


2016

IMPACTS



ANNUAL REPORT



PHOTOS CREDITS: Dennis Davidson, C.R.O.W. – Kenny Howell, Dana Nicloy, Laura Puerto,  
Robert Rice, Gary Richardson, Karen Ryan, Frank Sherkus, and Fotosearch

# IMPACT

# 2016

The cooperative business model was formed to meet the needs of its members. Although a cooperative functions like other businesses in many ways, there are unique advantages and member benefits. In review of 2016, we are featuring 16 of our favorite positive impacts to LCEC members.

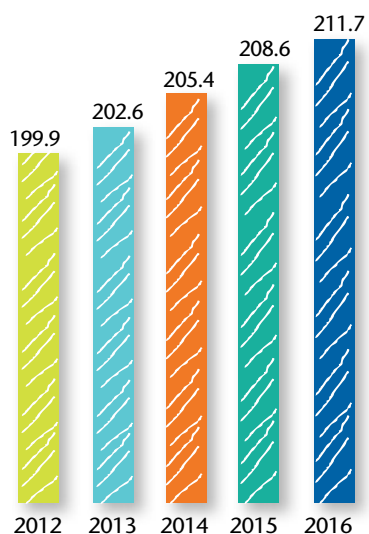


# IMPACT

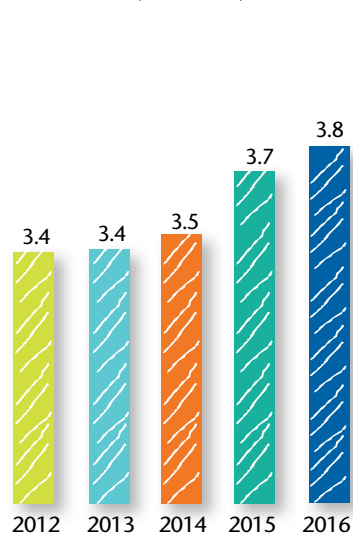
## 2016

## FINANCIAL HIGHLIGHTS

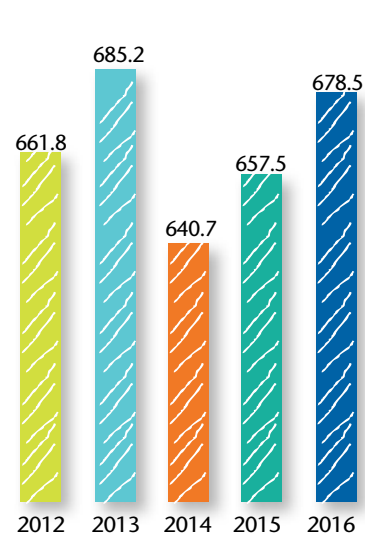
**Total Customers** (in thousands)



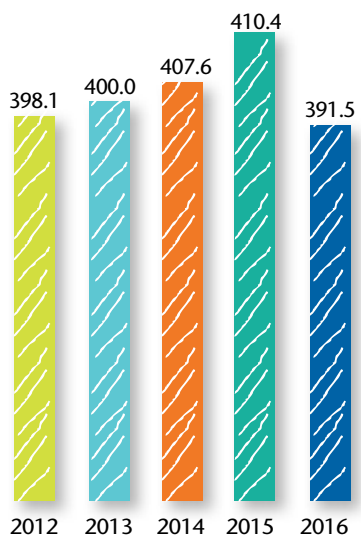
**kWh Sold** (in billions)



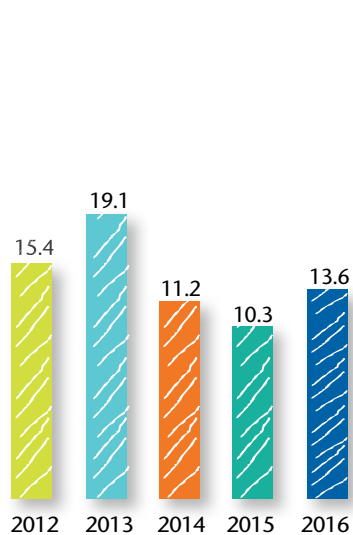
**Total Assets** (\$ in millions)



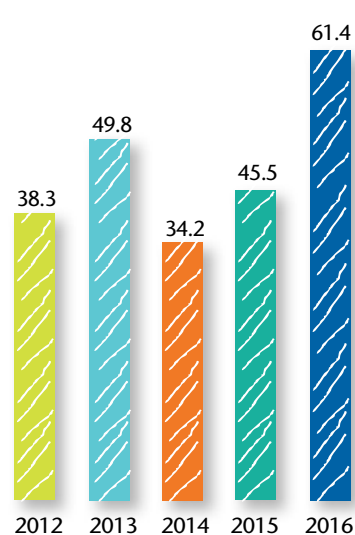
**Operating Revenue** (\$ in millions)



