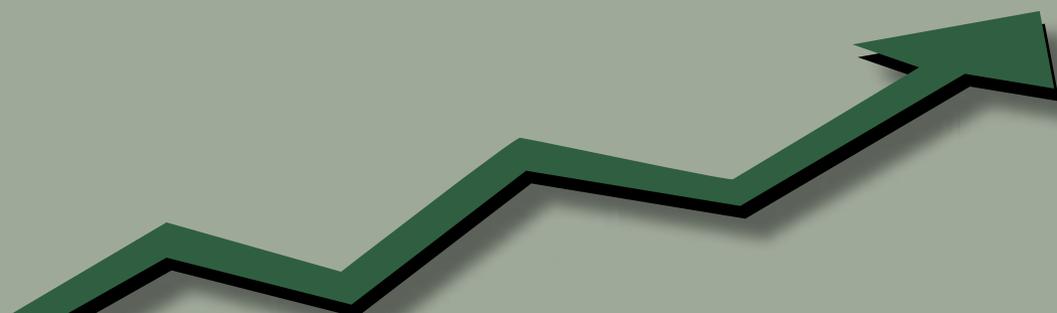




Living our
BEST
life

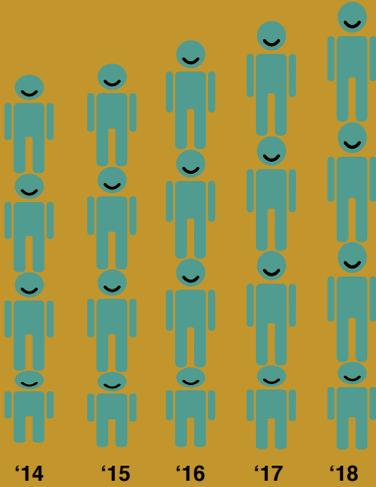
FINANCIAL HIGHLIGHTS



	2018	2017
Operating Revenue	\$423,863,517	\$405,878,307
Operating Expense	\$398,354,945	\$382,084,012
Interest Expense	\$13,770,546	\$12,102,832
Net Margins	\$13,262,000	\$14,552,559
Net Plant	\$581,186,451	\$568,718,170
Total Assets	\$731,030,275	\$717,536,742
Total Customers	217,363	214,668
kWh Purchased	4,151,871,207	3,994,543,168
kWh Sold	3,965,037,001	3,809,847,360
Miles of Energized Line	8,407	8,268
Avg Monthly Residential kWh Used	1,158	1,125
Equity Retirement	\$19,823,645	\$4,706,470
Capital Expenditures	\$53,018,760	\$47,480,082
Customers per Employee	584	594

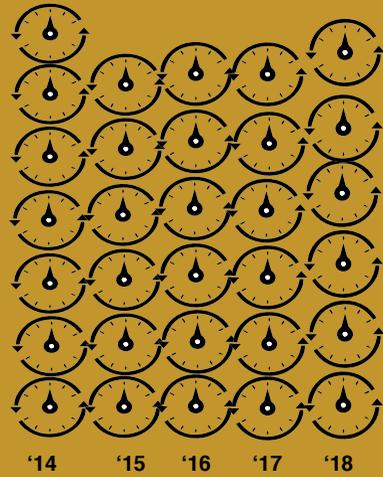
Total Customers (in thousands)

205 208.6 211.7 214.6 217.4



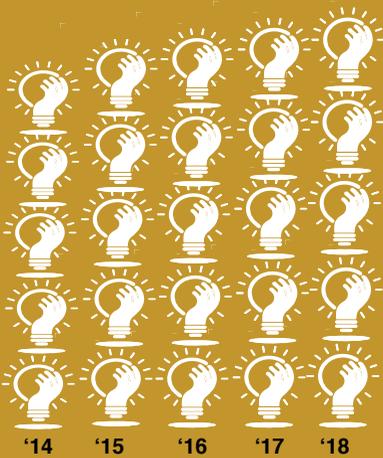
kWh Sold (in billions)

4 3.7 3.8 3.8 3.9



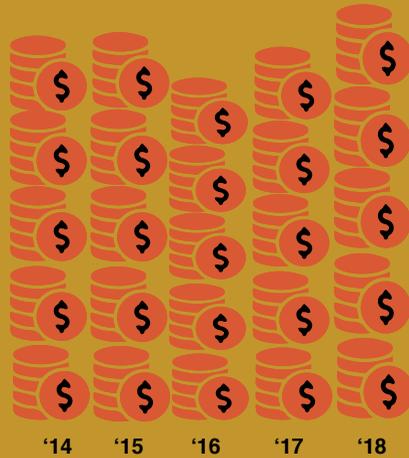
Total Assets (\$ in millions)

