

CELEBRATING 75 YEARS

2015 ANNUAL REPORT



THAT WAS



THIS IS  
WOW

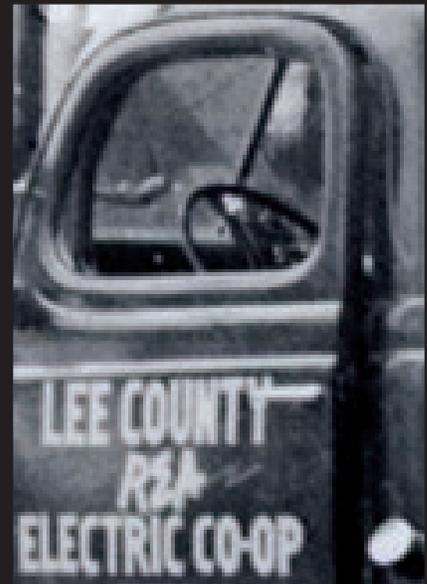


**L**CEC was founded in 1940 by people who laid the groundwork for what has become one of the largest cooperatives in the nation. The story that began 75 years ago was the beginning of a rich history of milestones and the promise of new possibilities. Although no new service territory has been established since 1987, LCEC grows stronger and accomplishes a great deal with each passing year. LCEC remains true to its homegrown roots while building upon the electric system that served the first customer.

THAT



WAS

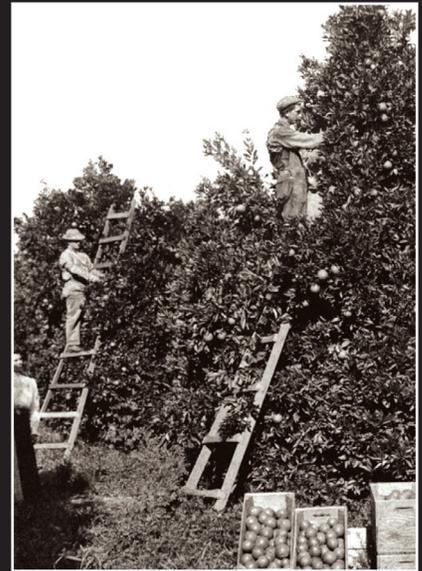


THEN



In 1940, parts of Southwest Florida remained in the dark. Investor-owned utilities doubted the economic feasibility of extending power lines into rural areas to serve only a few homes and farms. In fact, less than five percent of the nation's rural areas had electricity.

With a common goal of bringing electricity to every farm and resident, and with the help of the Rural Electrification Administration (REA), people in North Fort Myers, Pine Island, and Sanibel joined together to form a cooperative. Electricity changed their lives and soon became a modern necessity rather than a luxury. Although LCEC no longer relies on the REA for funding, the cooperative business model continues to benefit more than 208,626 LCEC customers throughout five counties.





ANNUAL MEETING  
of the  
LEE COUNTY ELECTRIC COOPERATIVE  
January 10, 1946.

COME ONE, COME ALL, to the Annual Meeting of all Members of the Cooperative which will be held Saturday morning at 10:00 A. M. January 10, 1946, in the Colin English School Auditorium on the north side of the river, at which time a business meeting will be held and the election of Officers will take place.

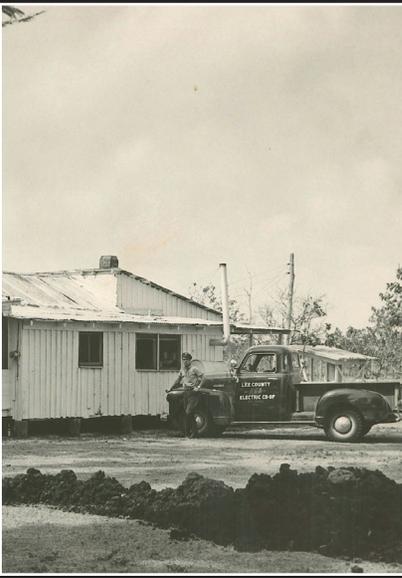
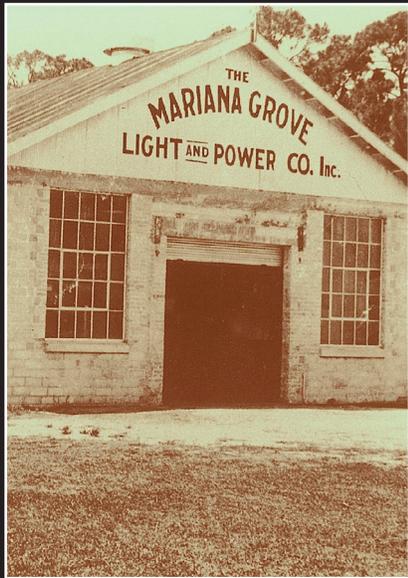
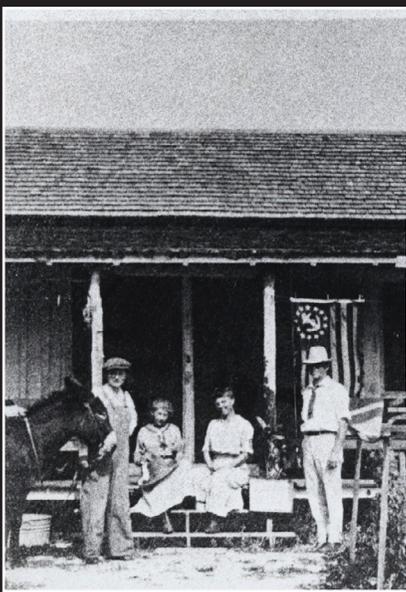
IT IS VERY IMPORTANT that all Members of the Cooperative be present at this meeting, as this is the time at which the operating personnel will make a report to the Members on the affairs of the Cooperative and its future plans, and also the time when we will elect the Directors to represent each District for the new year.

