

2014 ANNUAL REPORT



we all

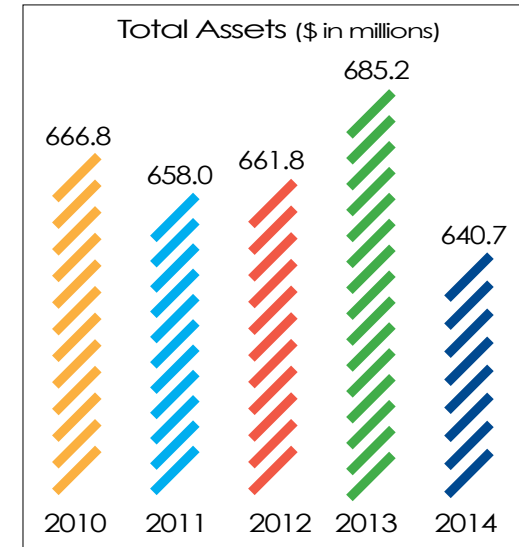
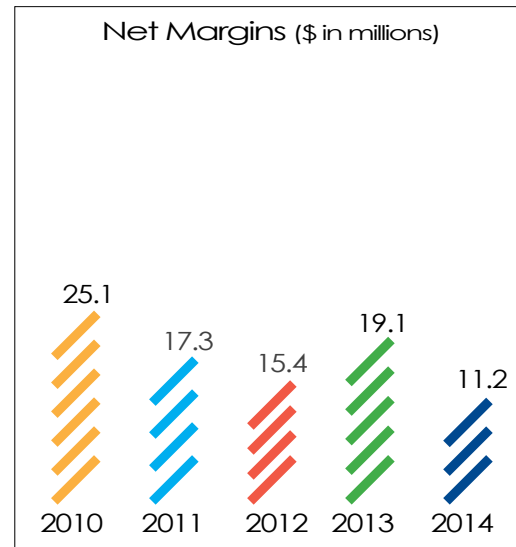
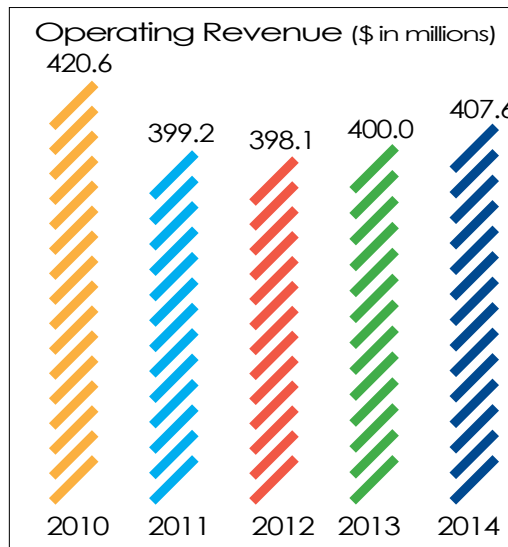
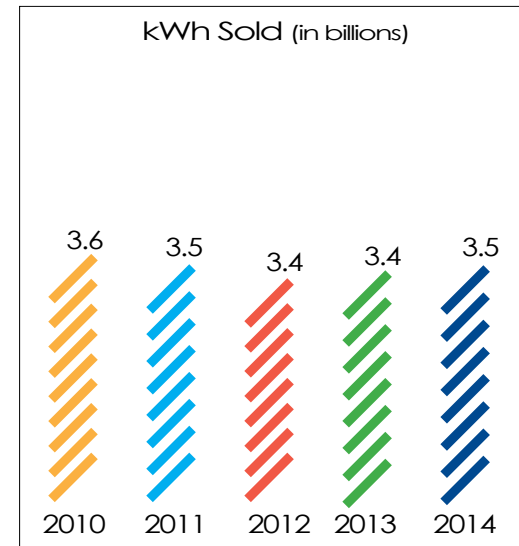
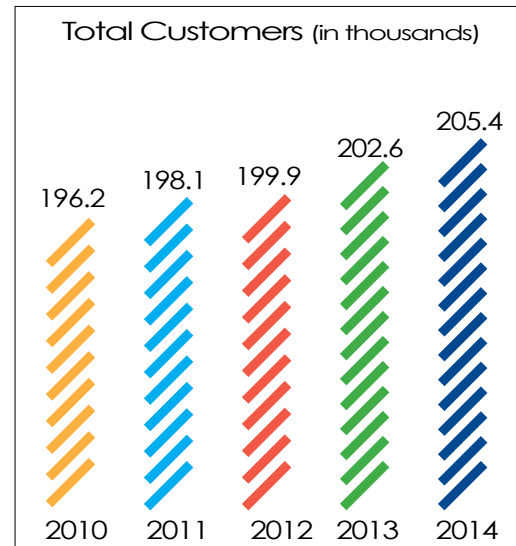
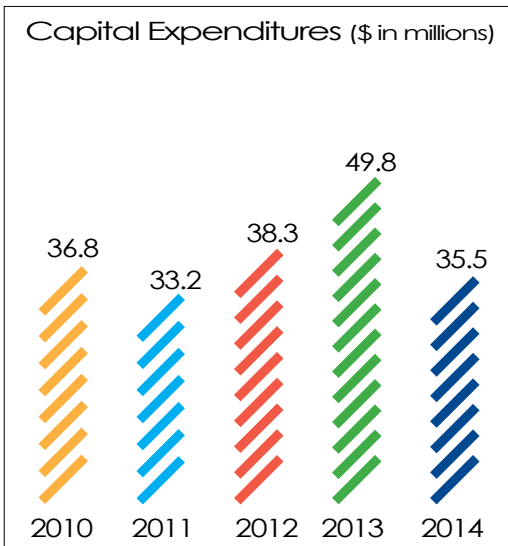
have a powerful story



