BUILDING ON THE BUZZ

Annual Report
2011
President and CEO message

LCEC entered 2011, like it did 2010, with guarded optimism. We were coming off of a very successful year with respect to sales, cost control and electric reliability, but a hoped-for economic recovery failed to materialize and customers throughout the territory continued to feel the effects of high unemployment, looming foreclosures and an uncertain future. We determined that we would not need a base rate increase during the year, had gained control of bad debt expenses and were certain that cost savings identified throughout recent difficult years would continue.

As has been the case over the past several years due to increasing power supply costs, the Power Cost Adjustment (PCA) component of LCEC rates does not fully recover the cost of purchased power. An increase had been tentatively scheduled in July of 2011. While this same situation had been mitigated in 2010 through strong sales driven by extreme weather, we watched with concern as unusually mild weather throughout 2011 made even a conservative planning forecast appear overly optimistic. We understood the need to avoid, if at all possible, passing a PCA increase to customers. Our concerns dictated that we examine our spending plans even more closely. We were able to identify a number of areas to control expenditures, defer projects and use resources more efficiently. As a result of the hard work of all LCEC team members, margins were strong and the LCEC Board of Trustees was able to redirect a portion of our base revenues to help with the power cost recovery shortfall without the need to raise the PCA. For the third year, customers did not see an increase and we preserved the financial strength of the organization.

Customer satisfaction levels in 2011 also reached the highest point measured since the economic downturn began almost five years ago. This success was a result of many actions, including improvements in our telecommunications infrastructure as well as the ongoing expansion of convenient methods and locations for customers to pay their bills. Finally, although certainly not the least important, LCEC employees continued to work safely. Whether in the field or the office, we strive to be mindful of the dangers of the electric utility business and we were successful in keeping our OSHA recordable incident rate at levels keeping us among the best performing companies as reflected by insurance company comparative ratings.

In addition to financial performance, electric service reliability is a key measure of LCEC success. In 2011 LCEC set a new all-time best for uninterrupted service. While the prior year results had been the best in a decade, we continued with programmatic improvements, were persistent in our efforts to minimize the impacts of outages that occurred by active switching of circuits and quick response in the field. These efforts, paired with a relatively mild storm season, improved that best-in-a-decade performance by over 25 percent.

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Sincerely,

Larry Turbeville, President
Dennie Hamilton, Chief Executive Officer
Electric rates remain stable
In a challenging economic environment LCEC worked hard to maintain the cost of power delivery so that base rates didn’t increase in 2011. Base rates recover LCEC’s operating, depreciation, interest, and tax expenses, as well as the majority of the cost of power purchased from suppliers. For the third year in a row, extensive cost management practices, improved process efficiencies, and a constant eye on the bottom line ensured that the only increase in customers’ bills were related to their own increase in usage. At the same time, LCEC provided tools to help customers adjust usage habits and manage their bills accordingly.

Nearly 70 cents of every dollar included in LCEC electric bills goes directly to power suppliers to cover purchased power costs. It is a straight pass-through to customers. However, in spite of rising costs associated with materials, equipment, labor and maintenance, LCEC continued to hold the line on the part of the customer bill we can more directly control.

Core values through and through
In 2006, LCEC employees provided valuable input to help develop a formalized “Living the Values” campaign. The goal was to clarify the operating philosophy and review guiding principles for decision-making within the organization. While LCEC has a stellar reputation for corporate responsibility, the effort ensured the values are ingrained in daily work and processes.

In 2011, the LCEC Core Values remained strong and employees stood behind them. A recognition program allowed employees to recognize their peers for Living the Values, and positive feedback from customers was shared in weekly newsletters. In addition, the LCEC Values remained aligned with employee performance reviews and organizational key performance indicators.

LCEC values...
• safety as everyone’s responsibility.
• providing quality external and internal customer service.
• commitment to integrity, diversity and respect.
• employees working together to make success happen.
• accountability for results.
• our responsibility to energize the community.

Information at your fingertips
LCEC continues to enhance its online presence by providing self-service options for viewing and paying bills, connecting and disconnecting service, tree trimming and light repair requests and much more. The LCEC website also hosts a wealth of information about the organization and procedures, storm restoration, vegetation management, Smart Grid, annual reports, account access, customer guide, and hundreds of safety and energy tips.