Immediately after the election of Directors a drawing at the school will be held and several nice prizes will be given away to those Members at the meeting. YOU HAVE TO BE PRESENT AT THE BUSINESS MEETING IN ORDER TO HAVE A CHANCE AT ONE OF THESE PRIZES. After the drawing we will all go over to the Lee County Game Club, about a mile from the school on the Pine Island Road, at which place and time we will hold a fish fry for both Members and their families, and all families that are not Members but are served by the Cooperative's lines. We can promise that this will be quite a feast as we have secured the services of our good friend, Mr. Alvin Gordon, County Commissioner, to prepare the meal and he has promised us that no one will go hungry.

This is the only chance that we people have of showing the Department of Agriculture how much we appreciate their efforts in our behalf in getting our electric lines.

LET'S HAVE A BIG TURNOUT AND SHOW THEM THAT WE ARE GRATEFUL.  
WE'LL SEE YOU AT THE MEETING SATURDAY.

LEE COUNTY ELECTRIC COOPERATIVE, INC.  
*Homer T. Welch, Jr.*  
Superintendent.



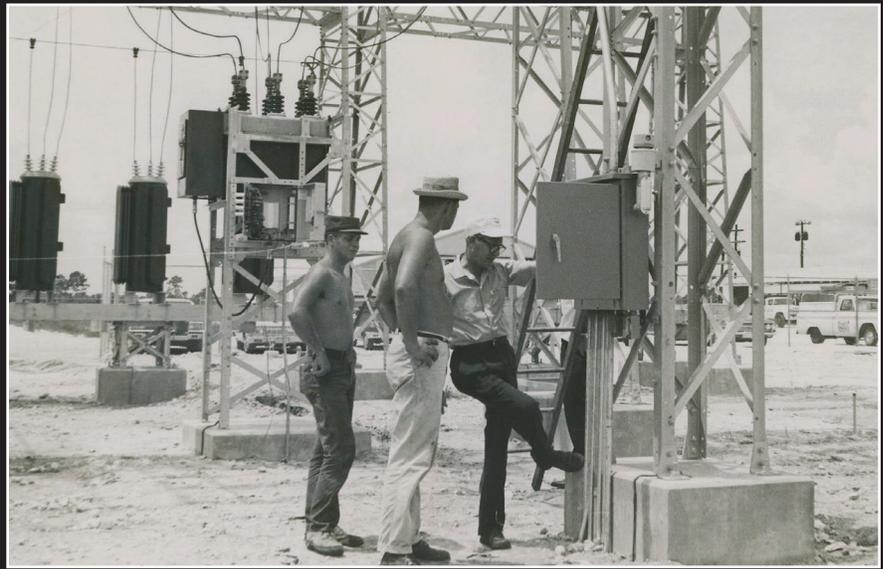
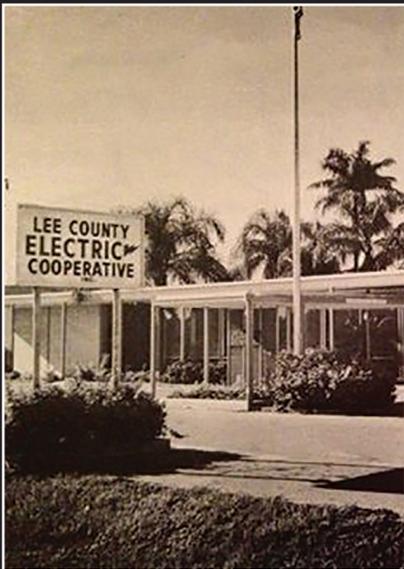
# THE PEOPLE BEHIND THE POWER

Over the years, there have been many people who have risen to the occasion and worked hard to meet the electric needs of the people throughout Southwest Florida; orange grove owner George Judd, established the Mariana Grove Light and Power Company, that eventually became Lee County Electric Cooperative. Well-known local figures such as Homer T. Welch, Jr., went door to door to

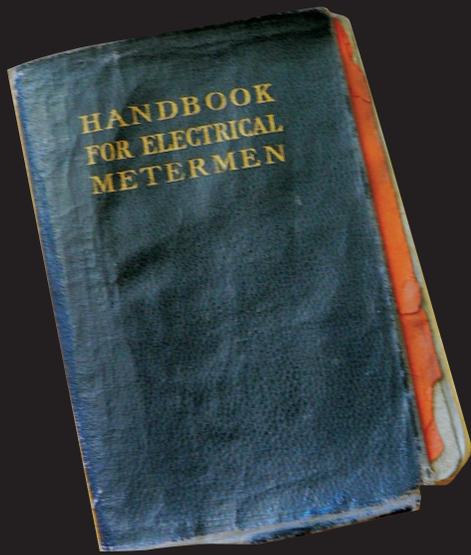
recruit members until the numbers grew to 158 and the first fifteen miles of distribution line were built in 1940. Welch led the cooperative until 1978 and shared his leadership throughout the community through philanthropy and volunteerism. Three remarkable leaders followed in Welch's footsteps over the years. During their stint as cooperative leaders, Jim Sherfey, Pamela (May) Noland, and Dennie

Hamilton all shared a common goal of meeting the needs of cooperative members.