While the exact origin of the six-word story is dubious, most believe it began with a challenge. Legendary author Ernest Hemingway was challenged to create a story in just six words. He accepted that challenge, and “For sale: baby shoes, never worn” was born. While lacking in great detail, these six words demonstrated that a story can be told in just a few, impactful words. Hemingway regarded this short story his best work.

It's not surprising that the six-word story has become a phenomenon over the last decade. With the popularity of the *Six Word Memoirs* project in 2006 and social platforms such as Tumblr, Reddit and Twitter, the concept of a six-word story has piqued the interest of people of all ages.

When employees were asked to tell LCEC's story in six-words, they delivered. Through these stories, employees showed creativity, engagement and pride. And in turn, their six-word stories inspired this annual report.



2014 Financial Highlights

	2014	2013
Operating Revenue	\$ 407,574,399	\$ 399,958,104
Operating Expense	\$ 387,168,374	\$ 373,847,082
Interest Expense	\$ 12,529,878	\$ 12,962,675
Net Margins	\$ 11,201,344	\$ 19,060,930
Net Plant	\$ 523,974,688	\$ 563,762,157
Total Assets	\$ 640,773,493	\$ 685,237,668
Total Customers	205,422	202,629
kWh Purchased	3,759,591,237	3,665,475,288
kWh Sold	3,570,274,023	3,458,260,838
Miles of Energized Line	8,130	8,096
Avg Monthly Residential kWh Used	1,086	1,053
Equity Distribution	\$ 12,860,279	\$ 16,850,048
Capital Expenditures	\$ 35,501,560	\$ 49,829,113
Customers per Employee	537	522



MESSAGE FROM THE PRESIDENT AND CEO

Our story hasn't changed much over the past several years, and we are proud that it continues to be a remarkable story to share. Our integrated business plan is working, employees continue to do all the right things, and our financial position remains strong. Once again, we met all of our key performance indicator targets. Goals were set to be more aggressive than the previous year, and employees rose to the occasion. Reliability and safety performance resulted in our all-time best.