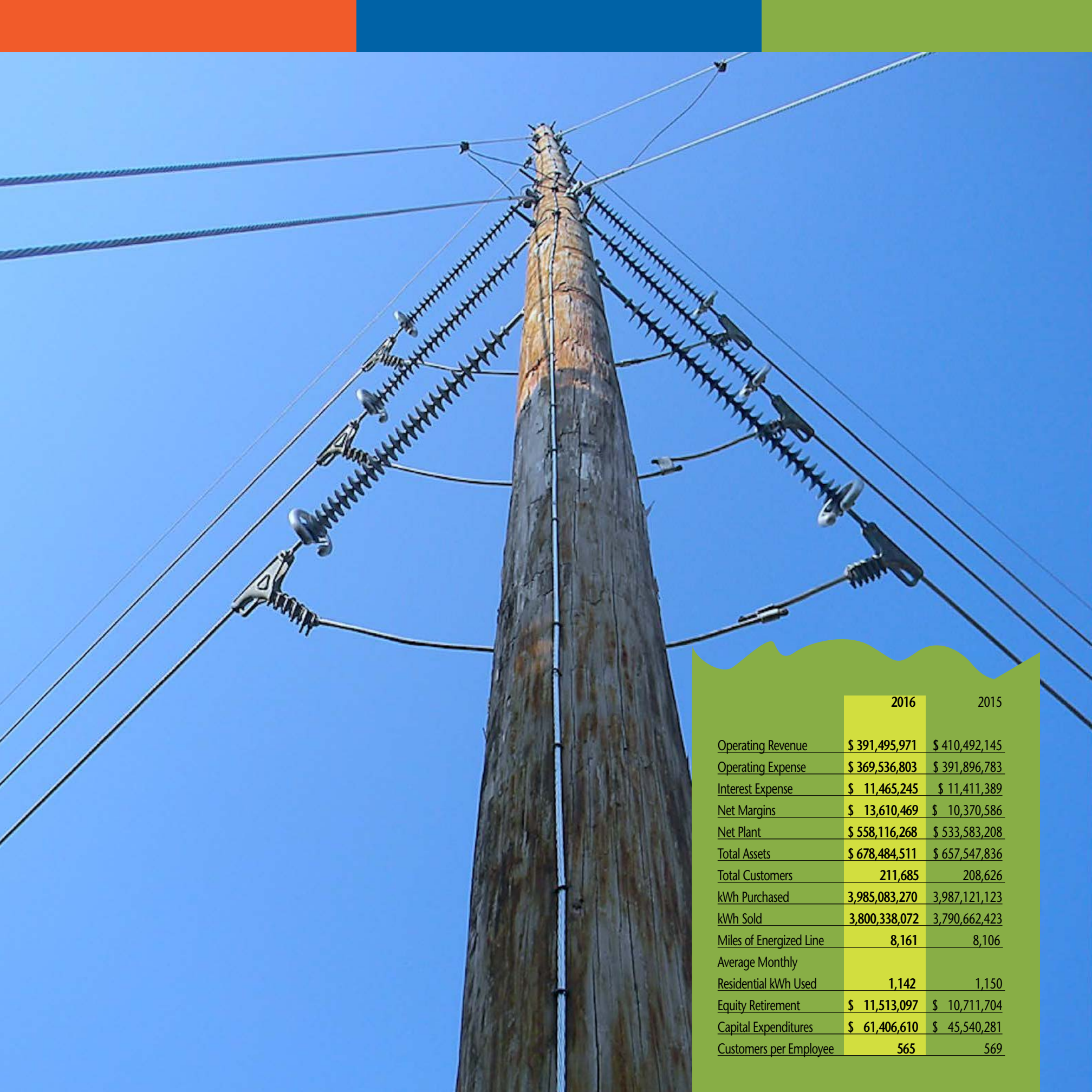
**Net Margins** (\$ in millions)



**Capital Expenditures** (\$ in millions)







	2016	2015
<u>Operating Revenue</u>	<u>\$ 391,495,971</u>	<u>\$ 410,492,145</u>
<u>Operating Expense</u>	<u>\$ 369,536,803</u>	<u>\$ 391,896,783</u>
<u>Interest Expense</u>	<u>\$ 11,465,245</u>	<u>\$ 11,411,389</u>
<u>Net Margins</u>	<u>\$ 13,610,469</u>	<u>\$ 10,370,586</u>
<u>Net Plant</u>	<u>\$ 558,116,268</u>	<u>\$ 533,583,208</u>
<u>Total Assets</u>	<u>\$ 678,484,511</u>	<u>\$ 657,547,836</u>
<u>Total Customers</u>	<u>211,685</u>	<u>208,626</u>
<u>kWh Purchased</u>	<u>3,985,083,270</u>	<u>3,987,121,123</u>
<u>kWh Sold</u>	<u>3,800,338,072</u>	<u>3,790,662,423</u>
<u>Miles of Energized Line</u>	<u>8,161</u>	<u>8,106</u>
<u>Average Monthly Residential kWh Used</u>	<u>1,142</u>	<u>1,150</u>
<u>Equity Retirement</u>	<u>\$ 11,513,097</u>	<u>\$ 10,711,704</u>
<u>Capital Expenditures</u>	<u>\$ 61,406,610</u>	<u>\$ 45,540,281</u>
<u>Customers per Employee</u>	<u>565</u>	<u>569</u>

# IMPACT

# 2016

## PRESIDENT AND CEO MESSAGE

Given the passion, enthusiasm, dedication, knowledge, and resourcefulness of the entire team at LCEC, our outstanding overall performance results for 2016 should not come as a surprise. They are, however, not something we take for granted. We are tremendously proud of the work our employees do every day to deliver on our promise of providing the lowest reasonably achievable rates for reliable electricity and quality customer service. LCEC has a long and consistent history of continuous improvement when it comes to reliability, safety, financial strength, and quality service. For LCEC, 2016 was another year in a long line of successes in these key areas. The effectiveness of our integrated business planning process was demonstrated by achieving key performance goals and making progress on wide-ranging business objectives. The direction of the organization is articulated through the LCEC business plan. We are proud that employees have embraced their critical roles in attaining success.

Five of our all-time best service reliability records have occurred in the past six years, and last year we came very close to beating our previous all-time best performance with consideration given to several catastrophic storms that struck the service territory in January. Tornadoes touched down in Cape Coral, ravaging homes and businesses for blocks in the southwest quadrant of the City. Similar storms hit Immokalee as well. Crews responded quickly and safely. Remarkably, power was restored to those who were able to accept it within a very short period of time. Dozens of employees from all parts of the organization also pitched in to clear debris, trim trees, and talk to those impacted by the storm. A disciplined maintenance program and timely response to outages allowed us to meet monthly targets for the remainder of the year. Consistent vegetation management, process improvements, and use of technology aimed at identifying situations before they become an issue help with system reliability.





Operating a vast electric system, while keeping the safety of our workforce at the forefront, requires strict adherence to safety standards and regulations. Performance in 2016 was outstanding with just five recordable incidents. This was the result of the combined efforts to train, raise awareness, develop careful work practices, and remain vigilant. While any accident or injury to an employee is unfortunate, we are very proud of our overall safety accomplishments and we will continue to strive for improvement.

Once again, weather was favorable when it came to energy sales. After a mild January and February, temperatures soared through the remainder of the year, driving up energy usage and resulting in very solid sales. While customer count and reliability continued to climb, operating and maintenance expenses were held in check. Consistent cost containment and process improvements led to strong financial performance. Following one rate decrease at the beginning of 2016, the Board was able to approve another decrease at mid-year. This reduction marked the fifth decrease within three years. Having already become one of the most cost-competitive cooperatives in the state, LCEC continues to look for ways to make rates even lower. However, the benefits of cooperative membership, however, go beyond low electric rates. LCEC returned more than \$10 million in retired equity to active and inactive cooperative members in 2016, bringing the total over the last 40 years to more than \$242 million.

The LCEC customer experience is another critical performance indicator. Results are measured through customer surveys delivered via various platforms including mail, Internet, telephone, and JD Power. There are many factors and actions that contribute to meeting our customers' needs. Employees on the front line and behind the scenes work hard to provide service and find solutions that are in the best interest of all customers. For the fourth year in a row, the LCEC Customer Care Center was recognized as a Certified Center of Excellence for exceeding rigorous standards for efficient and effective service. LCEC is the only cooperative in the nation to earn this honor.

