Across the board, 2007 was a year of change, challenge, opportunity and significant accomplishment for LCEC. Despite a dramatic decline in residential growth that was most pronounced late in the year, increased peak demand required continued development of the electrical system infrastructure. This, along with reduced revenues and the escalating cost of providing power, presented challenges for the LCEC team. However, strong leadership during the first part of the year from Chief Executive Officer Pamela May and a seamless transition to new leadership after her retirement helped to make 2007 a breakthrough year. Backed by a diligent team of employees and support from the board of trustees and customers, we continued to gain solid momentum.

In this annual report, you will find highlights of the organization from the past year and an indication of what is in store for the future. At the core of these accomplishments and upcoming opportunities are the LCEC corporate strategic plan, balanced scorecard, core values and the most important part of the business—its people.

The LCEC strategic plan is developed by employees with direction from and approval by the board of trustees. Short-term and multiyear objectives within the plan determine annual goals and center around meeting customers' needs while maintaining financial strength. In 2007, LCEC continued to focus on power quality, disaster recovery and business continuity, regulatory compliance, mobile workforce technology, and employee engagement. Additionally, key performance indicators were aimed toward aggressive goals in the areas of safety, customer satisfaction, operating and maintenance costs, and reliability.

Three of our four key performance indicator goals were exceeded and the fourth was partially met. One of the best safety records in LCEC's history is proof that employees' efforts to work and live safely made an impact. Random surveys sent to customers daily indicated that an impressive 76 percent of the surveyed customers were in the top rating category—very satisfied with the service they received from LCEC. Although operating and maintenance costs were sustained below industry averages, predicted revenues fell short and affected the LCEC financial bottom line performance. However, endeavors to streamline processes and execute midcourse adjustments helped to mitigate shortfalls. Great strides to improve system reliability through maintenance, expansion and replacement resulted in reducing the time customers were without power by nearly 19 percent, even when outages associated with a rare tornado are included.

The LCEC core values, also developed and endorsed by employees, signify LCEC's rich heritage of going beyond just delivering electricity. In 2007, the tradition continued. Safety, service, integrity, teamwork, accountability and corporate stewardship can be found in all aspects of the organization. These are the attributes that define us. Employees and trustees consistently demonstrated that they truly care about customers through their responsible actions in the community and support of local agencies, education and the environment. These beliefs will continue to be a significant part of how we do business.

Although we believe we have a lot to be proud of in 2007, we want to continue to improve in our efforts to deliver reliable, cost-competitive electricity and quality customer service. Moreover, we are driven in our pursuit to continually improve our processes, develop efficient and effective ways to serve our customers and engage employees. We have an extremely proud past, and we believe we are in a good position to bring to fruition the possibilities for the future.

We would like to thank our employees, trustees, vendors and customers for their efforts in 2007 and continued support.

Sincerely,

Larry Turbeville, President
Dennie Hamilton, Chief Executive Officer
LCEC’s success over the last 67 years has been a direct result of the employees. Supported by a strong leadership team, the board of trustees and customers, employees’ commitment and drive have made them the backbone of LCEC.

Corporations, like individuals, have underlying values that dictate their conduct. For LCEC, core values provide a platform from which the organization can make sound decisions that uphold the vision and mission, in addition to building a solid foundation for conducting business and enhancing the relationship with customers. In 2007, LCEC employees assisted in revamping the list of core values to help guide the future of the company.

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CORE VALUES

LCEC values safety as everyone’s responsibility. Living safely is the first priority. Each of us has a responsibility to ensure a safe environment, which includes appropriate equipment, training and behavior.

LCEC values providing quality external and internal customer service. We are committed to listening to and serving our customers and coworkers in a professional, courteous and reliable manner.

LCEC values commitment to integrity, diversity and respect. We treat everyone with dignity while conducting our business in a professional, fair, honest and ethical way.

LCEC values employees working together to make success happen. Our success is a direct result of our employee contributions, dedication and teamwork.

LCEC values accountability for results. We take pride in our jobs and are responsible for continuous improvement, personal growth, financial well-being and business results.

LCEC values our responsibility to energize the community. We are dedicated to taking an active role in making our communities and the environment a better place to work and live.