2014 also closed with many important business accomplishments. The sale of all the LCEC 230 kV assets was completed by year-end to mitigate the potential increasing cost of bulk transmission regulatory requirements. The sale to Florida Power & Light Company will reduce the need and expense to prepare for remaining compliant. Although the transaction was complex, there are several benefits aside from reducing regulatory requirements. Revenue from the sale will be used to pay down short-term debt, which will help in the effort to maintain competitive electric rates for years to come.

LCEC was able to negotiate an agreement with Babcock Ranch that will allow the development to be served by one power provider and in turn assure fair compensation to LCEC customers in exchange for releasing service territory. LCEC also gained new service territory in Collier County as part of the agreement. As a result, the Big Cypress community near Ave Maria will be served by LCEC as development begins to take place in the future.

Efforts to encourage wellness and employees' attention to health resulted in lower-than-anticipated medical claims in 2014. Providing an on-site wellness center, fitness programs, and healthy living education have proven to be mutually beneficial, and we anticipate further improvements.

The 2015 Integrated Business Plan is somewhat different than the 2014 plan and includes a hiatus from extensive information technology projects once ongoing projects are completed. For several years, LCEC has implemented multiple major technology projects. These have challenged resources and resulted in a number of outstanding issues that should be addressed. Technology teams will focus on these issues in addition to making enhancements and improving processes in order to be positioned for new technology when the time is right.

Our integrated business plan is aimed at fulfilling the corporate mission of delivering reliable electricity and quality service at the lowest reasonable rate. For the second year in a row we were able to reduce rates and return equity to our members. Continual improvement in safety, reliability, and service while managing costs is a challenge we are very proud to have met in 2014. We are optimistic about the future and committed to fulfilling our privilege and obligation to serve our customers.



Larry Turbeville
President

Dennie Hamilton
Executive Vice President
& Chief Executive Officer

RELIABILITY OF THE LCEC ELECTRIC SYSTEM

Over the years, drivers such as regulatory compliance and aging infrastructure have challenged LCEC to become more strategic in terms of reliability. System planning, aggressive maintenance, process improvements and utilization of technology have become critical in improving reliability for customers. LCEC has risen to the challenges and significantly improved the electric system reliability. This was never more evident than in 2014 when customers experienced a record low System Average Interruption Duration Index (SAIDI) of 74.95 minutes. SAIDI defines the average interruption duration per customer served. LCEC relies on metrics and service standards to measure performance and target potential opportunities for improvement.



**LIFE, POWER,
CONSISTENCY:
COUNT ON LCEC.**

LCEC provides more
than just electricity.

Proudly energizing
our community
since 1940.

**LCEC - committed to
powering your neighborhood.**

**WE ARE HERE;
FLIP THE SWITCH.**



CEO Dennie Hamilton was elected as board chair for the Florida Reliability Coordinating Council (FRCC). The organization is a regional entity with delegated authority from the North American Electric Reliability Corporation (NERC) and is charged with ensuring the reliability and adequacy of electricity in Florida.

Operations and maintenance efforts never stop

We know our customers expect us to meet the need for reliable power while keeping rates as reasonable as possible. LCEC has been able to improve reliability year after year without raising costs by ensuring the electric system operates effectively. Establishing an aggressive maintenance plan, enhancing operating procedures, and streamlining processes are just a few of the strategies LCEC employs. A long-term infrastructure plan and capital improvements help to ensure a reliable system and provide capacity to growing communities. In June, LCEC energized a new North Trail substation and transmission line to address current and future development in North Fort Myers. In addition, resources are utilized efficiently to reduce or maintain costs and provide excellent response time.

Technological advances help keep systems running

LCEC utilizes automation such as distribution automated switches to detect issues, isolate faults and reroute power around outages. Voltage regulators and capacitor banks are also used for system support. Automated meters are used to determine if an outage is a customer issue. This helps to minimize power interruptions and reduce the expense of sending a crew into the field. Further cost savings are realized through proactive inspections and thermography of facilities to identify potential issues and repair or replace them before they become a problem. Technology is also instrumental in analyzing data and monitoring the system to track typical replacement and repair cycles and detect areas that may need attention.

