time is key.

Finally, turnover is extremely costly. It's costly, inefficient, and we are addressing it. We believe that more face time is the key to building on that culture of engagement and better development.

**Ted Walker:** If we fast-forward and we're having this conversation at the end of 2024, beginning of 2025, what will be different about that conversation than today?

**Bill Fontenot:** I hope it's commitment. Commitment to investing. Twelve months from now, I'm hopeful that the pause

**The fossil fuel units and associated workforce are necessary to ensure grid reliability until clean energy solutions and technologies mature. We must effectively communicate with employees, so they understand their jobs are sustainable as we transition.**

from all the uncertainty in the clean energy transition will give us more guidance to support investment decisions. We need clarity on so many fronts domestically to support investments.

We talked about the clarity on eligibility for IRA tax credits, or European, or Canadian standards and trying to work that out. But there's a lot more clarity needed.

Who's going to sit in the Oval Office? Where is the economy going? We're getting comfort-

able that the economy is going to survive and strengthen from here, but it's not clear.

Then there is the cost of capital. When you look at all these things, including certainty on tax credits and future energy policy, we need more clarity by year end.

At year end, that clarity on transition, energy policy, IRA eligibility, and capital costs will drive a commitment to investment in clean energy space.

**PUF:** You talk to regulators, the governor's office, state legislature, customer groups, big and small. How do you characterize the value of Cleco? Also, to big customers thinking of moving to central Louisiana?

**Bill Fontenot:** Cleco is poised to meet the evolving clean energy needs of our customers. With investments in carbon capture and sequestration technology, solar, electric vehicle infrastructure,

*(Cont. on page 48)*



There's a lot going on in the industry like resiliency, electric vehicles, distributed generation, solar power, wind power, all that. The way electrons flow, the way electricity flows throughout the network is changing drastically. McLean allows us to be a bigger part of the solutions to those challenges.

**PUF:** What's your role in all this? What do you find most rewarding at this exciting time?

**Chris Camacho:** I get the opportunity to lead the technical services line of business. I have McLean Engineering; the existing Osmose technical services; and Power Survey, which is stray voltage detection business line.

## Powering Central Louisiana

*(Cont. from p. 9)*

and more, Cleco is the ideal sustainability partner for companies who are also embracing clean energy solutions.

And most important are our customers' experiences. We have to continue to invest in digital and electronic solutions to serve our customers, while also offering personal services through our phone and physical offices.

**Ted Walker:** What are you looking most forward to in your role over the next year?

**Bill Fontenot:** Working alongside our newly aligned management team. This is my seventh year serving as Cleco's CEO. In

## Unaffordable? Or Unfair and Burdensome?

*(Cont. from p. 4)*

encyclopedia on sale. I absolutely loved it. Though I wished it was the far more expensive Encyclopedia Britannica.

We cannot "afford" very many things, goods as well as services. Their cost is out of reach relative to our means. For very many other things, we can afford them though we consider their price and increases in their price unfair and burdensome.

This includes necessities, like rent, like car insurance, like utilities. We nonetheless purchase them, having little choice but to, while feeling a twinge of resentment and anger.

I have the products as well; it includes numerous products Osmose designs, manufactures, and sells to the industry, for example pole trusses, plus many other products that we sell as a distributor. I'm an engineer by degree and by DNA, I love operations, and it's exciting to go through that whole process of developing a team, processes, and capabilities.

It's a little like sports in some ways, developing a team that then executes plays and wins the game. I define winning the game by making the customer happy, and if you do, you'll get the next sale easily. Your ability to be a successful business is usually easy at that point in time. **PUF**

late 2023, we realigned our management team to better reflect our employees' and our vision to be Louisiana's leading clean energy company.

Four of our seven executive management team members are new, but not necessarily new to Cleco or the power industry. They reflect our grow-our-own employee development programs and bring a renewed sense of energy and enthusiasm to our business.

This executive realignment speaks to our efforts to successfully develop our employees, and we are confident these changes capitalize on the skillsets and competencies of our executives.

As I look forward to 2024, there's a new team, and a lot of excitement. They're energizing the rest of us to capture what is born out of decarbonization, and to build a better value proposition for our customers. It's fun stuff. **PUF**

Shouldn't we differentiate between a price and a price increase that is unaffordable, that we are simply unable to pay, and a price and a price increase that is unfair and burdensome? That we can pay, albeit reluctantly.

Since electric bills are generally two or three percent of household expenditures annually, most can pay these bills. Saying this does not mean an electric bill and its underlying price is fair, as perceived by many utility customers. Or is not burdensome to many of them.

Which puts the responsibility back onto utility regulatory commissions. Their duty is to see to it that the prices of utilities are fair and are not unduly burdensome. Balancing the utility's obligation to maintain the reliability, safety, and environmental quality of its service to the public. **PUF**

For households under the age of 25, the average monthly electric bill was only \$63 in the northeast in the years 2021 and 2022. And only \$67 in the midwest. It was higher elsewhere in the country. The average monthly electric bill for households in the west under the age of 25 was \$84. And in the south, it was \$96.

The average for the six million households nationally under the age of 25 was \$82. In contrast, the average for all hundred and thirty-four million households in the country, regardless of age, was considerably higher, at \$135.