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COMMUNITY

LCEC has many responsibilities to the customers it serves, which not only include delivering reliable electric service and providing exceptional customer care, but also energizing the community through volunteering and area partnerships. The LCEC board of trustees, employees and their families seek out opportunities to help those in need not for recognition, but because it is the right thing to do. LCEC is proud of its reputation for making a difference in the lives of others. During our 2007/2008 United Way campaign, LCEC raised $102,000 which will benefit hundreds of agencies throughout a five-county service territory. LCEC also received a circle of excellence award from the United Way organization. Additionally, LCEC employees showed their spirit by participating in events and programs such as the Edison Festival, American Heart Association Heartwalk, American Cancer Society Breast Cancer Awareness Walk, Junior Achievement, local chambers of commerce and leadership programs.

SAFETY

LCEC has reinforced the importance of safety throughout every facet of the organization. In addition to having a safety corporate key performance indicator, safety is recognized as one of LCEC’s six corporate core values. LCEC’s dedication to safety includes employee safety meetings, routine testing and maintenance of safety equipment, a safety communication initiative, jobsite audits, and wellness/fitness programs designed to improve employee health. In 2007, LCEC received an Occupational Excellence Achievement Award from the National Safety Council. The award acknowledged LCEC’s impressive safety performance compared to the industry.

EMPLOYEE ENGAGEMENT

The concept of employee engagement as a key driver of organizational performance continues to gain momentum worldwide. At LCEC, employee engagement is viewed as fundamental to the overall success of the business. To gauge engagement at LCEC, an annual survey measures topics such as employee commitment, work environment, career and development and communication. Results lead to action plans to help increase the level of employee engagement. The results of the 2007 employee engagement survey compared favorably to benchmarks and improvements were realized in communications and employee commitment.
NEW CEO

On July 1, 2007, Dennie Hamilton became the fourth CEO in LCEC’s 67-year history. Hamilton replaced Pamela May who held the position of Chief Executive Officer for 11 years. In addition to serving as LCEC’s Director of Administration for two years, Hamilton has extensive experience in the utility industry. His professional background includes over 20 years combined experience at large investor-owned utilities such as Reliant Energy and Entergy.

TRAINING

Along with attracting and retaining highly motivated employees, LCEC provides training classes to help employees continually enhance critical skills and competencies. Training and developing our employees helps LCEC provide exemplary customer service, operational excellence and effective leadership while keeping employees engaged.

SPASH

LCEC made a SPLASH in 2007 with a new series of training programs meant to help employees fine-tune their relationship skills. The SPASH program, which includes programs such as Whale Done! The Power of Positive Relationships, FISH! and Situational Frontline Leadership, worked to excite and educate employees on a variety of topics including accentuating the positive, redirecting behavior and adopting leadership styles to address different development needs.

BARE HAND TRAINING

In 2007, LCEC partnered with an international manufacturer of electrical products to host a bare hand training course for 22 linemen from five electric utilities throughout the state. Due to the necessity of having to work energized transmission lines and the dangerous nature of bare hand work, LCEC conducted various training opportunities to ensure transmission linemen remain at the top of their game.
According to the US Department of Energy, in 1940 only 10 percent of energy consumption was used to produce electricity. Today that number has increased to 40 percent, illustrating electricity’s growing importance as a source of energy supply. On a local level, LCEC has experienced an increase in electric demand. In fact, LCEC set a new monthly peak for electric usage, nearly every month in 2007. The increase can be attributed to many factors, including an increase in the customer base. While a slow down in customer growth was evidenced in the latter half of 2007, LCEC finished the year with 194,974 customers. The growth in electric demand is expected to continue, albeit at a slower pace, thanks to new developments in the LCEC service area, such as Ave Maria and Babcock Ranch.

It was only five short years ago that Ave Maria University first appeared on the radar when plans were unveiled to construct a new university in the LCEC service area in Collier County and build an entire city around it. In 2007, the vision of the newest town and Catholic University quickly came to life. Ave Maria community consists of about 5,000 acres of what was once largely agricultural land. Nearly 20 percent of the community has been designated as the university campus. In addition to the University, the community will also include 11,000 residential dwellings, retail and commercial centers, and other community resources, making it a self-sustaining town.