Regulatory influences are a top priority

LCEC remains vigilant in meeting compliance regulations, rules, codes and standards. We are focused on ensuring Federal Energy Regulatory Commission (FERC) and North American Electric Reliability Corporation (NERC) reliability standards and requirements applicable to LCEC are met. This includes physical and cyber asset security. LCEC remains focused on national safety standards, infrastructure development, renewables integration and expectations from local governments. At the end of 2014, LCEC was successful in selling bulk power assets in an effort to reduce the need for costly compliance. The sale will be seamless to customers and will be a factor in continued efforts to keep costs reasonable and rates competitive.

**EFFICIENT.
AFFORDABLE. RELIABLE.
GREAT SERVICE. LCEC.**

Thriving people;
flowing power;
endless possibilities.

Happy to help.
Call us anytime.



While providing electric service, LCEC has many opportunities to build a relationship with customers. Interaction comes in many forms, and the frequency varies greatly depending on the customer. We know that providing a positive customer experience is one of the keys to our success, and we continually focus on improvement. Measuring our success with key performance indicators (KPIs) is just one of the ways we stay on track. In 2014, LCEC exceeded the Customer Experience target and will raise the bar in 2015. In addition, LCEC participates in the JD Power survey each year and utilizes results to identify potential areas for improvement.

**ALWAYS PROVIDING AN
EXCEPTIONAL CUSTOMER
EXPERIENCE**



Customer Care Center remains top notch

The LCEC Customer Care Center was certified as a Center of Excellence and one of the Top 10 Small-Sized Call Centers by BenchmarkPortal in 2014. Only six utilities in the nation received certification, and LCEC is the only electric cooperative that met the stringent requirements. The Center of Excellence designation is one of the most prestigious awards in the customer service and support industry. LCEC was also honored as one of the 2014 Excellence Award Winners by ACI Worldwide for Electronic Bill Pay & Presentment. This award recognizes an increase in convenient payment options.

Varied payment options for every lifestyle

In an effort to keep costs low and offer convenience and solutions for a diverse customer group, LCEC provides multiple payment options, including traditional mail. The automatic payment option continues to be the most cost-effective, environmentally friendly and easy for customers. Approximately 40,000 LCEC customers are utilizing this option. More and more customers are turning to online and phone payment using a bank account. LCEC accepts these self-service payments around the clock and there are no additional costs to the customer. In addition, with a small third-party processing fee, payments can be made utilizing a credit or debit card. Knowing that some customers like to pay in person, LCEC has also partnered with dozens of Authorized Walk-In Pay Stations throughout Southwest Florida.

Dependable bill management day after day

LCEC produced more than two million bills in 2014. Automated meters that are read through the power lines and consistent billing system upgrades, along with well-defined and tested processes ensure that bills are accurate and timely. Providing customers with easy access to billing and usage information also helps to avoid surprises when the bill arrives. Online calculators and kiloWATCH, the LCEC usage alert system, are aimed at giving customers tools that can help reduce their bill and aid in making informed energy decisions. LCEC began a critical project to implement a new meter data management system that will help to improve internal operations and provide even more data to customers more quickly.

Quality customer service is our specialty.

LCEC strives to make life easier.



Federal regulations put an end to all automated payment reminder calls directed to cell phones. Knowing that sometimes a reminder is important, LCEC continued efforts to send a written notice in addition to the first payment notice. Customers providing an email address or a landline contact number receive an automated phone message reminder.

TIPS AND TOOLS. PEACE OF MIND.