A recent redesign of the LCEC site was implemented to improve navigation and enhance the online experience for customers. Processes for updating and adding content were also improved, and metrics were put in place to measure results and ensure that customer needs are being met. Future improvements include an opportunity for two-way communication between customers and employees.
Energizing our community
The LCEC vision is to deliver the power that energizes our communities. This vision encompasses delivery of electricity, but it also expresses commitment to supporting our communities through philanthropic endeavors and volunteerism. In 2011, LCEC employees were among the top contributors to the United Way and donated to countless other social service, educational, environmental and health-related agencies and programs. Throughout the year, the diverse interests and talents of LCEC employees made a positive impact on those who needed assistance. The LCEC Power to Share program, funded through employee and customer contributions and administered by United Way 211, continued to aid customers experiencing a hardship with their bills. Mentoring students through programs such as Take Stock in Children, Junior Achievement and Do the Right Thing is just one of the ways LCEC employees ensure our community is sustained.

Sustaining our environment
Protecting and preserving cherished resources, including water, urban and rural lands, vegetation, animals and birds is an endeavor that LCEC understands. LCEC partners with local experts and customers to help balance the need for electricity with the needs of the environment. Support of multiple wildlife initiatives and the Osprey Protection Program are just a few of the ways LCEC contributes. A year-round recycling program is promoted to employees and contractors alike. In 2011, LCEC was able to recycle aluminum, copper, steel and other equipment to generate revenue that was reinvested into the electric system. In addition, materials such as plastic, paper and wood were routinely recycled. Employees participated in a special Earth Day project that provided truckloads of items that could be repurposed or sold to support efforts in helping the disadvantaged rather than going to the landfill.

Glocalization
thinking globally while acting locally

Social Responsibility
contributing to the welfare of society and not just to profits

Best employer for workers over 50
AARP recognized LCEC as one of the top employers for workers over 50. Employment practices that are beneficial for mature workers are often beneficial for all. The award is based on innovative policies and best practices related to recruiting, opportunities for training, education and career development, workplace accommodations, flexible work schedules, health and pension benefits and retirement. 2011 marked the third year LCEC received the honor.

Investing in talent
The people at LCEC make the difference in how the organization succeeds, and they are what differentiates the company. LCEC continually works to improve processes for recruiting, developing and retaining employees with specialized skills and qualities that meet customers’ needs. Talent management is an LCEC priority with the goal of having the right talent doing the right work at the right time. Employees update individual development plans annually and have the opportunity to grow with the business.

Empowerment

Gaining new skills and knowledge that will help in overcoming obstacles and development

Core competency
strengths that provide the basis for adding value

Employees remain engaged
In 2011, LCEC conducted an employee engagement survey, that was introduced several years ago. The interactive, web-based survey identified the degree to which employees are engaged in their roles within the organization. Gathering feedback from employees has allowed the organization to adjust practices, offer development opportunities and formulate retention strategies tailored to both employee and business needs. The overall results were very positive, and action plans were developed to address areas that could be further improved.
Ramp up
increase in performance ahead of anticipated increases in demand

Best in Class
among the highest performance level in an industry

System reliability breaks records
LCEC remained committed to delivering cost competitive, reliable electricity in 2011. This mission is at the core of the business, and employees work very hard to meet customer expectations. Reliability statistics were the best they have ever been. Expanding, maintaining and improving electric infrastructure is vital to sustaining essential services as well as meeting customers’ growing energy needs. LCEC has a long-term infrastructure plan to ensure the system is able to operate around the clock, and employees perform maintenance and construction so it functions as effectively as possible. At the same time, there is a strong focus on operating procedures, streamlining processes, and utilizing resources properly in order to reduce or maintain costs.

Maintenance and prevention
Poles, power lines and other system infrastructure are inspected throughout the year. Preventive maintenance is also scheduled at regular intervals to address issues before they impact reliability. This also helps to delay the need for costly unexpected replacement or repairs and allows LCEC to plan ahead for expenditures related to normal depreciation of system facilities.

Regulatory readiness
Since 2006, LCEC has been prepared to meet mandated Federal Energy Regulatory Commission and North American Electric Reliability Council reliability standards. Best practices and continual monitoring and tracking make certain LCEC is in a favorable position for regulatory audits. The LCEC infrastructure and business practices continually meet all safety standards set by the National Electrical Safety Code.