The hard work and commitment of all LCEC employees, and the support of customers, are a testament to the vision of the founders of LCEC. That vision remains clear today—to deliver the power that energizes our community.



For more about how LCEC was established, contact [pr@lcec.net](mailto:pr@lcec.net) for a copy of *Lee County Electric Cooperative, the Beginning: We Were Born to Do This*, published and printed by Walsworth Publishing Company and the Donning Company Publishers.





**LCEC**  
**75** YEARS EST. 1940  
*Helping our communities grow*

Providing affordable, consistent power to our members is at the heart of everything we do. It has been that way throughout our 75-year history, and our strategy for the future is based on this mission too.



**This**



**is**



**WOW**

# President and CEO message

In addition to celebrating our 75<sup>th</sup> anniversary, in 2015 we celebrated the effectiveness of our integrated business planning process. It has evolved over the years and allows us to articulate the direction of the organization very clearly. The plan identifies the actions necessary for us to succeed. It sets priorities and helps focus our energy and resources and, as a result, serve our customers well. Employees understand the need to align their actions with the mission, vision, and strategy of the organization. Close attention to meaningful metrics and timely performance feedback enable us to understand how well we are executing the plan and adapt or make changes when necessary.

Our overall performance results for 2015 continued the positive trend that has emerged over the past few years. It should be noted that we have raised the bar when setting goals each year, so meeting and surpassing targets is something we are very proud of. The results for all four of our key performance indicators were remarkable in 2015.

Four of our all-time best service reliability records have occurred in the past five years, with last year being one of those. While storm season did not produce any major storms, vehicle accidents and an unusually active summer of lightning impacted the system enough that the



reliability target eluded us for much of the year. Fortunately, a disciplined maintenance program and timely response to outages put us back on course by year-end, and we met our most aggressive reliability goal ever with a little room to spare. Design improvements, targeted vegetation management, and use of technology help us to continue to target trouble areas to reduce outages even further.

**W**hile our customer count increased by just over one percent total annual energy sales ended at the highest level ever for LCEC. This was driven primarily by weather, that produced record temperatures throughout the year. These factors along with consistent cost controls and process improvements, led to strong financial performance. We also made progress toward our objective to remain one of the lowest cost electric utilities in the state. While already the most cost-competitive cooperative in



the state, LCEC is striving to do even better. Our 2015 results allowed our Board to approve the fourth rate decrease in two years, effective January 1, 2016. We're proud to have held or lowered our rates since 2009. In addition, more than \$10 million in equity was retired and returned to active and inactive members, bringing that total over the years to more than \$230 million.

**A**nother performance record demonstrates the importance the LCEC team places on the safety of our workforce. The combined result of training, awareness, careful work practices, and vigilance by team members resulted in just four OSHA-recordable accidents in 2015—more than the zero we would like but an all-time best for the organization. LCEC also

implemented a program including new protective wear and adjustments to work practices to reduce the possibility and severity of any injuries associated with electric arc flashes. While any accident or injury to an employee is regrettable, we are very proud of our overall safety accomplishments, and we will strive to do well.

**O**ur fourth major performance indicator revolves around the customer experience. Based on an array of customer surveys, scores continue to increase. While reliability and financial performance help push the scores higher, there are other actions that contribute as well. Quality-monitoring

efforts backed by targeted coaching sessions are geared toward making sure we understand the needs of our customers and empathize with their situation. After that, employees work hard to find a solution that is in the best interest of all customers. For the third year in a row, LCEC was recognized as a Certified Center of Excellence, exceeding rigorous standards for efficient and effective service. LCEC is the only cooperative in the nation to earn this honor.

**T**he year was not without its challenges, but the LCEC team continued to adapt and find innovative ways to resolve and address issues. A major multi-year meter data management project was completed mid-year, clearing the way for a number of process and efficiency improvements over the next year. We also embarked on an information-technology stabilization plan, given the significant and dramatic changes that have taken



place in our technology platform and major applications over the past decade. Execution of that plan will likewise facilitate more process improvement opportunities.

**A**s you may know, the pending expiration of a franchise agreement with the City of Cape Coral in October of 2016 led to various activities throughout the year. City leaders decided to pursue a dual path of considering renewal of an agreement while also looking into purchasing the LCEC assets within the City. While we await information on the City's interests in a new franchise agreement, we understand and take very seriously our obligation to protect the best interests of



all our members. We firmly believe that it is in the best interests of Cape Coral citizens and businesses to remain customers of LCEC.

**N**o matter what may transpire, we remain steadfastly focused on providing reliable electricity and quality customer service at the lowest reasonably achievable prices. We are proud of our work and what we have accomplished on your behalf. None of this happens without the drive, spirit, and passion of the people who work at LCEC and bring light to your lives. We work

hard, we give back to the community, and we try to enjoy ourselves along the way. Our goal is to be the very best at what we do, and we commit to never stop learning and trying to do even better.

*Larry Turbeville*  
President

*Dennie Hamiton*  
Executive Vice President  
& Chief Executive Officer

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

**W**e work around the clock so our customers know that whatever is happening in their lives, they can count on electricity to make it easier, brighter, and more successful. It is the reason we are in business. We do not operate to make a profit. We are here to serve our members; to “wow” them in every way possible. It was the vision we were founded upon, and it remains our vision today.