641 667.5 678.5 717.5 731



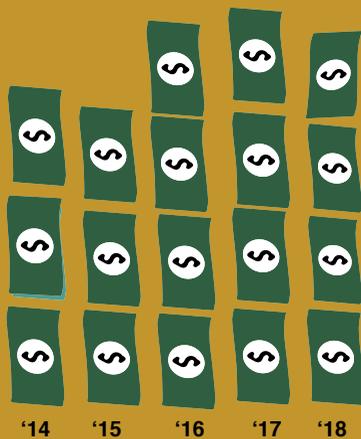
Operating Revenue (\$ in millions)

408 410.4 391.5 405.9 423.8



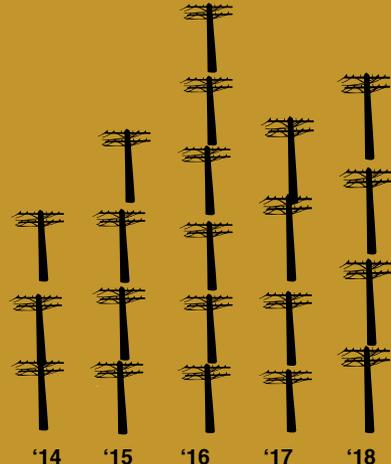
Net Margins (\$ in millions)

11 10.3 13.6 14.5 13.2



Capital Expenditures (\$ in millions)

34 45.5 61.4 47.4 53



Living our BEST life

One of the trending phrases for 2018 was “live your best life.” The meaning behind the phrase is to encourage people to choose the life they want to live and then live it, take risks, and be brave enough to seek adventure. For LCEC, the phrase “living our BEST life” had a different meaning but many similarities.

President & CEO Message

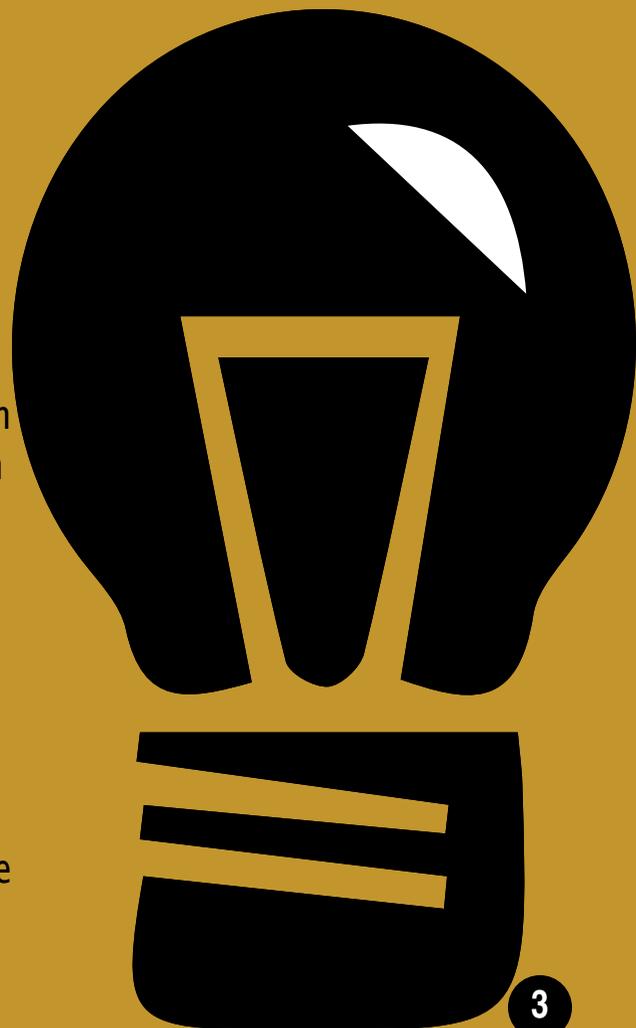


As 2018 unfolded, it became clear that the LCEC team would face something old and something new. The clear focus of our team remained unchanged – to provide reliable electricity and quality customer service at the lowest reasonably achievable rates. Other priorities included continuing the LCEC time-honored heritage of community service, fiscal responsibility, living our core values, and keeping an eye toward the future. New challenges presented threats that we acknowledged and faced head-on. The accompanying opportunities gave us a chance to capitalize on the dedication, skills, and experience of the team, a chance not to be missed.