The expiration of a franchise agreement with the City of Cape Coral and efforts toward a new agreement continued to be a drain on resources in 2016. LCEC worked with City leaders, their consultants, and local civic leaders to try to reach a new agreement. However, City leaders decided to proceed with legal action against LCEC in the form of a complaint to the Florida Public Service Commission, effectively ending negotiations before they began. While awaiting an official ruling or other resolution, the LCEC team remains laser focused on our obligation to protect the best interests of all our members. An informational website was created as a forum for information sharing and customer input during the process – [www.lcec4capecoral.com](http://www.lcec4capecoral.com).

We are proud of our work and what we have accomplished on behalf of our customers. None of this happens without the determination, passion, and spirit of the employees, leadership, and Trustees at LCEC. We work hard and we give back to the community because these are the neighborhoods in which we work, live, and play. Our purpose is to serve our members and our goal is to never stop learning and to strive to be our very best at what we do.

*Larry Turbeville*  
President

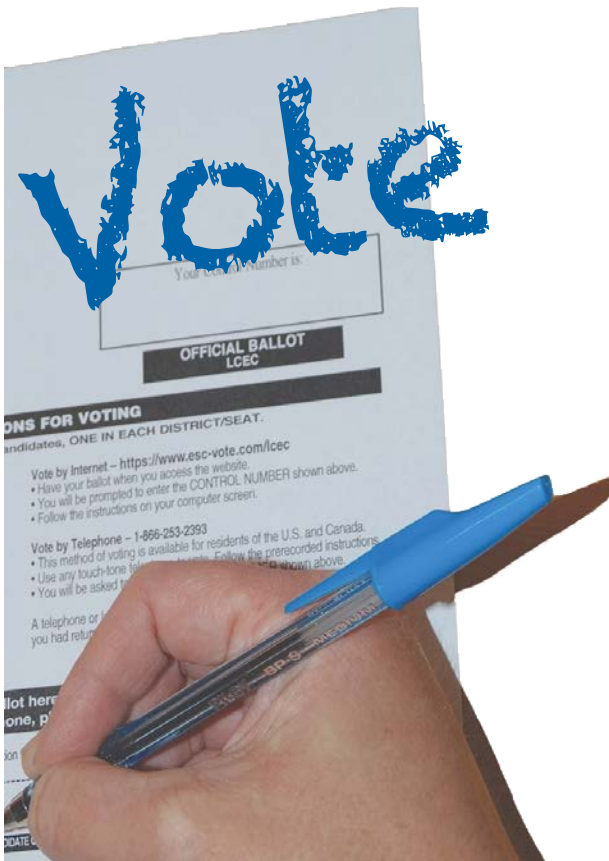
*Dennie Hamilton*  
Executive Vice President & CEO

# IMPACT

## COOPERATIVE MEMBERSHIP

Being a member of an electric cooperative is special. Cooperatives all over the world operate around the same set of core principles and values dating back to 1844. These values still make an impact today. Cooperatives put the needs of their

members first. Membership is open and voluntary, and control is democratic. LCEC is governed by members who actively participate in setting policy and making decisions in the best interest of members. The LCEC 10-member Board of Trustees represents six geographic districts and is elected by and accountable to the membership as a whole. They demonstrate ethics and principles in their professional and personal lives and take great responsibility in maintaining the financial strength of the organization while supporting employees who run the day-to-day operations.







## Seven Cooperative Principles

1. Voluntary, Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Cooperation Among Cooperatives
7. Concern for the Community