LCEC is working to stay ahead of the growing electrical demand at Ave Maria. In 2007, installation of underground distribution facilities was complete and plans were developed to build a permanent transmission line to the site of the future Ave Maria substation. As future construction and additions to Ave Maria are announced, LCEC analyzes the expected load to determine the need for additional electric facilities.
Babcock Ranch

Straddling the border between Charlotte and Lee counties, the 91,000 acre Babcock Ranch was one of the largest remaining undeveloped tracts of privately-owned land in Florida. On July 31, 2006, Syd Kitson & Partners completed its purchase of Babcock Ranch. A plan was developed to preserve the environmentally sensitive land on the property and simultaneously create a community that exemplifies how preservation and responsible growth can complement one another. The plan calls for Kitson to build more than 19,000 homes on a 17,000-acre tract of the land. The community will also include retail, office and commercial space. The state, meanwhile, takes control of nearly 74,000 acres of the property that will remain undeveloped.

Over the last year, IECCE has been working closely with Kitson & Partners to determine how to best deliver electric service to the portion of the community that is within the IECCE service area. Preliminary plans suggest that a new transmission line and one distribution substation may be necessary to serve future IECCE customers in this area.

Infrastructure

High loads on electric facilities and the desire to improve system reliability made an investment in infrastructure a necessity, despite a slowdown in customer growth. In 2007, IECCE coordinated several substation construction projects that entailed constructing three new substations, located in Immokalee, North Fort Myers and Cape Coral, and expanding several others.

During construction of the new substations, perimeter decorative walls were constructed before the bulk of the electric facilities were installed. These sites initially consist of one power transformer and associated facilities, with the capability of expanding in the future to meet increased need.

In 2007, IECCE also completed construction of a new distribution and service center located in Immokalee. The center serves as the main service and distribution hub for IECCE’s east Collier County territory, which includes Ave Maria University and the surrounding area.
For many years, employees have been part of a formalized restoration plan that is activated prior to an impending storm. Each employee plays a role in the plan ranging from system restoration to facilities management, security, lodging, fleet management, materials and communication.

While 2007 was a quiet year for hurricanes, a restoration effort was implemented after a string of tornadoes impacted the LCEC service area harder than any summer storm in 2007. On September 15, several powerful tornadoes, some of which reached estimated speeds of 105 miles per hour, struck Sanibel and Cape Coral tearing roofs from homes, flipping vehicles and knocking down power lines. LCEC crews and contractors were able to restore power to residents impacted by the tornadoes within hours.

IMPROVED RELIABILITY

Although electricity was regarded as a luxury many years ago, it has become an essential part of everyday life today. Despite the growing dependence on electricity, most customers don’t have to worry about everything that is taking place behind their electrical outlets to ensure that the power is there when they need it. LCEC does its best to keep the electricity delivery process seamless so that customers don’t have to worry about reliable service. In addition to constructing new substations and power lines, LCEC has an extensive preventive maintenance program to ensure existing equipment is working properly. Employees also play a critical role in keeping the electricity flowing—especially after a major storm or disaster. All of the efforts to improve reliability paid off in 2007. Statistics show that the average customer was without power for 30.81 minutes less in 2007 than they were in 2006—a 19 percent improvement.
Facility Testing

The goal of LCEC’s extensive preventive maintenance program is to identify and address any issues on electrical equipment before they cause outages. Each year, LCEC performs infrared inspections on power lines and substations to locate “hot spots” on the system. In 2007, LCEC completed another method of preventive maintenance on the transmission system—corona testing. While infrared inspections measure heat emitted from electrical equipment that indicates overloading or poor connections, corona testing identifies electrical tracking revealed by ultraviolet light emitted from electrical equipment. Corona can shorten the service life of electrical insulating systems, seriously interfere with high voltage system operation and communication links, and result in failure and loss of equipment. Several locations were identified and treated proactively through this process, thereby avoiding equipment failures and potential outages.

