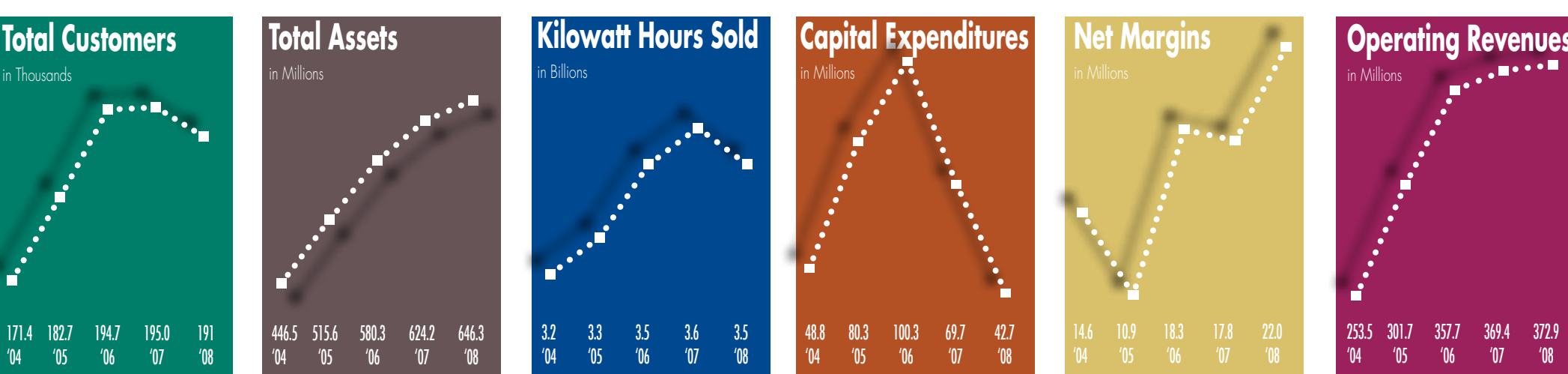


Annual Report



2008 FINANCIAL HIGHLIGHTS



2008 FINANCIAL HIGHLIGHTS

	2008	2007
Operating Revenue	372,893,985	369,352,932
Operating Expense	341,298,067	340,805,622
Interest Expense	15,952,598	16,925,496
Net Margins	22,026,280	17,821,678
Net Plant	547,002,808	537,005,735
Total Assets	646,391,079	624,223,923
Total Customers	191,125	194,974

	2008	2007
kWh Purchased	3,683,625,350	3,852,283,845
kWh Sold	3,493,951,057	3,630,715,585
Miles of Energized Line	8,011	7,934
Avg Monthly Residential kWh Used	1,100	1,157
Equity Distribution	4,985,499	4,948,635
Capital Expenditures	42,699,782	69,707,095
Customers per Employee	470	505

A message from the Chief Executive Officer and President



"We're proud of the work that we do, we believe we do it well, and through customer feedback we continually look for opportunities to do even better."

2008
First and foremost, LCEC appreciates the opportunity to be of service to you - our customers, business partners and employees.

Whether measured by number of customers, assets, revenues or sales, we are fortunate to be among the ten largest electric distribution cooperatives in the United States, serving portions of five counties in beautiful Southwest Florida.

In 2008, LCEC remained focused on our mission of delivering reliable electricity with outstanding service at a reasonable price. With respect to results on our Key Performance Indicators, customer satisfaction and workplace safety performance measures surpassed our annual targets, with reliability and cost performance barely missing targets but meeting performance thresholds.

CHALLENGES
The year definitely had its challenges. A declining economy brought financial hardships to families and businesses. This reduced the number of customers we serve and decreased kWh sales, both firsts for LCEC. Customer difficulties in making payments also significantly increased our collections work. A previously planned mid-year rate increase was implemented, and unfortunately, late in the year, rising purchased power costs also resulted in a pass-through-cost increase from our power supplier. Even with these increases, LCEC electricity prices remain among the lowest in Florida. The fact that utilities throughout the nation were experiencing similar challenges did not make it any easier to deal with these issues. An economy that shows no signs of near-term improvement and ongoing concerns about climate change make it unlikely that these challenges will ease in the near future.

Notwithstanding these difficulties, proactive action by the LCEC team ensured that the LCEC financial position was protected by meeting targets for 2008 net margins. We continue to explore solutions based on technology and process improvements that will create continued

efficiencies and recurring cost savings for our customers. Employees will search for more opportunities to reduce costs while being mindful of the needs of customers. As always, we will examine every business practice in an effort to keep base rates in line.

SERVICE
Additionally, we will continue to offer products and services that help customers conserve energy and preserve precious resources. Our Good Cents Home, online energy tools and free energy survey programs will ensure business and residential customers have the opportunity to save where they can. We will continue to provide customers with "green" information regarding heat recovery units, energy-efficient appliances, home insulation, lighting and other energy-saving tips that reduce their bills. Although we do not generate electricity, we will support renewable energy progress with our power suppliers and help customers with smaller distributed generation applications.

We will not waiver in our efforts to strike a delicate balance between operating your utility and supporting the community. You will continue to see LCEC employees volunteering throughout your neighborhoods and contributing much-needed funds to those who must have them. We will persist in providing a safe co-existence with wildlife in the area through our osprey and avian protection programs, and we will serve in leadership roles when needed.

We're proud of the work that we do, we believe we do it well, and through customer feedback, we continually look for opportunities to do even better. We value our privilege to serve you and take seriously our obligation.