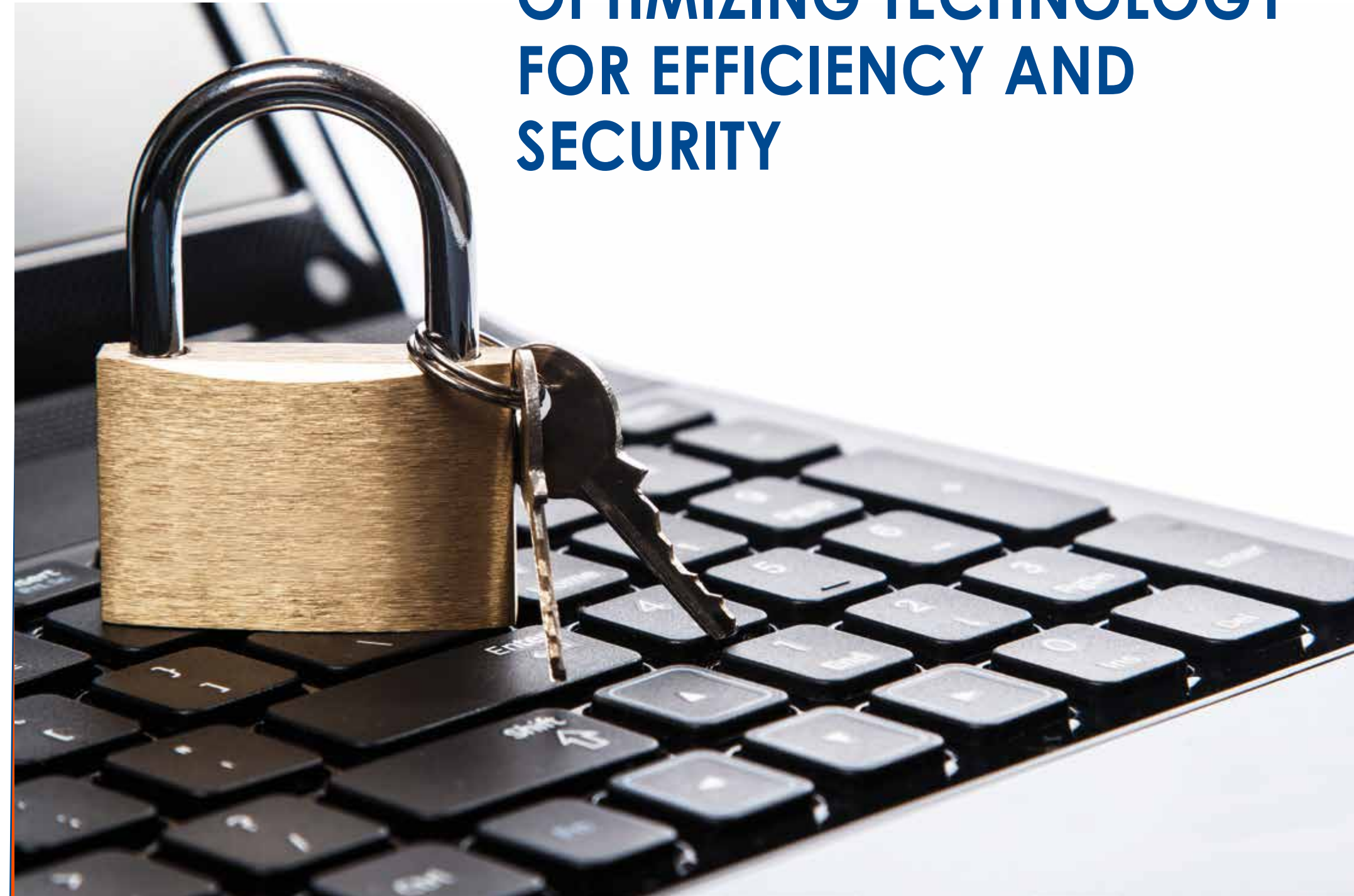
Cohesive blend
of experience
and innovation.

Change is
accelerating.
We've got this.



Over the past five years LCEC successfully rolled out an Information Technology (IT) strategy supporting the migration to a process oriented and web centric utility. Today we are well engaged with an agile, secure and very versatile customer-facing IT service engine. It enables cost effective and scalable IT services and contributes to maintaining the LCEC mission.