**Delivering the power that energizes our community.**

**T**hrough the critical electric infrastructure we build and maintain, we have a great responsibility to influence the growth and livelihood of our community. We take this obligation very seriously, and we know that it means more than just delivering electricity. We are proud that we are also part of the fabric of our neighborhoods, partnering organizations, and civic groups. We contribute to those in need and share our time and talents. We are also steadfast in our values, and we know that our founders would be proud of what we do.





## LCEC values:

- Providing quality external and internal customer service
- Employees working together to make success happen
- Commitment to integrity, diversity, and respect
- Our responsibility to energize the community
- Accountability for results
- Safety as everyone's responsibility

# Planning for today, tomorrow, future

In 1940, local residents had a plan to bring electricity to parts of Southwest Florida that no other utility would serve. Not only did the plan help bring life to the local economy, but it also helped to grow some of the more rural areas throughout the five-county service territory. Cooperative members invested in the system and shared in the benefits.



Today, the LCEC integrated business planning process aligns the organization's plan with the interests of its members. Throughout the year, the leadership team, supported by knowledgeable employees who are utility subject-matter experts, conducts a thorough external and internal analysis. They identify potential gaps in performance, predict and proactively respond to changing conditions locally and within the industry, and allocate critical resources to meet customer needs. Strategic priorities are defined and business objectives are assigned to project teams. Teams balance initiatives with the everyday work that it takes to keep the lights on. At the core of the LCEC plan, all of the business functions are aimed at delivering reliable power and quality service at a competitive price.



The LCEC integrated business plan has a focus on the immediate needs to be successful. At the same time, the plan also projects future needs and financial forecasts using prescriptive analytics, historical data, experience, and good old-fashioned common sense.





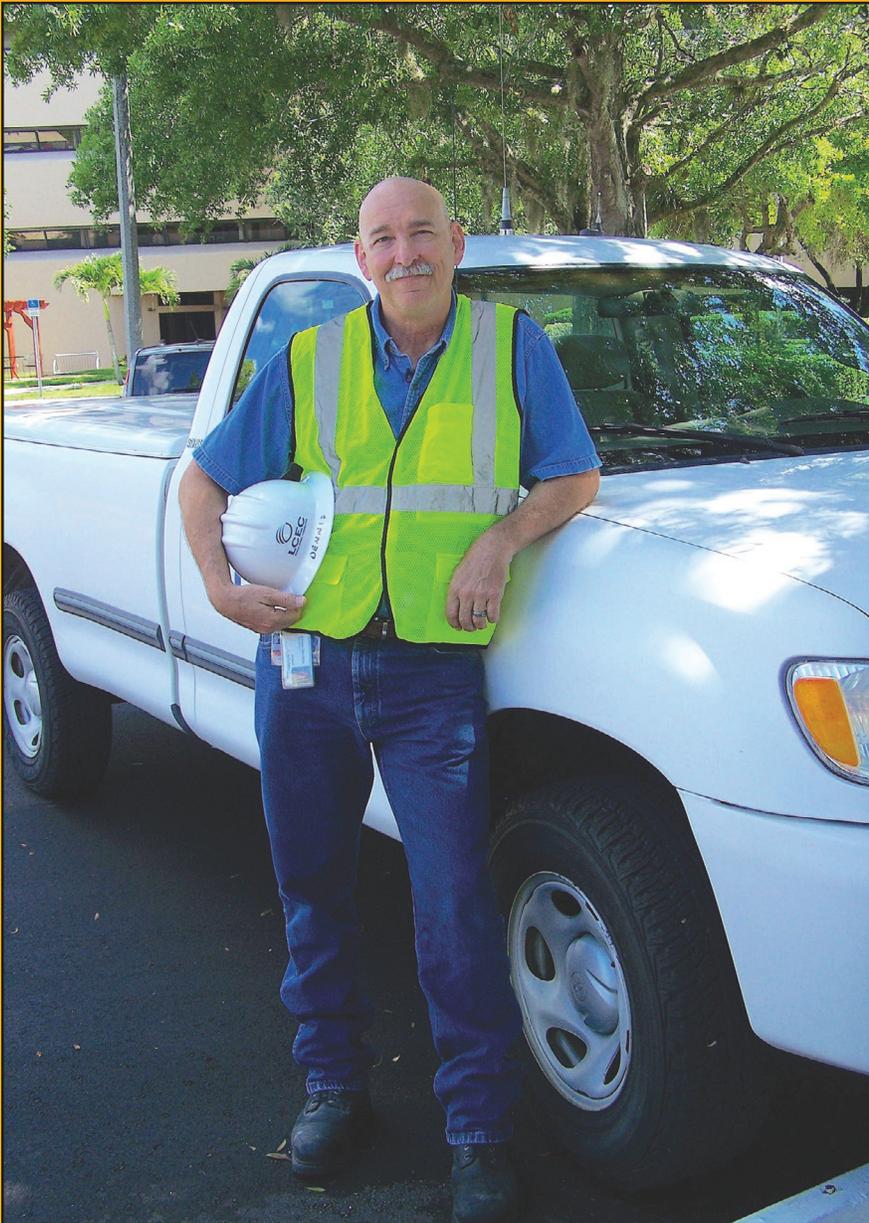
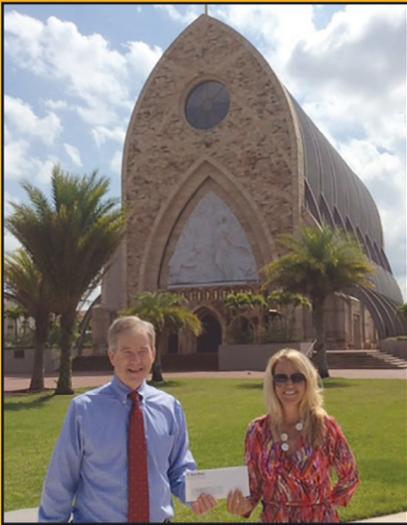
## 2015 Strategic Priorities