While the direct impact of Hurricane Irma was largely behind us, we began the lengthy process associated with FEMA hurricane restoration cost reimbursement. It is a process that will likely continue for several years.

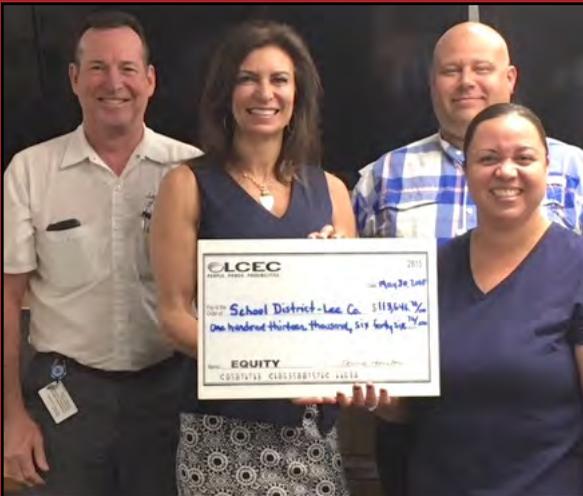
Additional 2018 challenges, with accompanying opportunities, centered on executing the implementation of numerous flagship information systems. Years in the making, it was an endeavor with the potential to positively impact every stakeholder of the organization. Looking toward the future, the technology implementation was closely followed by the initial phase of a corporate alignment around cross-functional end-to-end processes. Throughout 2018 an improving local economy drove a notable acceleration in construction and growth activity. During the first quarter, we also welcomed two newly elected members to the LCEC Board of Trustees.

Despite the pressure of increasing costs of materials, labor, and other services, LCEC has navigated the past 10 years without any increase in electric rates while continuing to deliver reliable power and quality service. This has been achieved, in part, by constantly looking for opportunities to streamline operations or perform work more efficiently while maintaining effective business practices. We have also continued to benefit from a decision of the LCEC Board of Trustees a number of years ago to enter into a long-term power supply agreement with Florida Power & Light. They have proven to be a good partner for us and allow LCEC members to, in effect, participate in and benefit from numerous renewable energy projects, such as the Babcock Ranch solar field. Access to a diverse fuel mix not only helps keep customer bills in check but also contributes toward reducing greenhouse gas emissions through environmentally friendly power generation.



LCEC consistently measures organization performance closely using a corporate scorecard. Within the scorecard are key result areas and key performance indicators. In 2018, operating and maintenance cost control was well below the corporate target. A structured budget and monitoring system paired with fiscal responsibility and continuous process improvement were evident in year-end results. Workplace safety results were notable and readily beat the target. Employees' attention to safety resulted in the best safety record in more than a decade with only three OSHA recordable incidents. While the ultimate goal is zero injuries or accidents, we are proud of these results and we will strive to improve upon them through enhanced safety programs and awareness. Although our reliability results were the all-time fourth best experienced by LCEC, we did not meet the aggressive target we set for ourselves. Late in December, thunderstorms that were more impactful than those normally seen at that time of year resulted in isolated outages throughout the territory and put us over the target. We were able to report results within the threshold. We completed the first phase of a multi-year transmission construction project to improve the reliability of our south delivery system. Upon completion of the project, we will have added system interconnections with our wholesale power provider.

Both excitement and anxiety grew during the year as we approached the implementation date for a number of new flagship information technology systems, easily the most complex and far-reaching ever undertaken by the organization. Almost every aspect of LCEC operations is supported by the new technology, including finance and accounting, customer care, design through construction work management, materials management, meter data management, mapping, outage management, payroll, human resources, and employee self-service. While the implementation was successful from a technical aspect, we did fall short of meeting our expectations regarding what customers experienced through the transition. Feedback and survey results indicated that we could have done a better job making the system transition seamless and easier to navigate for our customers. Consequently, we failed to meet our key performance indicator in the customer experience area. Given the results, a number of



our current efforts are directed at addressing those shortcomings. Efforts to continually improve are on the forefront when we are performing well, and they are elevated when metrics indicate there is a need to do better.

As is the case almost every year, new and unexpected challenges will emerge and test the resourcefulness, dedication, and resolve of the LCEC team in 2019. Without taking the engagement and commitment of the team for granted, we are confident that we can continue to deliver reliable electricity and quality customer service at the lowest reasonably achievable prices. We understand and honor the privilege we have to serve you, and we take seriously the obligations that accompany that privilege. Despite any challenges, differences, or difficulties, we will always act with integrity and respect as we strive to protect your financial interest in LCEC.