OPTIMIZING TECHNOLOGY FOR EFFICIENCY AND SECURITY



Exploring capabilities to meet customer needs

We continue to make progress in the adoption of process improvement as an inherent part of LCEC's culture. We are utilizing web centric environments to further integrate hybrid cloud concepts, leveraging big-data investments to enable real time business decisions, and optimizing search and management functions. In addition, we are working to capitalize on the benefits social media offers to facilitate communication and collaboration with stakeholders. We are working to reach an optimal balance between enhancements and innovations and day-to-day operational priorities. It's critical to spend the appropriate amount of effort to enhance our processes and fine tune services and delivery levels; and LCEC continues to ensure that we are making the right investments to stay compliant with security and regulatory standards.

Cyber security for peace of mind

Through the deployment of an Information Security Management System frame work and an Information Security Committee, LCEC continually assesses and manages risks and implements mitigation as required. Processes are in place to remain compliant with regulatory, security, privacy and risk policies.



"People, Power, Possibilities"— well said.

USING POWERFUL TECHNOLOGY TO SERVE CUSTOMERS.

Making time for information technology stabilization

It is good business practice for all technical support teams to periodically maintain and remediate hosted technical infrastructure, software and processes to ensure operational stability. Over the past five years, LCEC has experienced constant technology changes and innovations including several major associated software upgrades. Often, retooling the technical environments, retiring legacy systems and normalizing operational processes and infrastructures took a back seat. LCEC understands it is important to support well-maintained IT environments and processes and is committed to dedicating time to focus on strengthening technical platforms over the next year.



Leveraging technology, and extending self-service capabilities offers new avenues for customers to conduct business with LCEC. Social media activity also continues to increase and has become another channel for enhanced communication and notification.

ALWAYS PROUD TO WORK AT LCEC.

The only career
I've ever loved.

Treating employees with
respect and dignity.



LCEC EMPLOYEE ENGAGEMENT, DEVELOPMENT, AND WELLNESS



Throughout its history, the people at LCEC have been the driving force in delivering reliable power at competitive prices. A dedicated team with progressive ideas and the ability to continually improve has been critical to the organization's success. Hiring the right people, offering competitive compensation and benefits, providing developmental opportunities, implementing succession planning, and driving wellness initiatives are just a few of the key areas aimed at keeping employees engaged.



Focused and engaged workforce benefits customers

A strong integrated business plan has helped to create stability and sustainability for the LCEC organization. The plan clearly defines strategic priorities, and all employees are focused on the annual and long-term objectives. The planning process has matured over the years, and employees continue to take part in professional development training programs and exercises geared toward process improvement, leadership, business continuity, and financial strength.

**Positive LCEC
employees equal happy customers.**

LCEC IS LIKE FAMILY TO ME.

Health and safety is mutually beneficial

LCEC recognizes there is an incredible value to safety and health in the workplace. Protecting employees is the right thing to do; it helps to reduce injury and medical costs, reduces absenteeism and turnover, increases productivity and keeps morale high. The LCEC safety key performance target for 2014 was surpassed, with only five OSHA-recordable incidents for the year. In addition, vehicle accidents were below average. This is partially due to consistent safety meetings and employees' efforts to improve. Employees share in the cost of utilizing the LCEC onsite wellness center, fitness centers, and group and personal training programs. This helped in reducing health benefit costs compared to the previous year.



Tobacco-free workplace for the future

In 2014, LCEC began the transition to a tobacco-free workplace. Use of tobacco products disqualified applicants from being considered for employment. The organization offered free cessation classes for employees, friends, and family in preparation for conversion to a tobacco-free work environment in 2015. A communication plan was implemented to provide advance notice of the new policy and encourage employees to take advantage of the tobacco-free medical plan credit for non-users.



For the second year in a row, LCEC was designated as a Fit-Friendly Worksite by the American Heart Association. LCEC was recognized for going above and beyond when it comes to employees' health. The addition of a new walking path, support of the PowerPac Run Club, promotion of wellness, and healthy eating options at work are just a few of the ways that the organization encourages fitness.

WHAT WE DO... WE GIVE BACK.

Living the values;
making it count.

LCEC opens doors
and changes lives.