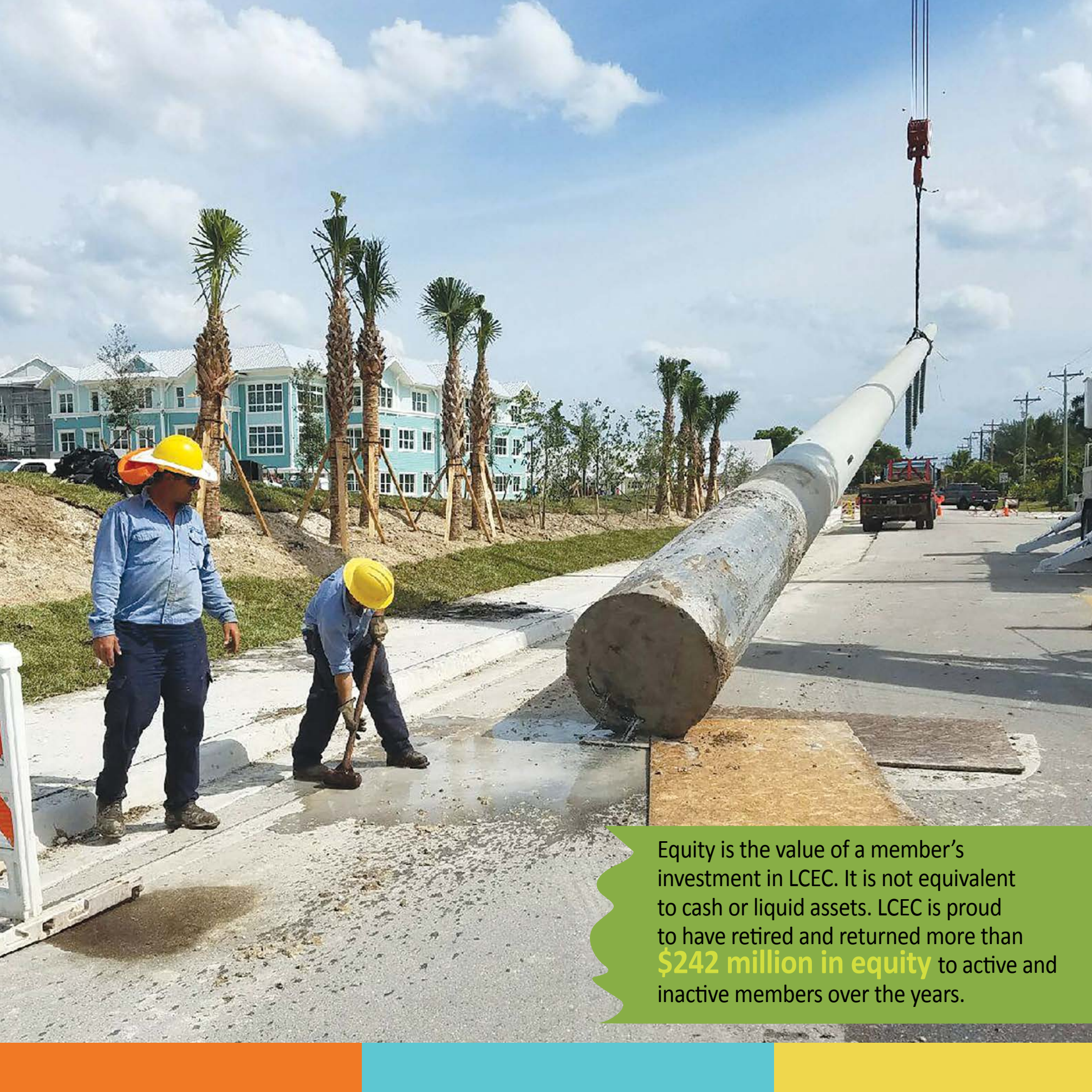
# IMPACT

## 2 ECONOMIC PARTICIPATION

Members contribute toward the operation and maintenance of the electric system. Part of the contributed capital is invested in ensuring reliable electricity by maintaining strong infrastructure, use of technology, skilled labor, and integrated business plan execution. When possible, a portion of equity is also returned to members. In 2016, LCEC was able to return more than \$10 million to active and inactive members without impacting electric rates negatively. Economic participation is also spread throughout the communities served by LCEC. The local economy is strengthened through job creation, investment in a future workforce, business development, health and wellness initiatives, and support of local commerce.







Equity is the value of a member's investment in LCEC. It is not equivalent to cash or liquid assets. LCEC is proud to have retired and returned more than **\$242 million in equity** to active and inactive members over the years.



# IMPACT

## COMPETITIVE RATES

To ensure financial integrity and the lowest possible rates, LCEC maintains a strong system of internal accounting controls and a comprehensive budgeting process. In addition, LCEC works with an independent auditor who conducts ongoing audits in

accordance with generally accepted auditing standards. The Florida Public Service Commission reviews the LCEC rate structure. For the seventh year in a row, LCEC did not raise rates. In fact, twice during 2016, LCEC reduced rates. Electric rates around the state change from month to month, and LCEC is proud to consistently impact the lives of customers by maintaining rates among the lowest of the 55 electric utilities in the Florida.







Rates are determined through forecasted sales levels compared to budgeted spending needs for operations, power supply, and capital **investment in the electric infrastructure.**

When revenue is expected to be more favorable compared to spending, LCEC passes those savings through to customers in the form of **reduced rates.**

# IMPACT



# SAFETY

The safety of employees and customers is life-changing. Safe work practices and consistent safety messages are important to LCEC. Progress is measured daily. Ensuring that loved ones return home every day is just as impactful as other corporate goals. Putting safety first goes hand in hand with maintaining an efficient workplace. The LCEC safety program works because employees are involved in creating a safe workplace and making decisions that reduce injuries. In 2016, LCEC employees exceeded a performance target with only five OSHA recordable incidents. This is remarkable, considering the business operates around the clock every day of the year.





LCEC works to mitigate employee vehicle accidents through ongoing education and a *How's My Driving* program. The driver observation program promotes accountability while changing behavior before an accident can occur.





# IMPACT



## RELIABILITY

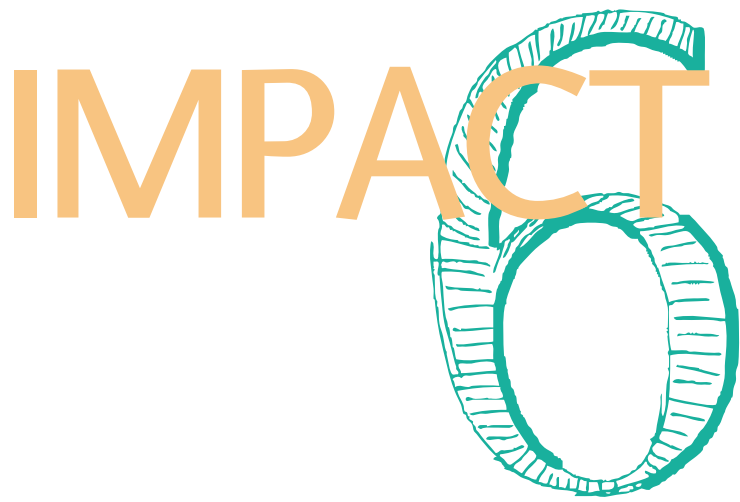
2016 began with several alarming events that would test the electric system key performance indicator goal. In January, a series of catastrophic tornadoes touched down in Cape Coral devastating homes and wreaking havoc on the electric system. Fortunately, crews were able to restore power quickly, and employees made an added restoration impact by pitching in to help clear debris and begin rebuilding. Paired with additional bad weather on the south system, the incident put the January goal out of reach. Excluding January, however, reliability surpassed the goal. This was a result of forward-thinking system planning, utilization of technology, and consistent inspections and maintenance that not only help to reduce outages but also minimize expenses.







The **LCEC mission** emphasizes the focus on reliability. We provide efficient, reliable, cost-competitive electric and emerging energy solutions, and quality service to our customers.