- Ensure infrastructure is in place to meet current and emerging energy needs of our customers.
- Enable customers and employees with processes, tools, and information to achieve greater operating efficiency and agility and improve the customer experience.
- Ensure talent is available, engaged, and prepared to support changing business requirements.
- Provide competitive rates for our members while ensuring financial strength.
- Manage enterprise risk to sustain our business.
- Strengthen the LCEC image to reinforce trust and positive relationships.

# Investing in the system



**E**lectric cooperatives were built on the principle that members invest in operating and maintaining the electric system through the rates they pay. This business model also helps to reduce the need for high-interest loans, which, in turn, helps to keep rates low. Since cooperatives are not in business to make a profit, any margins are allocated to members in the form of equity. When the financial status of the organization allows, a portion of the allocated equity is retired and returned to members. In 2015, LCEC was able to retire more than \$10 million in equity. Over the years, members have received a total of \$231 million in retired equity.



There is a delicate balance between maintaining competitive rates and providing reliable service. Each revenue dollar is carefully considered to ensure it is utilized effectively and efficiently. Nearly 70 percent of the customer bill goes toward the purchase of power. The payment is passed through to the supplier. LCEC employees are tasked with making sure the remaining 30 percent is utilized responsibly. Investing in the maintenance of the electric system is vital, and building to support power demand is also key. The LCEC integrated

business plan along with a comprehensive 10-year engineering plan ensure that power is available when homes and businesses are ready to receive it.

In 2015, LCEC invested \$40.5 million in the transmission and distribution system. Just over 10 percent was spent on replacing existing capital. A little more than nine percent was invested in the distribution system, while seven percent went toward maintenance and construction of substations and transmission facilities. LCEC also invested \$5.1 million on general



plant expenses such as technology infrastructure, transportation equipment, and structure improvements. An extensive information technology stabilization initiative focused on existing equipment, systems, data centers, and security to guarantee consistent return on investment.





**L**CEC continues to invest in people. Employees participated in developmental opportunities, including process improvement methodology and project management programs, 360-degree evaluation exercises, and field safety days. The workforce also honed their professional

skills through classes such as Increasing Human Effectiveness, online learning, and computer-related training. Headcount remained fairly flat in spite of the increased difficulty in finding viable candidates to fill vacancies in some of the more technical fields and trades-and-crafts positions.

**R**ealizing that people are one of LCEC's most valuable assets, a long-range business objective is focused on enhancing employee development programs, and the leadership team remains committed to gauging employee engagement in order to make improvements where needed.

# Measuring our impact

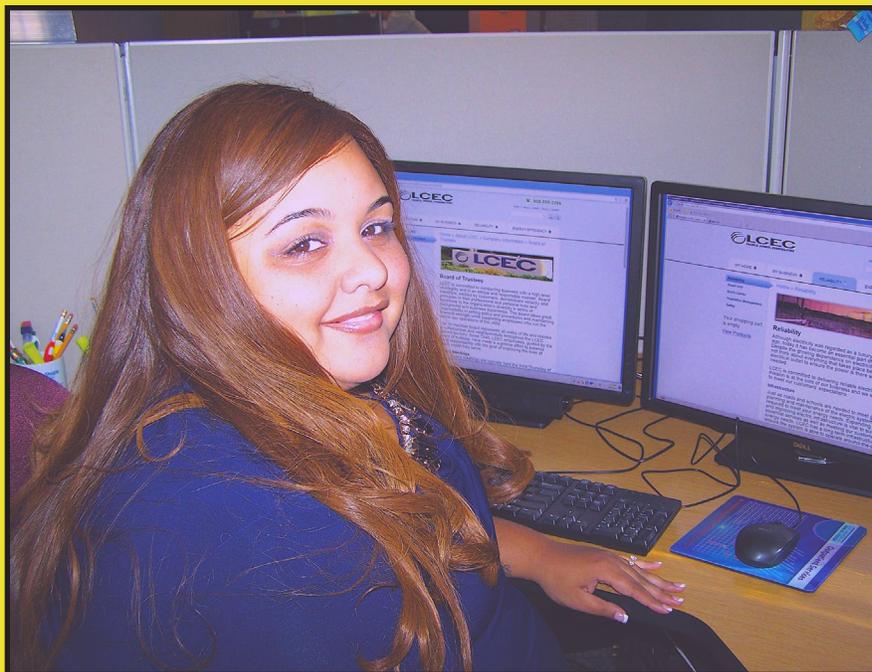


**D**uring a year where a rich history of 75 years was recognized, it was important not only to look back but also to continue looking forward. Measuring and managing our impact is part of the LCEC plan. Our corporate

scorecard includes key performance indicators and metrics that aid in decision-making and help to keep the organization on track. Although inputs and outputs are important in the utility industry, LCEC has a keen understanding of critical outcomes.