*Russell Priddy
Dennie Hamilton*

The BEST path to new technology

In 2017, LCEC embarked upon the largest technology transition in its history. The Business Enhancement and System Transformation (BEST) initiative was aimed at replacing existing flagship technology with the NISC suite of software solutions designed specifically for the electric cooperative business model. Every employee and customer would be touched by the transformation in some way.

Once the foundation and plan for the initiative were laid, the transformation became a reality in 2018. Processes were mapped, data was converted, input was gathered from subject matter experts, and a training curriculum was developed and executed.

Choice and convenience at your fingertips!

SmartHub

An online and mobile application that provides an easier way to pay bills and monitor energy usage. Customers have access to important data and tools that can help them manage their account. Employees and customers have access to the same data, allowing for better two-way communication.

- Payment history
- Report an outage
- Pay bills
- Request payment extension
- Track usage
- Safe and secure
- Set reminders
- Set alerts
- Free



7

Divisions



CONSTRUCTION & MAINTENANCE



FINANCE & ACCOUNTING



DESIGN & ENGINEERING



INFORMATION TECHNOLOGY



CUSTOMER CARE



CORPORATE SERVICES



HUMAN RESOURCES



6

flagship systems

changing to new platforms

In order to support the strategic priority to provide competitive rates, the leadership team initiated an assessment of the feasibility of a technology change.

evaluation

An unbiased look at multiple software solutions narrowed the list to a few that met the needs of LCEC customers.



site visits
and demos

March 2017



LCEC Board of Trustees approved implementation of the NISC software suite.

Solutions for the BEST impact

One of the goals for implementation of new systems was to create a united solution that focuses on the cooperative principle of aligning people, systems, and processes for the benefit of customers. An enterprise-wide solution provides endless benefits to internal and external stakeholders.

Customer Care and Billing



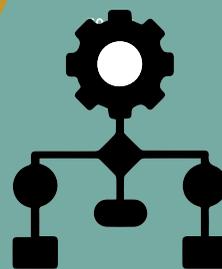
Designed to enhance efficiency and streamline processes for internal and external customers. New self-service options, access to information including charts and graphs that help manage energy usage. A new bill format is easy to navigate and provides more opportunity to share tips and information.

Outage Management



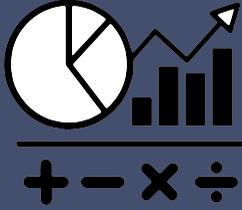
Enables quick response, outage prediction, and detailed outage history. An accurate, visual display of outage locations and where crews are located. Heightened communication provides information to customers that can be accessed through any smart device.

Work Management



Facilitates the flow of business processes and work scheduling. Tracking the service order cycle from the first point of contact to completion makes it easier to manage work for customers. Information can be shared effectively between customer care, engineering, and operations employees.

Finance & Accounting



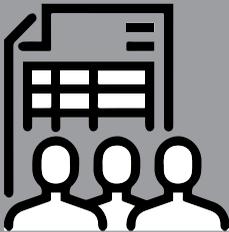
A streamlined central hub allowing simple access to the financial information needed to make informed decisions. Time-saving features for efficient operation of the purchasing process, accounts payable, materials inventory, and document storage.

Mapping



An integrated intelligent mapping solution designed to help visualize the utility system and update system maps quickly and accurately. Field employees have the information they need at their fingertips to build and maintain the electric system.

Employee Self Serve



A comprehensive solution that offers flexibility and security. A simplified payroll process helps to increase the efficiency of the process and manage information with one entry point. Employees are able to access personnel-related functions and data easily.

Document Storage



Digital replication of critical documents that can be routed internally and externally as needed. Users can scan, share, and search archived information from one single point.

Integrated Business Planning for the BEST results

2018 STRATEGIC PRIORITIES

INFRASTRUCTURE

PROCESSES

FINANCIAL STRENGTH



Ensure infrastructure is in place to meet current and emerging energy needs of our customers.

Beyond poles and wires this includes technology and business facilities.



Promote a culture of end-to-end process performance to increase operational effectiveness.

Working as efficiently and effectively as possible with all stakeholders in mind.



Provide competitive rates for our members while maintaining financial strength.

Balancing the needs of the organization with fiscal responsibility.