Radio Frequency Interference

Electrical equipment can generate unwanted radio noises that override or compete with desired radio signals. This can impact radio, television and ham (amateur) radio. However, the interference is often an indication of a bigger issue with electrical equipment that can lead to equipment or material failure. In an effort to improve power quality, LCEC purchased state-of-the-art equipment to help pinpoint the source of radio interference. Once the source of radio interference is identified, repairs are made to the utility system. Typically, these involve eliminating an arc by replacing equipment, tightening hardware, or cleaning equipment. LCEC has performed several radio interference investigations and has had 100 percent success for detecting the source of the interference and alleviating issues before an outage occurs.
Disaster recovery planning for the worst is a dismal task, but one that is necessary for any business, especially one that provides essential services to the community. In 2007, LCEC established a business continuity/disaster recovery plan in order to prepare the organization to rebuild in the event a crisis impacted the business. While LCEC employees have trained annually for storm restoration, the process for disaster recovery outlines several contingencies in response to a disaster that impacts the LCEC headquarters. The plan addresses issues, such as logistics, communication, safety and technology needs. LCEC will continue to adapt the plan to meet the changing needs of the organization. In addition, LCEC constructed a backup data center and system operations area that will provide information technology recovery resources that are critical to the operation as well as a system operations site that can be deployed in the event the normal site is rendered inoperable. The hope is that the organization will never experience a disaster, but if the worst does happen the plan and training will be essential to maintaining the business.

Regulation

LCEC participated in a North American Electric Reliability Council (NERC) Readiness Audit Program and Florida Reliability Coordinating Council compliance audit that independently reviewed the operations of its transmission system to determine its readiness to maintain safe and reliable operations. The goal was to ensure that operators of the bulk electric system have the tools, processes and procedures in place to operate reliably.

LCEC fared well in both audits and continued to monitor and adjust its business practices when necessary to comply with federal regulations. For example, in compliance with NERC regulations, all LCEC system operators and various other key employees earned NERC certification in 2007.
While LCEC continues to enjoy a strong track record for environmental stewardship, we know it is our responsibility to do more. Embracing and protecting the wonders of our community is an on-going venture that requires a delicate balance between meeting the demands of our growing customer base and our commitment to protecting the environment. LCEC also continues to offer products and services that can help expand the energy possibilities for our customers.

**Wildlife Protection**

LCEC continued to participate in joint ventures with wildlife organizations throughout the service territory by providing informational brochures to enlighten residents and visitors about migratory bird species and other protected wildlife that populate Southwest Florida. Partnerships with customers and the International Osprey Foundation also resulted in installation of platforms where birds can nest without the threat of a power interruption or contact with power lines. Additionally, the LCEC Avian Protection plan continued to identify specific areas on the electric system that pose a risk to birds. Determinations were made for incorporating the appropriate retrofitting options to safeguard wildlife.

**Conservation & Vegetation Management**

In 2007, LCEC worked hard to eliminate natural hazards resulting from vegetation in a responsible manner utilizing professional tree trimmers and in accordance with utility standards. LCEC provided a host of energy-saving tips and tools such as Calc-U-Saver and free energy surveys to assist customers in reducing their electric bills and conserving precious natural resources. Distribution of more than 500 compact fluorescent light bulbs and conservation information to customers throughout the service territory also helped to sustain a healthy environment for the future.

**Recycling**

Going beyond state and federal recycling guidelines, LCEC recycled more than 560,330 pounds of scrap aluminum, copper and steel in 2007. The resale of materials and equipment no longer needed but ideal for rebuilding or recycling by other organizations also helped to reduce waste. In addition to daily recycling efforts, the annual LCEC records management campaign resulted in recycling of approximately 3,885 pounds of paper that reduced landfill space and continued the cycle of renewable products.
**BEST PRACTICES AWARD FOR CUSTOMER SERVICE**

LCEC was the first cooperative to win the prestigious Chartwell national award. The honor was given in recognition for the detailed LCEC Builder Segment initiative which included a dedicated customer service team to address builder inquiries and provide information. Continuing communication efforts including a targeted newsletter and pertinent workshops added to the effort.

**GOOd CENTS HOME PROGRAM**

Last year was another impressive year for the LCEC Good Cents Home program. Through partnerships with area builders, 634 homes were certified and carry the mark of energy-efficiency, comfort and value provided by the program.