**B**alancing key performance indicators is at the heart of gaining business success. LCEC strives for strong financial performance because it is important in terms of remaining cost-competitive and keeping the system

reliable. LCEC was able to meet the reliability goal with a few minutes to spare even after barely missing the target every month in the first three quarters of the year. Favorable sales and strong cost management not only made it possible to keep expenses at \$13.07 per 1,000 kWh sold but also set the stage for the fourth rate decrease in two years beginning in January of 2016.



The impact of financial and system stability was reflected in a favorable customer experience rating all year long. Customers are surveyed daily, monthly, and quarterly to ensure their voices are being heard and areas targeted for improvement are addressed. The LCEC Customer Care Center was also certified as a Center of Excellence for the third year in a row. Only six electric utilities in the nation have received the coveted certification.

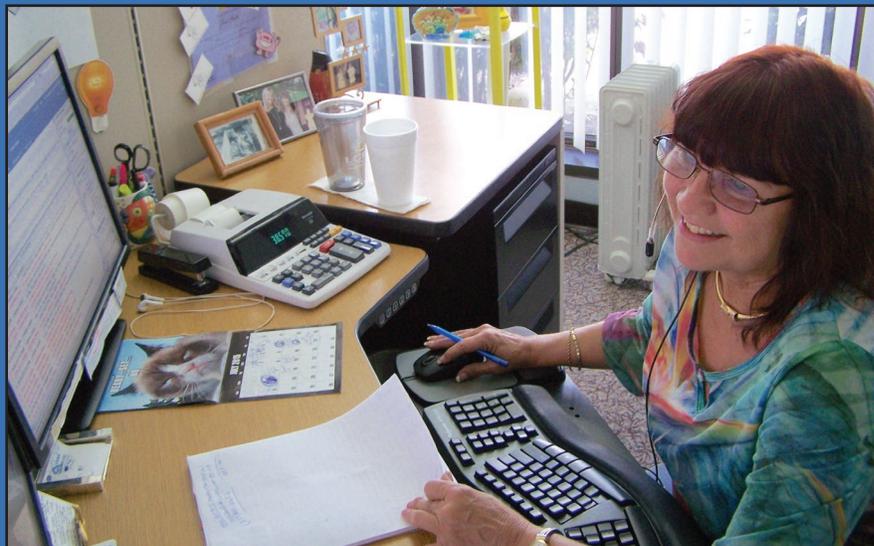


Another milestone was met when employee efforts to remain safe reduced the number of OSHA-recordable accidents. Although zero accidents would be ideal, only four

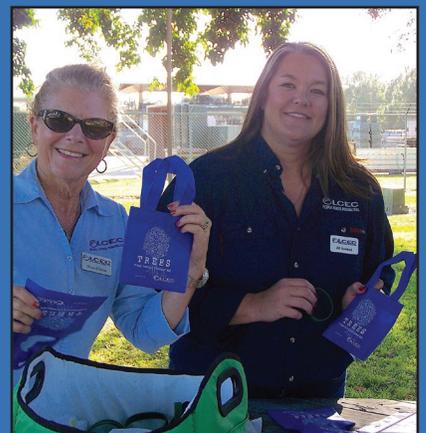
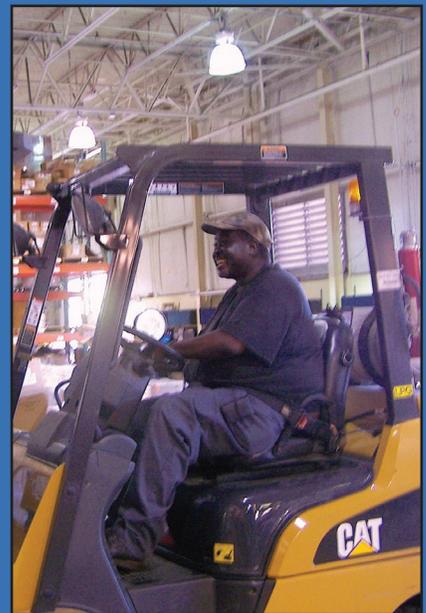
during the year is an astounding achievement. Valuing safety and managing risk are at the root of long-term sustainability for LCEC, and the 2015 outcome was a win for customers,

employees and the organization as a whole.

The LCEC corporate scorecard takes into account a broad range of impacts, including employee



success, financial strength, customer satisfaction, and operational effectiveness. All key results areas are aligned to meet the ultimate outcomes required to serve our members' best interests. The scorecard allows the organization to see where we have been, where we are now, and where we want to go next.



# Creating Partnerships

Fundamentally, electric cooperatives are about people, power, and possibilities. The key is bringing them all together in mutually beneficial ways. Throughout history, LCEC has been motivated by and for partnerships. From the very first farmer, whose LCEC membership helped to build the electric system in unserved areas, to the vendors and community members who still support the LCEC mission, our strategic relationships allow us to grow and to improve.

We understand that partnership means working together and sharing a vision. LCEC has many stakeholders who fill a number of roles, and each bond is vital to our success. Members and employees have the opportunity to provide and receive electricity on a daily basis while strengthening their communities.



## CUSTOMER/MEMBER PARTNERS

Collaboration with customers helps us to define, understand, and meet their needs. Because the business is governed by members who serve the membership as a whole, customers' best interests remain in the forefront.