LCEC has a solid integrated business planning process (IBP) that lays the foundation for meeting goals and supporting the mission of the organization. The senior leadership team, with guidance from the Board of Trustees and input from the workforce, identifies strategic priorities for the organization. The structured planning approach is aimed at prioritizing efforts and resources based on budget constraints and customer needs. In addition, the IBP process helps to align key result areas throughout the organization and creates accountability for employees.

CUSTOMER EXPERIENCE



Deliver the optimal customer experience journey.

From the first point of contact until disconnection, understanding customer needs and providing solutions.

RISK MANAGEMENT



Strengthen Enterprise Risk Management capability to sustain business continuity.

Identifying, mitigating, and monitoring risk and compliance.

TALENT

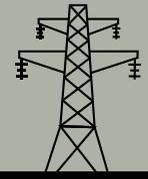


Enrich the workforce for future changes and challenges.

Hiring and retaining employees and developing them to sustain the business.

The BEST plan for a Process - Aligned Organization

- Planning for meeting customer needs
- Designing infrastructure
- Constructing and maintaining the electric system
- Monitoring operations

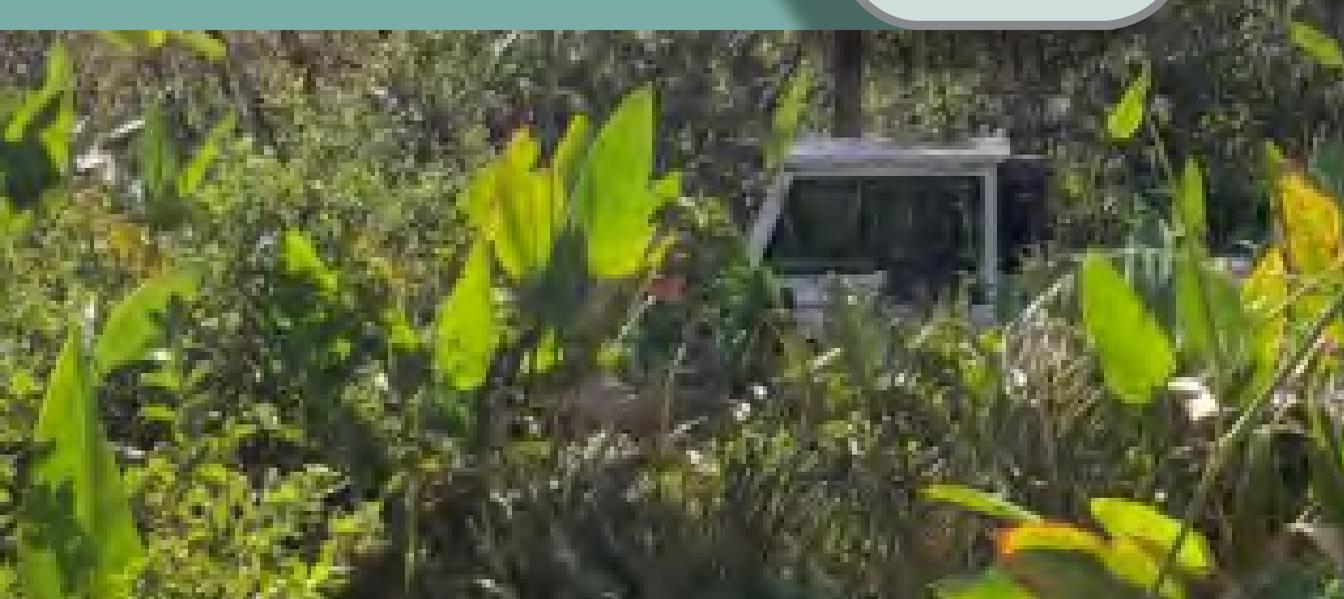


**Design
to Operate**

- Measuring power consumption
- Generating bills
- Receiving payments
- Collecting delinquency



**Meters
to Cash**

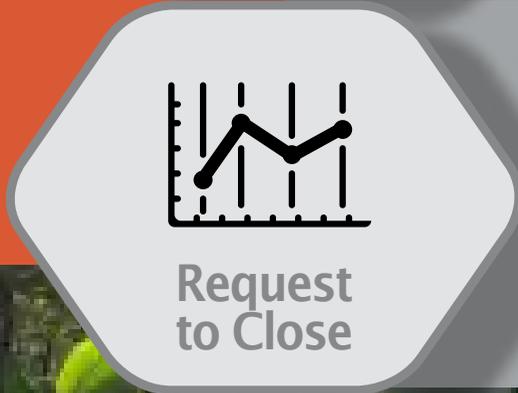


Additional processes will be documented, evaluated, and improved through the integrated business plan. Processes slated for analysis include but are not limited to

Remaining one step ahead of customer needs requires planning and agility. Aligning strategy, goals, and processes gives us an advantage. Process alignment strengthens awareness and understanding of the business so employees can all move in the same direction. During 2018, LCEC processes were mapped and aligned with new technology solutions. Areas for improvement were identified and continuous enhancements will evolve in the long term.