COMMUNITY STEWARDSHIP CONTINUES TO BE TRADITION

The LCEC vision to deliver the power to energize our communities is far-reaching. Delivering electricity is our core business, and supporting our communities in philanthropic and environmentally responsible ways is part of that focus. We couldn't do it alone. Employees collaborate and are part of community partnerships that protect the best interests of customers, neighbors, the environment, and each other.




Responsibility to nurture the future workforce

LCEC is committed to participating in the STEM@Work initiatives, providing student tours, student mentoring, scholarship offerings and involvement with many other projects and programs through the local educational systems. Preparing prospective employees for college, career success and igniting the passion for science, technology, engineering and math are not responsibilities that are solely dependent upon the education system. LCEC understands it takes a network of stakeholders, including the business community. LCEC was recognized in 2014 by Ford Next Generation Learning for offering hands-on experiences to students and teachers.



The LCEC Power to Share program assists financially strained customers with electric bill payments. It is a joint partnership between LCEC and the United Way. LCEC customers and employees contribute to the program, which is administered to eligible recipients by United Way 211. CoBank and Publix generously contribute to the program with corporate contributions.



Helping others help themselves through giving

LCEC and its employees are among the top contributors to the United Way of Lee, Hendry, Glades and Okeechobee. LCEC employees also help to raise funds for the United Way of Charlotte and Collier, American Cancer Society, American Heart Association, multiple education and health-related agencies, Chambers of Commerce, and civic groups. The LCEC team contributed funds while also offering a hand up. They gave countless hours to help individuals in need, raise awareness, help grow our communities and mentor young people.

Preserving and sustaining our precious resources

In 2014, LCEC awarded several environmental funding awards to local agencies to help in their missions to save and protect wildlife through partnerships and education. Funding was in addition to contributions toward protecting osprey through an alternate habitat program where customers and students partnered with LCEC to build platforms that were installed away from the power lines. Organization-wide recycling efforts not only helped to conserve natural resources but in many cases also added to the bottom line.

LCEC energizes our community through volunteerism.

MY LCEC COWORKERS ARE ALL SUPERHEROS.

FINANCIAL STABILITY KEEPS RATES STABLE AGAIN



LCEC was able to reduce rates in January following six years without a rate increase. Although the cost of materials, labor, fuel and purchased power continues to rise, LCEC has been able to implement a calculated business strategy aimed at managing operating costs. Process improvements, proactive maintenance, constant budget oversight, the use of technology and the diligence of employees have all contributed to holding the line on LCEC electric rates. Previous-year margins were strong and the Board of Trustees was able to approve distributions in equity. By mid-year, area temperatures reached an average of 97.9 degrees, causing customers to power up to stay cool. As a result, sales were very strong and remained that way for the remainder of the year. This allowed LCEC to expedite several capital and maintenance projects



RATES HAVEN'T RISEN
IN SIX YEARS.

LCEC makes dollars and
cents count.

Your investment
comes back to you.

Providing value to our members daily.

FISCAL RESPONSIBILITY EQUATES TO EQUITY RETURNS.

Equity is a unique member benefit

Equity equates to financial strength for LCEC members. It allows for improvements in the delivery of power and service through capital projects without incurring costly loans. LCEC is proud of the financial strength that has allowed us to return equity to our customers. It is one of the benefits of belonging to a financially stable electric cooperative. Only half of the electric cooperatives in the United States are able to return equity to members. In 2014, the LCEC Board of Trustees approved a second-quarter distribution of \$6 million in equity to current and inactive customers and an additional distribution of \$6 million to memberships that have been closed since 2006. LCEC is proud to have returned more than \$220 million in equity to members over the years.



One of our financial metrics is the operating and maintenance costs per 1,000 kWh sold. In 2014, LCEC was able to keep expenses to \$12.48 per 1,000 kWh sold. In addition, LCEC measures key financial ratios including equity percentage, debt to earnings before interests/taxes/depreciation/amortization, debt service coverage, and times interest earned.