## EDUCATIONAL PARTNERS

LCEC is committed to nurturing the future workforce. Offering scholarships and internships, and working closely with the Science, Technology, Engineering, and Math (STEM) programs are an investment that pays off for the community and the business.

## EMPLOYEE PARTNERS

Recruiting, hiring, and retaining talent are the lifeblood of the organization. Developing a knowledgeable and engaged workforce, offering fair benefits, and recognizing the value of safety and wellness in the workplace also benefit customers. Reducing healthcare and talent-management costs directly impacts the bottom line.



## SUPPLIER PARTNERS

LCEC could not function without dependable manufacturers, distributors, and vendors that provide materials and services tailored to specific utility and business needs.

## TECHNOLOGY PARTNERS

Today's utility depends on technology for every aspect of the business. A stable and secure infrastructure benefits employees and customers alike.

## FINANCIAL PARTNERS

LCEC is fortunate to have solid relationships with multiple banking institutions. When long- and short-term financing is needed, our strong financial position allows us to gain the support we need. Mutual trust and confidence also aid in long-term business strategy planning.



### GOVERNMENTAL PARTNERS

LCEC serves four cities and five counties throughout its service territory. In addition, the organization works closely with local, state, and federal utility regulatory agencies to ensure all requirements are met. Because reliable power plays a significant role in economic devel-



opment, LCEC continues to be involved in regional programs and initiatives to diversify and grow the business community.

### COMMUNITY PARTNERS

LCEC is also focused on giving back and lending a hand where needed. The organization and employees are among the top contributors to



the United Way and the American Heart Association and also raise funds for multiple education and wellness-related programs. Employees also give countless hours to help individuals in need, raise awareness, grow communities, and mentor young people.



## MEDIA PARTNERS

During emergency situations and all year long, LCEC counts on local media to help communicate with stakeholders. LCEC also partners with the media to support important programs.



## TECHNICAL/FIELD PARTNERS

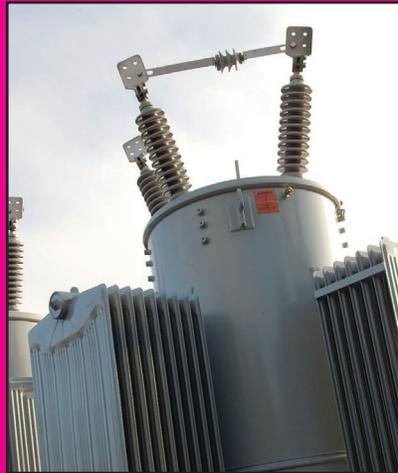
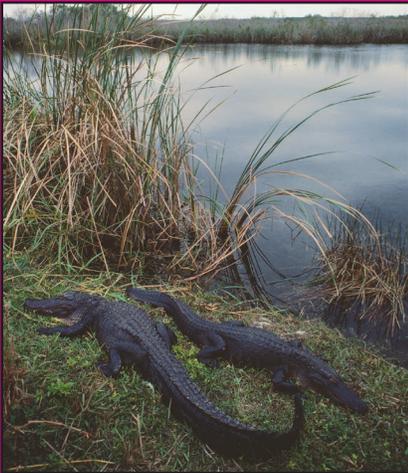
Operating and maintaining a complex electric system takes expertise and skill. Resources vary from project to project, and sometimes LCEC relies on external partners to complete work quickly and effectively.



## ENVIRONMENTAL PARTNERS

Preserving, protecting, and conserving precious resources not only help to sustain natural resources, but also help local agencies in their mission. In 2015, LCEC awarded more than \$10,000 in environmental grants, and recycled tons of paper, plastic, and other materials.

# What makes us different?



**M**ore than 800 million people around the world belong to cooperatives, and at least 100 million people are employed by cooperatives. Cooperatives in general have a unique business structure. The main focus of a cooperative business is to serve the needs of its members.

**L**CEC is a private, independent electric distribution cooperative that is no different from other types of cooperatives. All cooperatives operate at cost. LCEC is not in business to earn a profit

for investors. Net margins are not transferred into a general fund to be used for non-utility-related projects. Instead, surplus revenues are allocated to members in the form of equity.

**L**CEC not only provides quality electric service, we also are deeply rooted in our communities. We empower customer/members to improve the quality of their lives through economic development and revitalization projects, job creation, and assistance in wellness and educational programs.

**D**emocratic governance is also one of the cooperative ideologies. Every LCEC member has a vote in selecting Board members to govern the organization. The Board sets policies and procedures that are implemented by employees. They actively participate in decision-making and have financial oversight. Board terms are staggered in order to provide continuity. Seats are defined by geographical area, but Board members represent the membership as a whole.