- Developing the business strategy
- Budgeting and accounting
- Managing projects, processes, and assets
- Reporting results



- Customer request for service
- Respond to request
- Manage accounts
- Manage equity



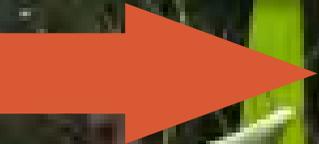
- Managing the employment life cycle



- Soliciting customer feedback
- Implementation of products and services



- Negotiating power supply relationship
- Compliance with
 - contracts
- Compliance with regulatory requirements



Living the values

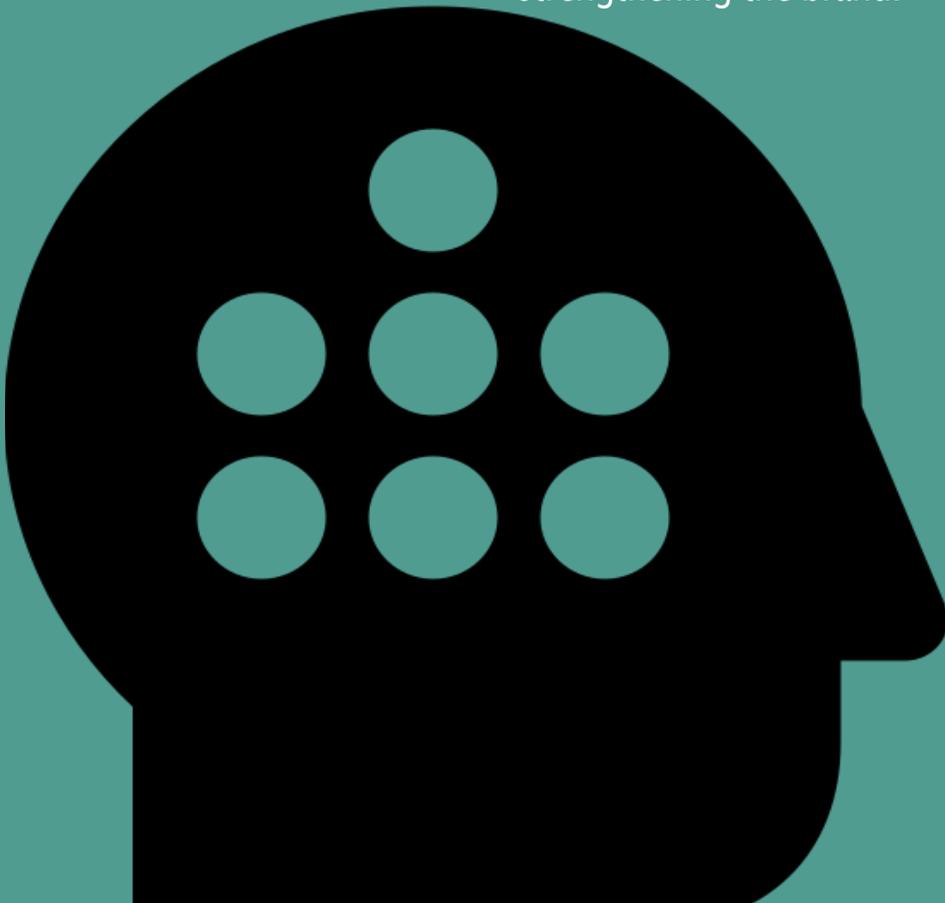
the BEST way that we can

Community

**Integrity
Diversity
Respect**

**Working
Together**

The principles and philosophies that guide how LCEC and its employees operate the business have been developed by employees and supported by leaders. The LCEC core values help in the decision-making process and strengthening the brand.





**Customer
Service**

Safety

Accountability

The LCEC values are more than words or ideas; they are something employees live by daily and customers have come to expect.