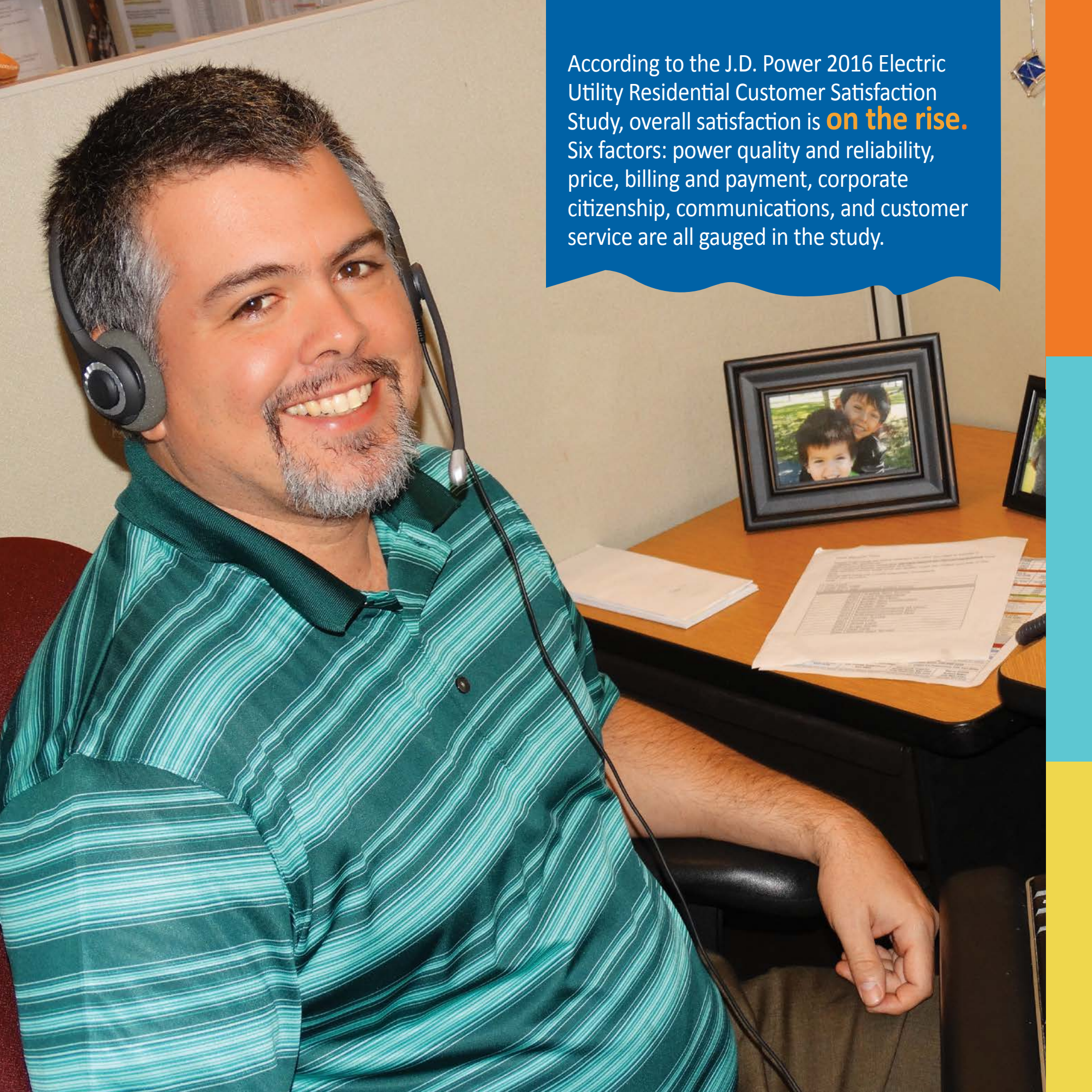


## CUSTOMER EXPERIENCE

In 2016, LCEC was recognized as a Certified Center of Excellence for the fourth consecutive year by the industry leader in contact center benchmarking, certification, training, assessments, industry reports, and custom consulting: BenchmarkPortal. The Center of Excellence recognition is one of the most prestigious awards in the customer service and support industry. The distinction is based on best-practice metrics, which LCEC has incorporated into daily business processes. LCEC works hard to positively impact the entire customer journey from start to finish. It isn't just the touchpoints along the way, but also every interaction that a customer has with LCEC, including flipping the light switch, understanding the bill, convenient payment options, and the tools to help manage usage.







According to the J.D. Power 2016 Electric Utility Residential Customer Satisfaction Study, overall satisfaction is **on the rise**. Six factors: power quality and reliability, price, billing and payment, corporate citizenship, communications, and customer service are all gauged in the study.



# IMPACT



## CONVENIENCE

LCEC customers expect electricity to be there when they want and need it. More and more, convenience is also becoming a driver for a good customer experience. LCEC has developed a variety of payment options and many online self-service functions. Recently, payment options were expanded further to allow payments that post to accounts immediately around the clock. Customers can make an impact on their electric usage by conducting their own virtual energy audit, receiving text alerts if their usage exceeds a self-defined threshold, and viewing account information with the click of a mouse. At the same time, LCEC is focused on improving processes and creating new ways to interact with customers and match customers' real-life needs with options that make their lives easier.

**kilowATCH**  
*A service exclusive to LCEC*





Customers can track their household energy usage and approximate cost with **kiloWATCH**. Online charts display daily usage and cost as well as the temperature for the day to see how weather can affect usage.

# IMPACT8 TECHNOLOGY

Technology has become critical to the utility industry. Innovation can be a challenge and the changes come rapidly. LCEC has been using automated meters and predictive analysis technology for many years. Much of the electric system can be operated through the use of communication and reporting equipment, and reliability improvement has been progressively impacted as a result. Billing and customer self-service have also come a long way thanks to technology. These and more are included in an LCEC technology portfolio that requires constant support, upgrades, security, and future-casting. In 2016, LCEC undertook a calculated information technology stabilization project to ensure systems were enabled to provide secure and stable delivery of power.





LCEC began reading meters across the power lines in 2003, and the **automated meter system** was fully deployed in 2007. Today, LCEC gathers daily and hourly reads on all 212,000+ meters. The system is the foundation for having the ability to provide customers with information about their daily consumption and supporting their ability **to manage electric costs.**



# IMPACT COMMUNICATION

Communication is also an important part of making a favorable impact on the customer experience. LCEC provides a wealth of information about the cooperative, energy conservation, safety, the state of the business, and the utility industry in general. Multiple platforms—such as the monthly newsletter, LCEC News, [www.lcec.net](http://www.lcec.net), social media, a speakers' bureau, written, text, and phone correspondence, and occasional advertising—are used to reach a diverse audience. Sharing of information is a two-way street, and input is just as important as output. Daily phone, mail, and online surveys capture feedback from customers to ensure their voices are heard.

Compliments are passed along to employees, and adjustments in business practices are made when warranted.





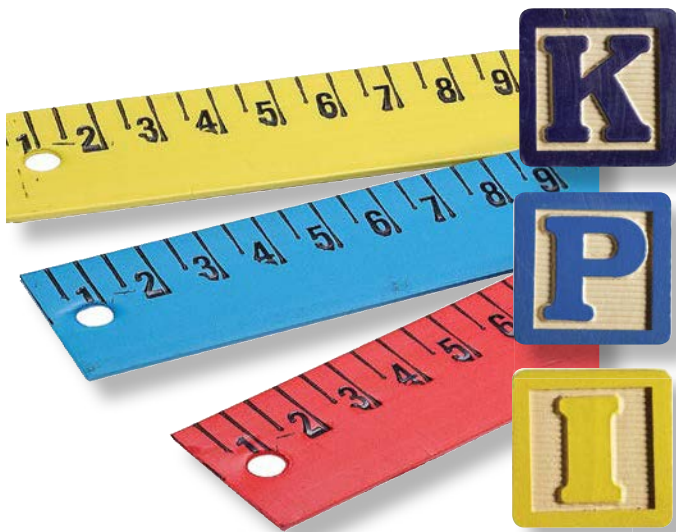


Each month in LCEC News, a customer is surprised with the announcement that they won \$50 for completing and returning a customer survey. **Feedback** from these random mailed surveys help LCEC stay in touch with **customers' expectations.**