**BOARD MEMBERS**

Trustee At Large.....Carlos Cavenago  
 District 1 – Marco Island and Goodland.....Curtis Bostick  
 District 2, Seat 1 – Cape Coral.....Dr. Gary Jackson  
 District 2, Seat 2 – Cape Coral.....Dr. Darlene Andert  
 District 2, Seat 3 – Cape Coral.....David Scott  
 District 3 – Sanibel, Captiva, and Pine Island.....Geoffrey Roepstorff  
 District 4 – Lehigh Acres .....Larry Turbeville  
 District 5, Seat 1 – North Fort Myers .....Richard Pritchett III  
 District 5, Seat 2 – North Fort Myers .....Kenneth Kelly  
 District 6 – Immokalee, Everglades City.....Russell Priddy





## LEADERSHIP TEAM

### CEO

**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

**Fredric Kunzi**

Information Technology & Chief Information Officer

**Joe Padgett**

Customer Care Operations

**Denise Vidal, CMA**

Finance and Accounting & Chief Financial Officer

## MANAGERS

**Gary Avin**

Customer Care Center

**Peggy Boldissar, CPA**

Financial Accounting

**Jason Gordon**

Billing & Process Assurance

**Bob Grover**

System Operations

**Clark Hawkins**

Design & Engineering

**Ed Nagy**

Head of IT Infrastructure & 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**

Technical Services

# CORPORATE INFORMATION

## OFFICE:

4980 Bayline Drive  
North Fort Myers, FL 33917-3910  
(239) 656-2300 • 1-800-599-2356

## MAILING ADDRESS:

Post Office Box 3455  
North Fort Myers, FL 33918-3455

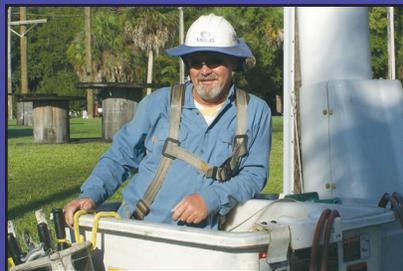
## GENERAL COUNSEL:

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

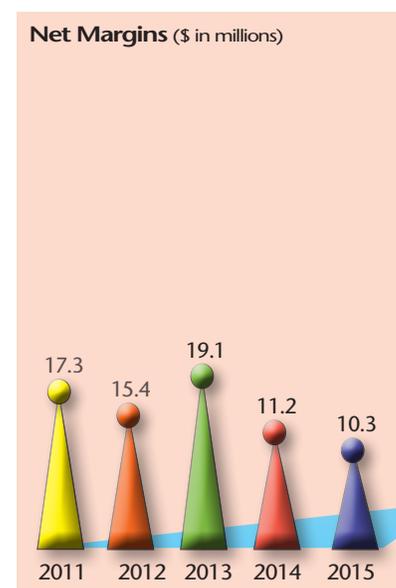
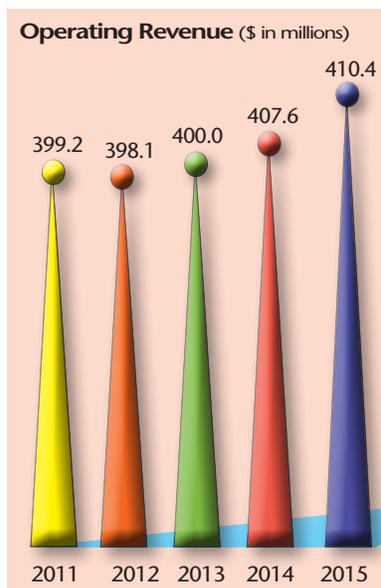
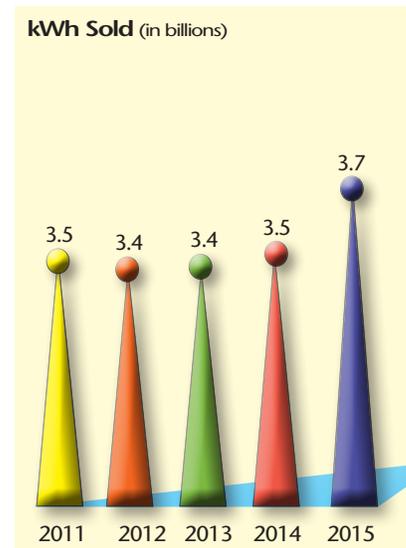
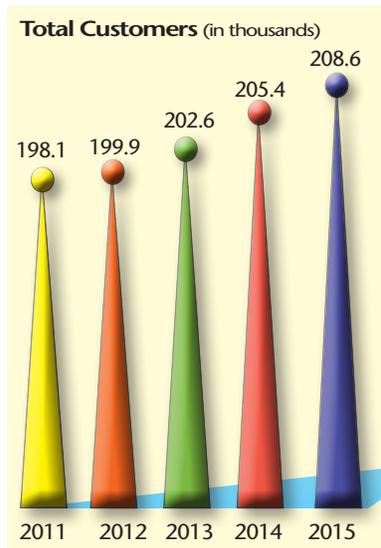
## INDEPENDENT AUDITORS:

McNair, McLemore, Middlebrooks & Co., LLP  
Certified Public Accountants  
389 Mulberry St.  
Macon, GA 31201

[www.lcec.net](http://www.lcec.net)



# 2015 Financial Highlights



	2015	2014
Operating Revenue	\$ 410,492,145	\$ 407,574,399
Operating Expense	\$ 391,896,783	\$ 387,168,374
Interest Expense	\$ 11,411,389	\$ 12,529,878
Net Margins	\$ 10,370,586	\$ 11,201,344
Net Plant	\$ 533,583,208	\$ 523,974,688
Total Assets	\$ 657,547,836	\$ 640,773,493
Total Customers	208,626	205,422
kWh Purchased	3,987,121,123	3,759,591,237
kWh Sold	3,790,662,423	3,570,274,023
Miles of Energized Line	8,106	8,130
Average Monthly Residential kWh Used	1,150	1,086
Equity Retirement	\$ 10,977,383	\$ 12,860,279
Capital Expenditures	\$ 45,540,281	\$ 34,233,451
Customers per Employee	569	537