**ENERGY SURVEYS**

LCEC energy advisors developed a paperless survey form utilized to provide free energy surveys during the year. This new form made it possible to conduct nearly 1,700 on-site surveys and respond to 5,280 phone energy inquiries. Additionally, advisors provided information to customers through presentations and media appearances throughout the LCEC service territory.

**GENERLINK**

One of the newest products in the LCEC line offers convenience and affordability as well as peace of mind. Generlink, the safe generator connection continued to gain interest. Fourteen area builders partnered with LCEC to add another facet to the program and it was included on the online shopping cart at www.lcec.net.

**SURGE SENSE**

LCEC customers were offered the opportunity to safeguard their expensive appliances through the LCEC surgeSENSE purchase or leasing program. The two-stage plan includes a surge arrester installed at the service entrance and plug-in arrestors installed at critical outlets inside the home. As more customers realize the advantages of this type of protection in Southwest Florida, the program continues to grow.
Midyear, LCEC introduced HouseCalls, a new tool to help customers avoid an interruption in electric service due to nonpayment. The automated system calls customers to remind them that their electric bill is overdue and provides an opportunity to pay the bill over the phone to avoid disconnection. In the first month, 24,828 reminder calls were placed. The technology has proven to be a mutually beneficial solution that has already reduced collections costs in addition to providing an additional service to customers.

LCEC added additional functionality to the Calc-U-Saver feature hosted on www.lcec.net. Saving energy at home or a business is simple with these free online tools. Customers also have the option of calculating television, appliance and lighting usage costs. In 2007, the tool was made available to our Spanish-speaking customers. Additionally, the Interactive Home feature provides customers with energy saving tips for every room in the house.

In 2007, LCEC completed the first phase of a project that has improved operations by creating a mobile workforce. The mobile system allows work to be dispatched directly to field crews with the ability to receive feedback electronically. This will dramatically enhance workforce efficiency and customer service by improving daily scheduling, maintenance programs and streamlining information flow.
At one time, the thought of a woman holding an executive position at a multifaceted, highly technical electric utility or any other large corporation was unheard of. In fact, in 2005, only eight Fortune 500 companies had female CEO’s or presidents. LCEC, while not a Fortune 500 entity, is one of the largest electric distribution cooperatives in the United States and was among the first electric utilities to have had a female at the helm.

In addition to her pioneering role, Pamela May’s career has been highlighted by many noted accomplishments and contributions. Upon her retirement in 2007, customers, employees and board members paid tribute to May and celebrated her 20 years of leadership, direction and strategic vision.

After growing up on her family’s ranch in Oklahoma, May earned an undergraduate degree at Oklahoma State and a law degree from the University of Tulsa. She quickly embarked on a career in the utility industry at the Grand River Dam Authority where she served as general counsel prior to joining LCEC in 1987 as director of administration. In 1996, May became the third CEO in LCEC history.

May’s management style and strong belief in customer service and integrity helped to enhance the organization’s reputation both locally and nationally. LCEC gained financial strength, earned a multitude of awards and honors, was highly ranked in national benchmarking studies and stayed on the brink of technological advances under her guidance. She served not only as a great leader and mentor but also as an inspiration, and she will be missed.

TRIBUTE TO RETIRED CEO, PAMELA MAY

BOARD OF TRUSTEES

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District 3
Sanibel/Captiva/Pine Island

Larry Takahashi
District 4
Lehigh Acres

Carlton Bostick
District 1
Marco Island/Goodland

William Mathis
District 5 Seat 1
North Fort Myers

Frank Garrett
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Immokalee/Everglades City

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Darlene Andert
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LCEC is fully committed to Equal Employment Opportunity. We reaffirm our full support of Equal Employment Opportunity for all employees and applicants for employment at LCEC. We ensure that all employment actions are free of illegal discrimination based upon race, color, religion, gender, national origin, age, disability and veteran status. Employment actions include recruitment, selection, promotion, demotion, transfer, termination, layoffs, job classification, benefits, pay adjustments and training opportunities.

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Join the LCEC team! To receive detailed information on available LCEC positions, visit www.lcec.net.