Close look at meter pirates
LCEC continued to take a hard look at the dangers and costs resulting from utility theft. Although the percentage of customers stealing electricity is low compared to the entire customer base, it remains a concern for utilities across the nation. In an effort to safeguard the best interests of all customers, LCEC was vigilant in 2011 to identify and stop meter diversions through a program utilizing automated meter reading technology and field investigations to detect theft, reduce losses, and prevent possible injury and property loss. In accordance with Florida Public Service Commission guidelines, cases of power theft resulted in disconnection of power, a meter tampering fee, equipment replacement charge, security deposit and restitution before power was restored. Criminal prosecution remains another avenue available to combat theft. Customers also did their part to report suspicions of possible theft by contacting LCEC anonymously through the website or contact center.

Smart planning for the grid
Advanced Smart Grid technology has allowed the LCEC power network to be improved over the years. Two-way communication between the electric system and specialized LCEC information systems help detect problems before they occur, conduct performance analysis and plan for the future. Controls, computers, automation and technology work together with knowledgeable LCEC employees to ensure customers have reliable electricity at a competitive price. When an outage does occur, the LCEC smart technology has the ability to detect and isolate the outage, helping employees coordinate a quick and safe restoration.

LCEC continues to explore other emerging Smart Grid technologies. An LCEC planning team reviews Smart Grid options to determine the strategy moving forward with a focus on delivering cost-efficient and reliable services to our customers.

Data mining
data-driven decision-making used to improve a process

Proactive
taking control and making things happen rather than reacting or waiting for something to happen

Power you can rely on
For more than a decade, LCEC worked with City of Cape Coral officials to finalize a plan for constructing a new transmission line that would increase reliability to the area by providing alternate sources of electricity during an outage. An agreed-upon plan entailed an overhead line with a small portion of underground installation funded by the Community Redevelopment Agency. Construction of the overhead portion was completed in 2010, and LCEC’s only underground transmission project began in 2011. The underground portion of the project, requiring trenches, conduit encased in concrete and several vaults, ran smoothly, and the entire transmission line is scheduled to be energized in early 2012.

Payment center evaluation results in changes
In line with a commitment to keeping costs low, a study was performed on the North Fort Myers Payment Center to determine if it was cost-effective. Due to the variety of convenient payment options available to customers, the number of customers utilizing the payment center located at LCEC headquarters had decreased substantially over the years. As more customers elected to pay online, by phone and at conveniently located authorized pay stations, the cost per transaction in the office increased substantially. Based on the study results, the hours of the payment center were reduced in 2011. A permanent closure of the center is scheduled for 2012. Payment center employees received cross-training and were given the chance to transition into open positions within the organization. Customers utilizing the center received notification phone calls, letters and brochures advising of the changes and explaining the rationale.

Building for the future
The LCEC state-certified apprentice program is much more than four years of on-the-job training. Candidates for the program endure a rigorous selection process entailing a panel interview, physical demonstration and a written exam. Linemen and substation electricians currently in the program experience the practical and theoretical aspects of their trade and must complete a combination of written training modules and intense field training before completion and earning the journeyman status.

LCEC also maintains a formalized internship program where students have the opportunity to work alongside mentors and receive meaningful assignments that stimulate them and provide real employment experience. LCEC interns have a history of returning to the organization after receiving their degree. In addition to meeting short-term needs, interns bring enthusiasm and current industry knowledge to LCEC. Developing a future workforce and helping to grow local talent has proven to be beneficial for everyone involved.

Automating callout
Until 2011, LCEC field crews were scheduled by a dispatcher or administrator combing through paper lists and manually placing phone calls to determine availability. A new automated LCEC resource management system allows multiple calls to be made within seconds, tracks availability, and helps to estimate resource needs. The system improves response time on the front end of the process so customers are out of power for a shorter duration. The technology also enables field employees to manage their availability by making an inbound call to acknowledge their status. Updates can be made from anywhere, at any time, since the system is web-based. The system also provides real-time data that not only helps manage resources during a storm but also during normal shifts.
Deliverables
goods or services that will be provided upon completion of a project

Workflow
a sequence of connected steps to document a process or task

Paperless payment options
LCEC cross-functional teams work year round to provide improvements that benefit customers. In 2011, a team helped to implement the LCEC paperless billing option for customers interested in conserving precious resources while enjoying convenience. The program allows customers to receive a monthly email to let them know their bill is ready for viewing online. The customer determines the payment option they want to utilize to pay the bill. Payment options include online or phone payments with a checking or savings account or debit/credit cards, payments at authorized pay stations or automated bill payment. The auto pay option is the most economical and helps customers avoid late payments while going green.