# IMPACT10

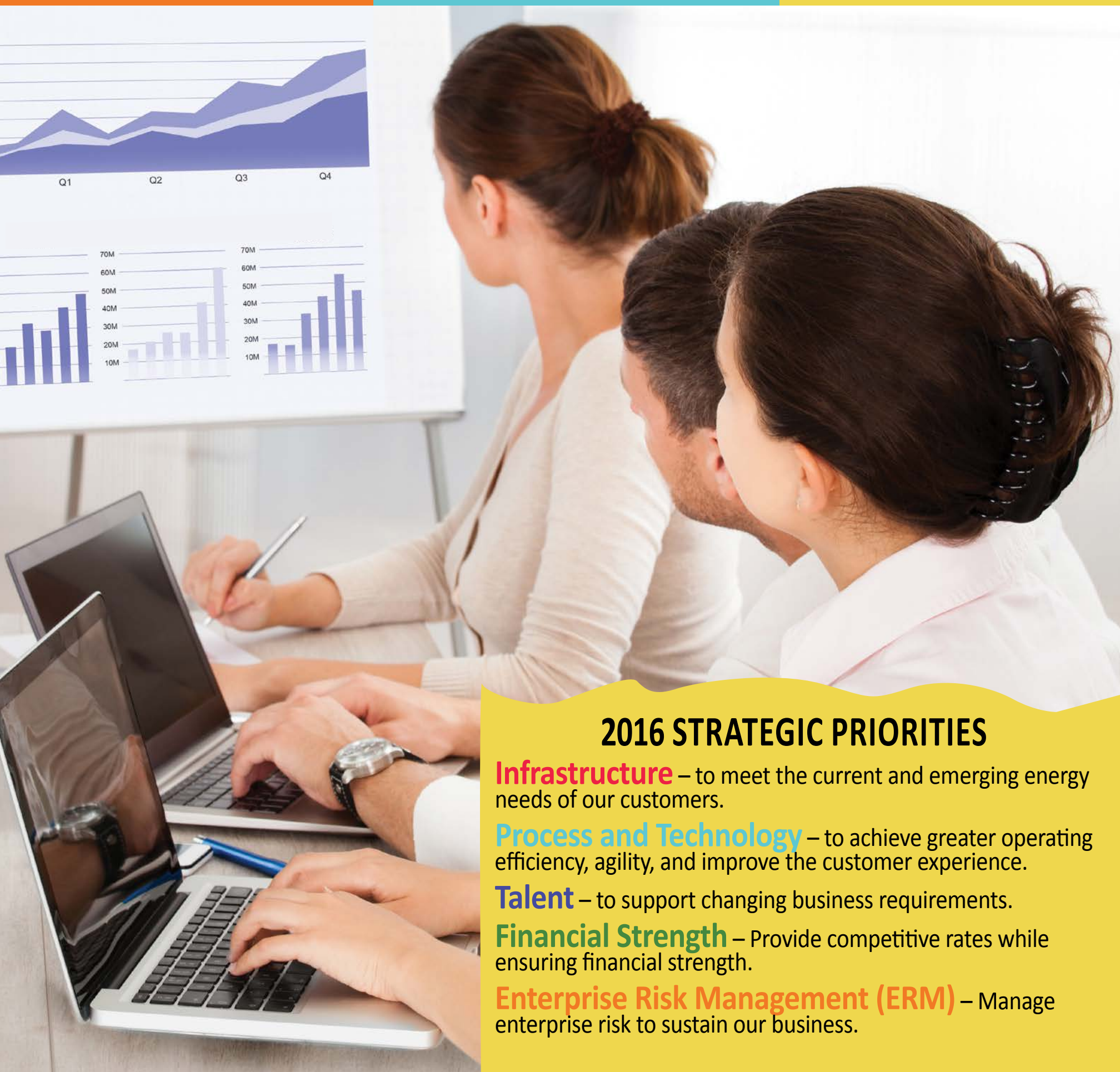
## INTEGRATED BUSINESS PLANNING



LCEC has been guided by a formalized integrated business plan for several decades. The process and plan have matured over the years while always remaining focused on delivering reliable electricity at a competitive price. Employees make an impact by providing input for the plan, and it is reviewed at an annual “State of LCEC” meeting. Success is

measured through defined metrics, which are consistently reviewed. Measurement is an integral part of the process. A Corporate Scorecard gauges performance throughout the year and aids in decision-making. The scorecard is aligned with the organization’s strategic priorities and aimed at ensuring that key performance indicators are on track and day-to-day business is effective and efficient.





## 2016 STRATEGIC PRIORITIES

**Infrastructure** – to meet the current and emerging energy needs of our customers.

**Process and Technology** – to achieve greater operating efficiency, agility, and improve the customer experience.

**Talent** – to support changing business requirements.

**Financial Strength** – Provide competitive rates while ensuring financial strength.

**Enterprise Risk Management (ERM)** – Manage enterprise risk to sustain our business.

# IMPACT

## CAREERS

A career at LCEC offers trades and crafts, professional, technical, and management opportunities. The corporate culture revolves around a set of core values and a strong mission and vision that have been reinforced for more than seven decades. The inclusive LCEC workplace encompasses people with different ethnicities, ages, personalities, experience, thinking, and genders. Engaging in the communities where employees work and live helps employees to make an impact by giving to and learning