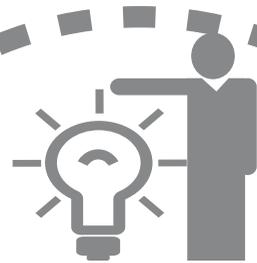


Living the Values



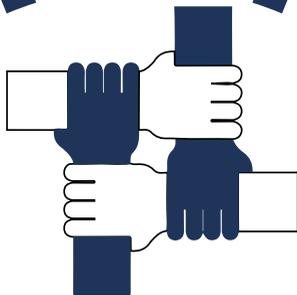
LCEC values employees working together to make success happen.

Our success is a direct result of our employee contributions, dedication, and teamwork. Cross-functional teams are focused on meeting customer needs and providing quality service.



LCEC values our responsibility to energize the community.

We are dedicated to taking an active role in making our communities and the environment a better place to work and live. Our rich history of giving back and supporting the needy and preserving our natural resources through volunteerism and other support is part of our culture and our brand.



LCEC values commitment to integrity, diversity, and respect.

We treat everyone with dignity and conduct our business in a professional, fair, honest, and ethical way. We are fully committed to equal employment opportunities for employees and all applicants.



LCEC values providing quality external and internal customer service.

We are committed to listening to and serving our customers and coworkers in a professional, courteous, and reliable manner.



LCEC values safety as everyone's responsibility.

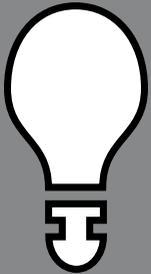
Living safely is the first priority. Each of us has a responsibility to ensure a safe environment, which includes appropriate equipment, training, and behavior.



LCEC values accountability for results.

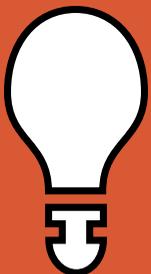
We take pride in our jobs and are responsible for continuous improvement, personal growth, financial well-being, and business results. Key performance indicators, quarterly metrics, customer surveys, and annual individual performance reviews ensure we remain on the right track.

Corporate Governance representing BEST interests



New experience

A first-quarter Trustee election resulted in two new Board of Trustee members, Craig Woodward; representing the Marco Island, Everglades City, and Ochopee service territories, and Eleanor Flannery representing the Cape Coral service territory. Both members bring years of legal experience and community involvement to the Board of Trustees.



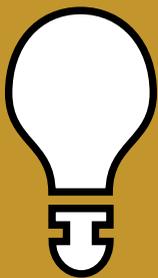
Strong relationships

After several years of on-again, off-again franchise agreement negotiations between LCEC and the City of Cape Coral, the LCEC Board of Trustees and the Cape Coral City Council unanimously approved an agreement. The mutually beneficial 20-year agreement focused on the interests of City residents and LCEC members alike. Terms of the agreement include the rights to construct, operate, and maintain electric facilities in rights-of-way, collection of fees which LCEC remits to the City, a 10-year extension option, and continued net-metering options and dialogue about future renewable energy technologies.



Paying tribute

LCEC paid tribute to Trustee Curtis Bostick, who served as a member of the LCEC Board from 1988 to 2018. He served as Board president for seven years and vice president for 15 years. His extensive banking and real estate experience and business involvement helped provide extensive guidance in operation of the cooperative. An LCEC substation located near his childhood home was named in his honor in July 2018.