Determining the right direction
The LCEC Board of Trustees, leadership team and employees all play a vital role in defining the organization’s future strategy with a well-defined integrated business planning process. The process begins with broad consideration of important and emerging issues, on the local and national level. Customer feedback that has been compiled throughout the year is also considered to determine where future efforts and investments should be focused. Strategic priorities for the organization are defined and communicated, and long-range business objectives are put in place to support the initiatives.

2011 Strategic Priorities
• Ensure infrastructure is in place to meet current and emerging energy needs
• Optimize processes and technology to achieve greater operating efficiency, agility, and improve customer experience
• Ensure talent is available, engaged, and prepared to support business requirements
• Manage costs to ensure financial strength and competitive rates
• Ensure compliance and proactively influence key external relationships to achieve desired results for members

Safe generator connection
GenerLink, offered by LCEC, eliminates the use of extension cords and other hazardous connections by providing a safe connection from the electric meter directly to the generator. GenerLink also detects when a generator is operating and automatically disconnects from the utility grid, eliminating dangerous backfeed. It is one of the easiest and safest generator connections on the market and allows customers to power many appliances at once, depending on the capacity of their generator. LCEC technicians install the equipment at the meter so that it is easy to keep portable generators in a safe location.

Because GenerLink is designed and rated to connect directly to a standard electric service, customers can operate critical appliances with the flip of a breaker.

Protection that offers peace of mind
To provide the best protection for appliances and electronics, LCEC recommends a dual-stage surge-protection approach. LCEC surgeSENSE provides several possibilities. A meter-based heavy-duty surge arrester can be installed at the electric meter by an LCEC technician. This redirects high voltage at the point where it enters the home and protects major appliances such as air conditioners, washers, dryers, refrigerators, dishwashers, stoves and garbage disposals. LCEC offers the equipment for lease or purchase. In addition, LCEC offers a customer discount for point-of-use protection; which consists of plug-in surge-protection devices designed to protect sensitive electronics such as computers, televisions, VCRs, DVDs, microwaves and garage door openers.

Masterbrand
an overarching brand name that anchors other related products and services

Synergy
functioning together to produce results that can’t be achieved independently

Possibilities that are endless
building on the buzz

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A robust benefits package, including tuition and wellness reimbursement, pension, 401(k), health, dental and life insurance and employee assistance, ensures that a skilled workforce is ready and available to meet customer needs. Annual compensation analyses are conducted to maintain reasonable wages, and an annual performance appraisal process provides the opportunity to provide feedback and develop employees.

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, veteran status, genetic information, and marital status. Employment actions include recruitment, selection, promotion, demotion, transfer, termination, layoffs, job classification, benefits, pay adjustments and training opportunities.

In 2011, a cross-functional LCEC team implemented a new telecommunications system to replace the aging system that was no longer supported by the vendor. The new Voice Over Internet Protocol technology offered many advantages over traditional systems, including geographical redundancy, reduced operational costs and integrated voice response capabilities. In addition, the system allows skill-based routing so that LCEC representatives can assist customers more efficiently and effectively. With the updated system, LCEC also gained the capability to manage changes to the system internally, which helps with workforce management, disaster recovery and storm restoration.

Over the years, LCEC has returned more than $178 million in equity to customers. In 2011, the LCEC Board of Trustees approved a final equity return of $6.1 million to accounts that had been closed since 2003, and a general distribution of $8 million to all other active and inactive accounts. As a non-profit electric distribution utility, when annual excess revenues are generated, they are allocated to customers. Equity represents members’ investment in the LCEC electrical system in the form of substations, poles, wires, transformers and other facilities. Without member investment, LCEC would need to secure additional funding from interest-bearing loans, which would be recovered in the form of higher rates. Although equity is not equivalent to cash or liquid assets, when the financial position allows, a portion of equity is distributed to members.
Customer-centric
creating a positive consumer experience and adding value to a company by differentiating from others who do not offer the same experience

Ideate
forming thoughts and ideas

Board of Trustees

LCEC’s service territory covers more than 8,055 square miles of diversity and beauty.
Subject Matter Expert

person with knowledge or skill in a particular area or endeavor.