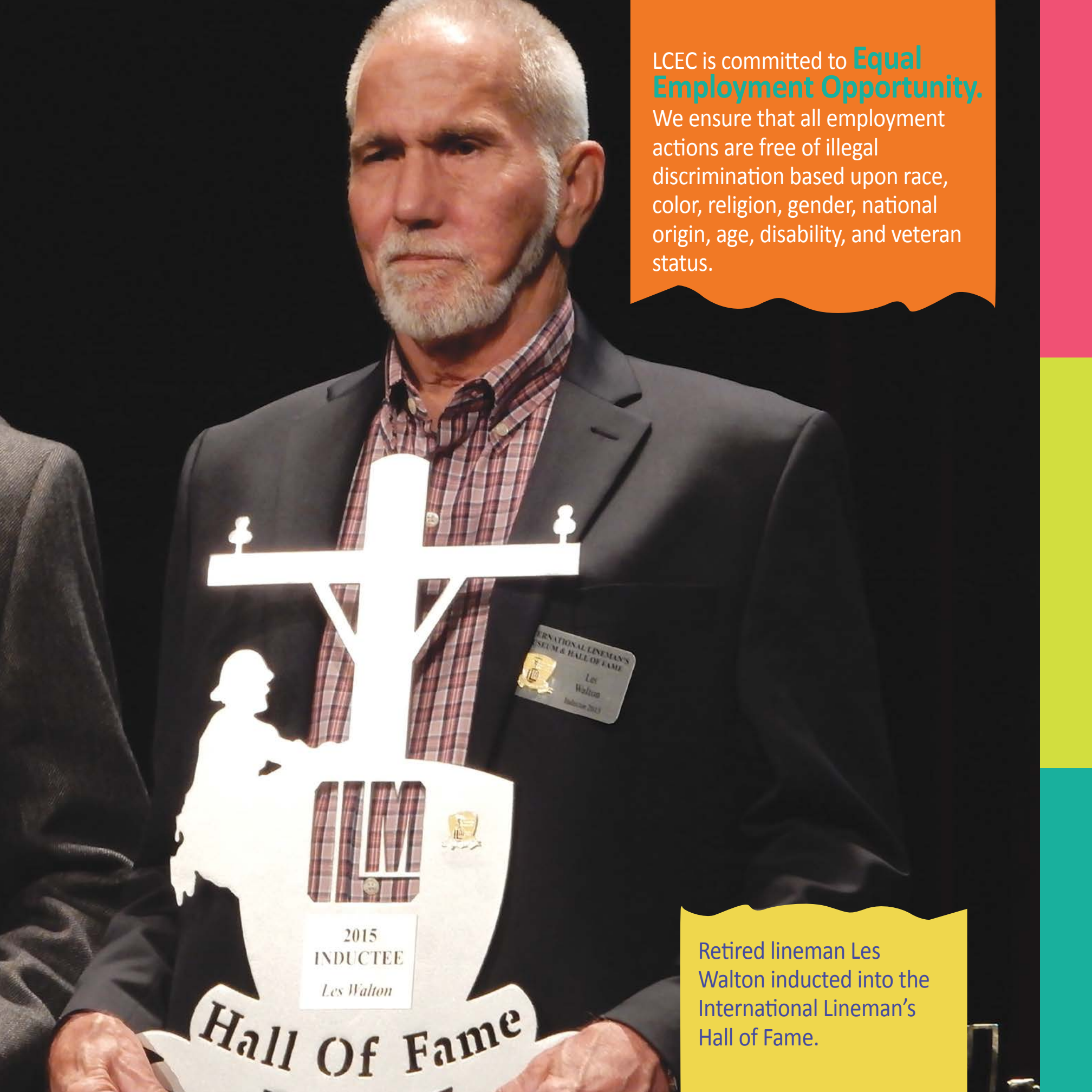
from others. Employees also have a chance to develop their skills and knowledge through challenging work and internal educational opportunities and through tuition reimbursement. A comprehensive benefits program is intended to attract, retain, and motivate high-performing employees to meet customers' needs and make a positive impact on people's lives.

development  
train  
initiative  
goals  
SKILL



LCEC is committed to **Equal Employment Opportunity.**

We ensure that all employment actions are free of illegal discrimination based upon race, color, religion, gender, national origin, age, disability, and veteran status.



Retired lineman Les Walton inducted into the International Lineman's Hall of Fame.

# IMPACT 12

## BUSINESS ETHICS

The culture of a company impacts employee behavior and how they make decisions. In 2016, LCEC was recognized as a finalist for the Uncommon Friends Foundation Business Ethics Award. The honor was the result of an earned reputation for creating a culture of ethical behavior from the first day of employment. To demonstrate that it is a priority, employees are quickly exposed to an in-depth ethics policy, corporate values, and an avenue for reporting potential unethical behavior. These resources are reinforced frequently, and the executive team is focused on leading by example as well as encouraging and supporting corporate stewardship and volunteerism.

### CORE VALUES







**Ethics is one of LCEC's six core values:**

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

# IMPACT

## EMPLOYEE ENGAGEMENT



As with all businesses, over the years, the expectations and work style of the people who work at LCEC have evolved. Technology, process improvements, and the introduction of millennials into the work force make it more important than ever to predict and improve employee engagement. LCEC conducts regular engagement surveys, and 360 evaluations, and offers multiple opportunities for two-way feedback. Ensuring emotional commitment is strong among team members helps lead LCEC

to impactful business outcomes and the achievement of strategic goals. People have been, and will always be, one of the organization's most important assets.





An open-door policy is an important factor in engagement. Employees also have the opportunity to provide **feedback or ask questions** in other forums, such as suggestion boxes located throughout LCEC's campus and anonymous email links to all members of the executive steering committee.

# IMPACT 14 WELLNESS

In the past, the emphasis was on fixing unhealthy habits. More recently, LCEC has been concentrating on the beneficial impacts of preventing illness and injury. LCEC sponsors a wellness program that is designed to support employees in sustaining behaviors that reduce health risks, improve quality of life, enhance personal effectiveness, and benefit the organization's bottom line. Employees conduct annual health assessments and biometric screening to identify improvement areas. Each step an employee takes toward wellness and a lower health risk category helps reduce operational costs, which has an advantageous impact on electric rates. LCEC encourages employees to get involved in wellness opportunities that are right for them and provides a support network for healthy and safe lifestyle habits.





The **wellness initiative** includes such benefits as on-site fitness centers, training, a wellness center, and a nutrition and health portal.





# IMPACT 15 COMMUNITY



LCEC doesn't just deliver electricity. The organization also works to positively impact the quality of life in communities by investing time, funding, and expertise. The focus remains on solidifying relationships, developing a future workforce, and strengthening the local economy. This includes taking leadership roles seriously. Helping educate students of all ages through support of programs and mentoring is also

important to the company. LCEC works with STEM students as well as continuing education programs. Leaders and employees throughout the organization serve on community boards and devote time, resources, and energy to charities and community events for a mutually beneficial experience.





The LCEC Pay It Forward program is an opportunity for employees to volunteer their time and talents **to make communities stronger and better.** At the same time, employees earn credit toward a donation to their favorite charity.



# IMPACT16

## ENVIRONMENT

Protecting and preserving natural resources, including majestic landscapes filled with plants, animals, and birds, has always been part of the LCEC business model. The organization has earned a reputation for forming strong local partnerships that go a long way toward sustainable impacts on the environmental future of the area. A newly-developed environmental award program resulted in the contribution of nearly \$30,000 to local environmental agencies and programs in 2016. The program is aimed at research, education, and stewardship to guard precious vegetation and wildlife species unique to Southwest Florida.

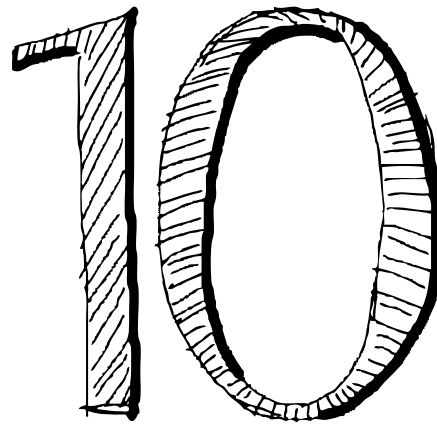






LCEC has worked with the Florida Fish and Wildlife Conservation Commission for many years to **protect and preserve** bald eagles throughout Southwest Florida. North Fort Myers is home to the Southwest Florida Eagle Cam viewed by millions around the globe. When a chick became caught in the nest and was injured, LCEC helped with a safe rescue to prevent further injury.