Collecting fees and taxes is an obligation

Customers in unincorporated Lee County noticed a new charge on their electric bill beginning in April due to a franchise fee imposed by Lee County Government. LCEC also collects franchise fees for the City of Cape Coral, Everglades City and Sanibel. Cape Coral customers see an additional seven percent added to their electric bill in the form of a public service tax. All monies collected by LCEC are remitted to the respective government bodies; no funds are retained by LCEC. In an effort to keep customers informed about this portion of their electric bill, fees and taxes are identified as a separate line item.

Journey to one of the lowest

A long-range business planning team continued work toward becoming one of the lowest-cost residential electric providers in Florida by 2016. The team conducted research, evaluated benchmarking reports and reached out to neighboring utilities to determine potential focus areas. Nearly seventy percent of the customer bill is allocated to purchased power costs. This leaves a very small margin for managing costs, and LCEC is committed to doing what it can to ensure customers receive cost-competitive electricity. Six years without a rate increase is helping to close the gap.

BOARD OF TRUSTEES

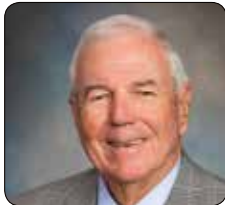
The LCEC Board of Trustees is comprised of individuals with local and national business experience, community leadership, integrity and the ability to make significant contributions and decisions in the best interest of customers and employees.

This diverse group represents the geographical areas within LCEC's service territory and is nominated by and elected by customers.

While the Board has oversight responsibility for the organization, its primary function is to set policies and strategies that will position LCEC to be a competitive force in the changing utility industry. Working closely with management and employees, the Board focuses on industry issues, sets guidelines and monitors LCEC's operating and financial position.

District 1 - Marco Island and Goodland

Curtis Bostick



District 4 - Those parts of Lehigh Acres receiving electric service from LCEC

Larry Turbeville



Trustee At Large

Carlos Cavenago



District 2 - Cape Coral, Matlacha Isles, Burnt Store Marina and west of US 41 and north of Pine Island Road

Seat 1
Dr. Gary Jackson



Seat 2
Dr. Darlene Anderl



Seat 3
David Scott



District 5 - North Fort Myers, north of the Caloosahatchee River, east of Cape Coral city limits to Pine Island Road, east of US 41, north of Pine Island Road

Seat 1
Richard Pritchett



Seat 2
Kenneth Kelly



District 6 - Immokalee, Everglades City, Ochopee and Ave Maria

Russell Priddy



District 3 - Sanibel Island, Captiva Island, Pine Island, Matlacha, Useppa and Cabbage Key

Geoffrey Roepstorff



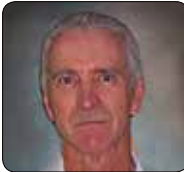
In remembrance of Frank Garrett who served as a Board member with honor and distinction from April 4, 1998 to May 18, 2014. He believed in and was an enthusiastic supporter of the LCEC mission, goals, and objectives during his sixteen years as a Trustee and he will be remembered fondly.

LEADERSHIP TEAM



Dennie Hamilton
Executive Vice President & Chief Executive Officer

DIRECTORS



Frank Cain
Regulatory and Governmental Relations & Chief Risk/Compliance Officer



Rick Fuson
Electric Operations



Kathy Irwin
Human Resources & Facilities Services



Frederic Kunzi
Information Technology & Chief Information Officer



Joe Padgett
Customer Care Operations



Denise Vidal, CMA
Finance and Accounting & Chief Financial Officer

MANAGERS

Peggy Boldissar, CPA - Financial Accounting
Jason Gordon - Billing & Process Assurance
Bob Grover - System Operations
Clark Hawkins - Design & Engineering
Ed Nagy - Head of IT Infrastructure and Operations & Information Security Officer

Cindy Neumann - Head of Program Management & Process Practices
Scott Peal - Head of Architecture & Development Practice
Allan Ruth - Construction & Maintenance
Karen Ryan, APR, CPRC - Public Relations
Karen Sherman, CIA, CRMA - Audit Services
Bob Tomlin, PE - Technical Services



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www.lcec.net

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we all
have a powerful story