Sincerely,
Larry Turbeville, President
Dennie Hamilton, Chief Executive Officer



Raising the Red Flag	In accordance with recent federal regulatory requirements, LCEC developed a Red Flag program to help combat identification theft on new and existing accounts. Because the fraud landscape changes quickly, the processes and parameters will be adjusted as needed. Staying ahead of attempts at fraud protects customers and our business.
Tropical Storm Fay	When the sixth-named storm of the season reached Southwest Florida, it brought with it severe winds and flooding. In less than 24 hours, power was restored to all LCEC customers throughout the five-county service territory. Crews and support employees worked tirelessly through the night, and customers responded with hundreds of calls and letters of thanks. A consistent restoration plan with the participation of each employee and many vendors and contractors paid off.
Forward Thinking Power Supply	LCEC reached an amicable agreement to terminate its power supply contract with Seminole Electric Cooperative, effective in 2014 and will enter into a new agreement with Florida Power and Light. After extensive research, negotiation and consideration, LCEC felt the new contract offers a diverse power supply that will serve the best interest of customers in terms of cost and capacity far into the future. Preparation for a seamless transition is underway.
Tiered Rates	Aside from a rate restructuring in 2006, LCEC residential customers previously enjoyed more than 23 years without a base-rate increase. An independent cost-of-service study indicated that in some areas, charges were not covering the true cost of doing business, and an increase was required. A tiered rate structure reduced the base rate for the first 500 kWhs billed to lessen the impact of an increased customer charge. Additionally, we hoped to encourage conservation and present measurable price signals for usage decisions.
A Helping Hand	Community involvement is paramount to the LCEC strategic business plan. To LCEC, providing value to the community is not just about delivering electricity. It also means that at any given time, you will find dedicated LCEC employees involved in their neighborhoods, partnering with non-profit agencies, actively involved in civic groups and supporting education and youth development. LCEC is also proud to collaborate with local governments and agencies to promote programs that support the environment and conservation efforts.
Safety is Number One	Safety is a key LCEC corporate core value and expectation of employees. In 2008, a continued commitment to workplace safety resulted in the lowest Occupational Safety and Health Administration (OSHA) recordable incident rate on record in LCEC history. Throughout the organization there were only eight recordable incidents within the year. Considering the nature of our business and the number of hours that employees work, this is a monumental accomplishment.

Economic conditions led to decreasing customer counts and increasing delinquent accounts. Employees were tasked with continuing to work efficiently and cutting additional costs where they could while balancing the needs of customers. Hard work resulted in operation and maintenance costs that were \$2.3 million below budget.	An Eye on the Bottom Line
The LCEC system held up well in 2008 and was tested during an unusually active tornado season. Year-round maintenance including infrared inspection of facilities, an aggressive vegetation management program and good response time all helped to keep reliability targets in line and keep the lights on for our customers. LCEC's reliability results were above average for the industry.	Power You Can Count ON
Rising unemployment, business bankruptcies and home foreclosures created a ripple effect that impacted customers' ability to pay their utility bills. Record numbers of customer calls to the contact center tested our customer service skills. Employees worked hard to ensure that customers were treated with dignity and respect and offered every option available to assist them. In-house training focused on skill-based call routing and "wowing" the customer. Our customer satisfaction target was surpassed with 77 percent of surveyed customers indicating they were very satisfied with the service they received.	Customer Satisfaction
LCEC is tasked with identifying necessary improvements to the electric infrastructure to meet the capacity and reliability demands of customers. The long-range system plan identifies major electrical infrastructure projects, and short-term plans address immediate needs. Load forecasts determine growth patterns throughout the LCEC service territory and are analyzed through computer models to identify vulnerable points in the electric system. LCEC plan designs balance the expectations of customers and address state and federal compliance requirements all while balancing budgetary constraints.	Planning Today for Energy Needs of Tomorrow
Efforts to inform and assist customers in conserving energy when possible continued with the LCEC Good Cents Home program and free customer energy surveys. An addition of the award-winning online Billing Insights program helped customers understand their energy usage and make adjustments to help decrease their bills. Consistent energy-saving tips throughout the year also provided information to help preserve the environment. At the same time, LCEC continued to promote convenient green-payment options	Going Green
Research confirms an engaged workforce provides quality service. An employee engagement survey followed by action plans kept us focused. LCEC also stepped up a wellness initiative to encourage healthy lifestyles and continued employee development, organization and built outreach programs. Cultivating relationships with the employees of LCEC is one of the foundations the organization was built upon.	People Behind the Power



VISION
Delivering the power that energizes our community.

MISSION
We provide efficient, reliable, cost-competitive electric and emerging energy solutions and excellent service to our customers.

Energizing our community



Visit www.lcec.net to learn more about...

- Green Energy Tips
- Energy Saving Tools
- Careers
- LCEC News
- Free Energy Surveys
- Green Payment Options

CORPORATE INFORMATION

Office:
4980 Bayline Drive
North Fort Myers, FL 33917-3910
(239) 995-2121 • 1-800-282-1643

Mailing Address:
Post Office Box 3455
North Fort Myers, FL
33918-3455

General Counsel:
Henderson, Franklin, Starnes & Holt
Post Office Box 280
Fort Myers, FL 33902-0280

Independent Auditors:
Jackson Thornton & Co., P.C.
200 Commerce Street
Montgomery, AL 36104-2591

www.lcec.net

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.