## BOARD MEMBERS

The LCEC Board of Trustees is comprised of members with business acumen, vision, community involvement, and the ability to make decisions in the best interest of the cooperative.

Trustees are members, elected by the membership, and they take great responsibility in setting policy and procedures and maintaining financial strength while supporting employees who run the day-to-day operations.

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.....	Rick Joyce
District 6 – Immokalee, Everglades City .....	Russell Priddy



## 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

**Fredric Kunzi**

Information Technology & Chief Information Officer

**Joe Padgett**

Customer Care Operations

**Denise Vidal**

Finance and Accounting & Chief Financial Officer

## MANAGERS

**Gary Avin**

Customer Care

**Peggy Boldissar**

Financial Accounting

**Bob Grover**

System Operations

**Clark Hawkins**

Design and Engineering

**Ed Nagy**

IT Infrastructure and Operations  
& Information Security Officer

**Allan Ruth**

Construction and Maintenance

**Karen Ryan**

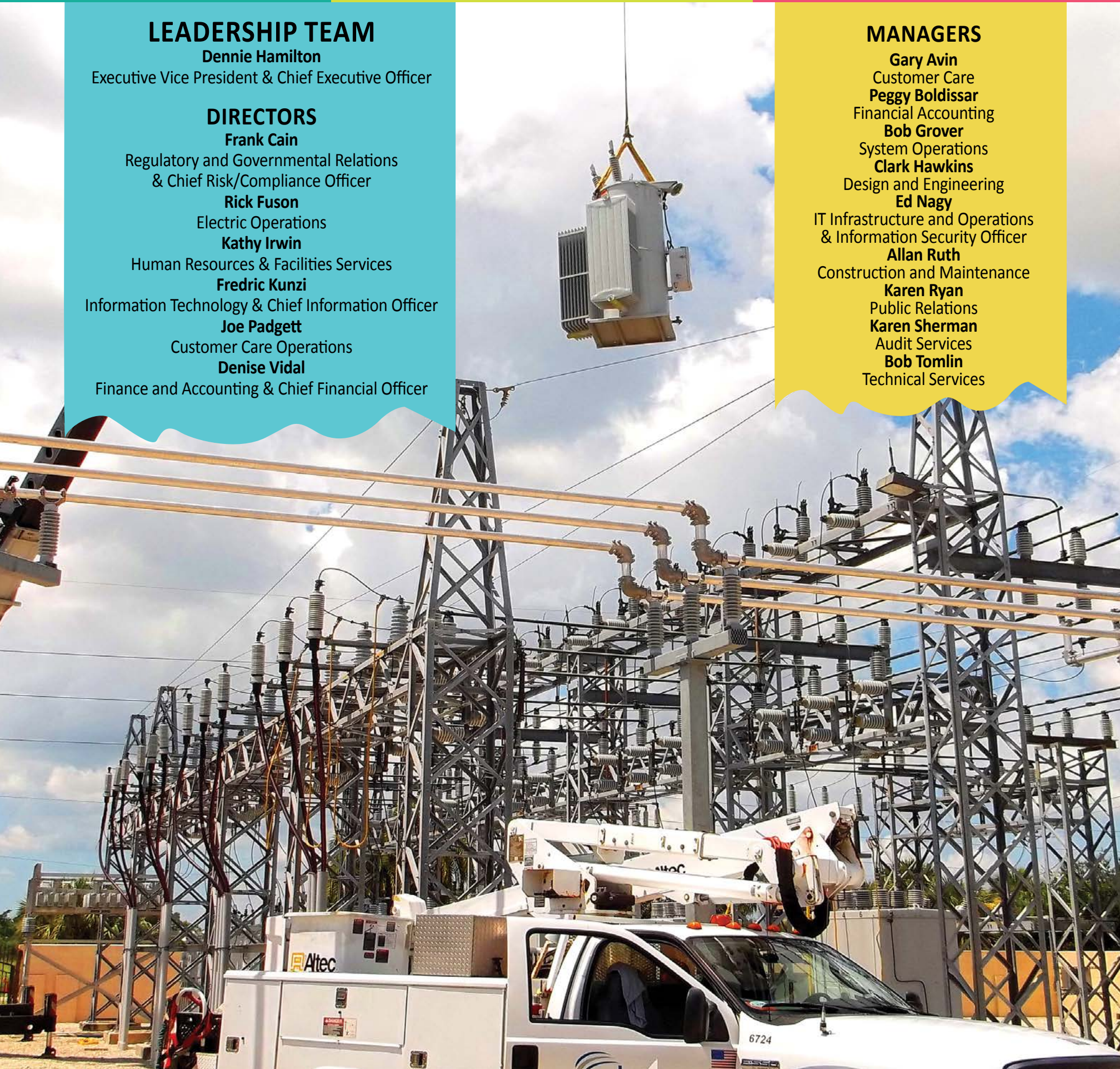
Public Relations

**Karen Sherman**

Audit Services

**Bob Tomlin**

Technical Services





The graphic features the word "IMPACT" in a teal, sans-serif font. Below it, the year "2016" is rendered in a stylized, hand-drawn manner. The "2" is blue, the "0" is green, the "1" is pink with vertical hatching, and the "6" is yellow with horizontal hatching. To the right of the year, the word "SUSTAINABILITY" is written in a bold, black, sans-serif font.

# IMPACT 2016 SUSTAINABILITY

LCEC conducts business with a high level of integrity and in an ethical and responsible manner. Since 1940, LCEC employees, guided by the Board of Trustees, have made a supreme effort to balance fiscal responsibility with the goal of improving the lives of those whom we serve. We take conscious actions to invest in sustainability through environmental and social activities. LCEC has high expectations of employees and vendors in terms of performance and their impact on the planet. We encourage recycling, workforce development, safety, and constant improvement. We continually focus on making an even bigger impact by partnering with all of our stakeholders.

LCEC is proud to serve customers in Cape Coral, North Fort Myers, Sanibel, Captiva, Pine Island, Everglades City, Immokalee, Marco Island, Ave Maria, parts of Lehigh Acres and other areas throughout the region. It would be easy not to push the boundaries on sustainability. But for generations, we have done the right thing, not just the things we are required to do. We are dedicated to making our communities better.





## **CORPORATE INFORMATION**

### **OFFICE:**

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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

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