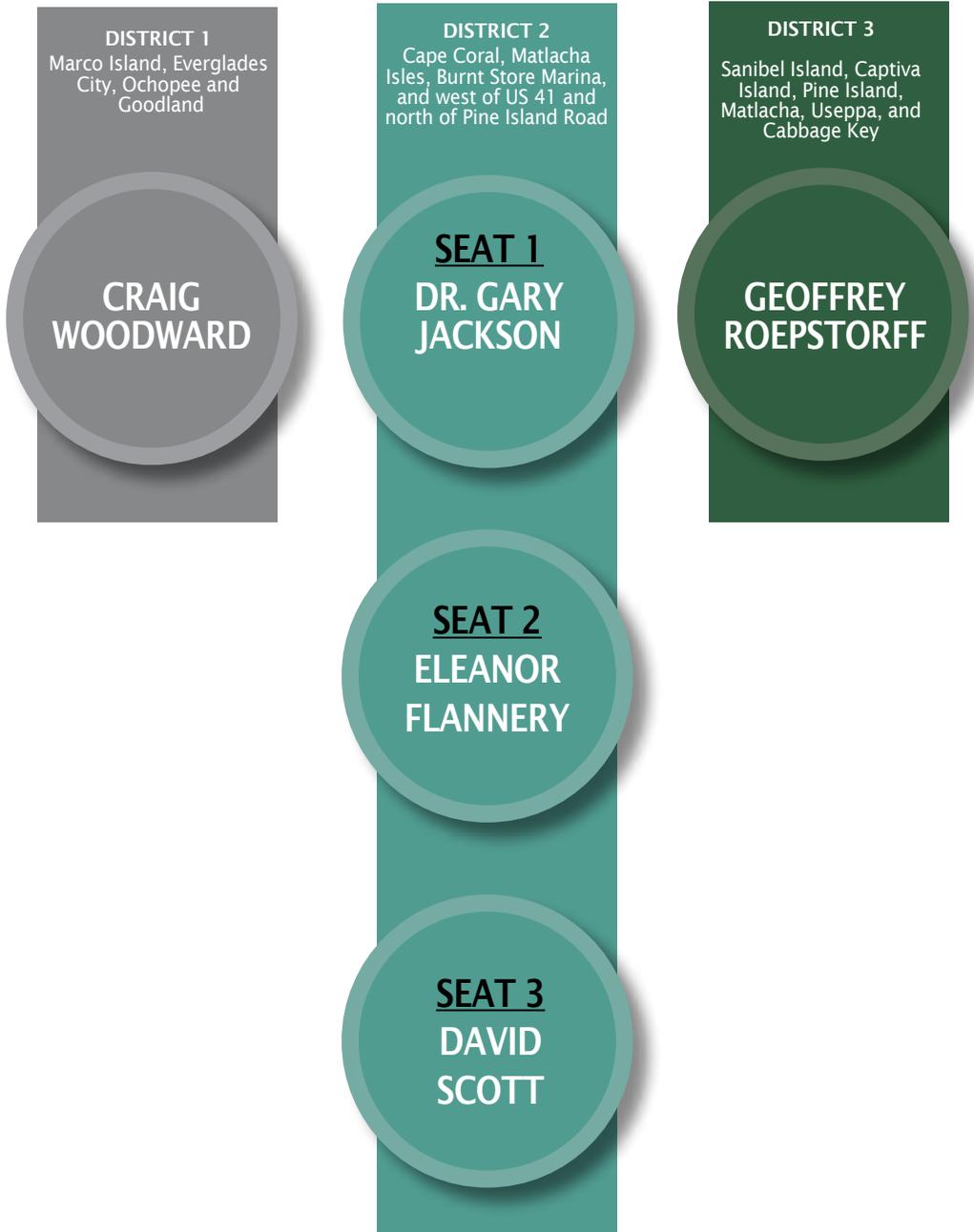
Meaningful contribution

LCEC also recognized Trustee Dr. Darlene Andert, who served as a member of the LCEC Board from 1994 to 2018. Her background of governance issues and employee relations, and business, professional, and civic organization experience helped provide invaluable direction in development of LCEC policies and actions. Her role in creating and growing new business, generating jobs, and mentoring students at Florida Gulf Coast University was an asset to the Board.

Board of Trustees

The LCEC Board of Trustees is comprised of individuals with a wealth of 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 and diversity of the LCEC service territory and is nominated 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 competitive in the changing utility industry. Working closely with the leadership team and employees, the Board is aimed at understanding the impact and advantages of industry issues, setting guidelines, and monitoring LCEC operating and financial position.

DISTRICT 4
Those parts of Lehigh Acres receiving electric service from LCEC

LARRY TURBEVILLE

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
RICK JOYCE

DISTRICT 6
Immokalee and Ave Maria

RUSSELL PRIDDY

TRUSTEE AT LARGE

CARLOS CAVENAGO

Membership at its BEST

10
years

LCEC has not raised base rates in ten years. Continued efforts to improve operations and control expenses keep the cooperative competitive while still providing reliable electricity and quality service.

\$268
million

\$15 million in equity was retired and delivered to inactive members who closed accounts in 2009 and 2010. Another \$4 million was retired for current and inactive members. Over the years, more than \$268 million has been returned to members.

5
years

For the fifth year in a row, LCEC received a Certified Center of Excellence designation from BenchmarkPortal. We are proud of the honor, and the largest database of performance metrics in the world provides visibility into our operations.

4th
lowest

Mid-year, LCEC rates were ranked fourth lowest in the state among all utilities. Ratings fluctuate from month to month. LCEC rates were lowest among Florida cooperatives all year long.

50,000
enrolled

New technology was implemented in the fourth quarter, and more than 50,000 enrolled in SmartHub by year-end. A record number of customers also chose the paperless billing option and downloaded the online app.



Doing our BEST to safely deliver reliable power

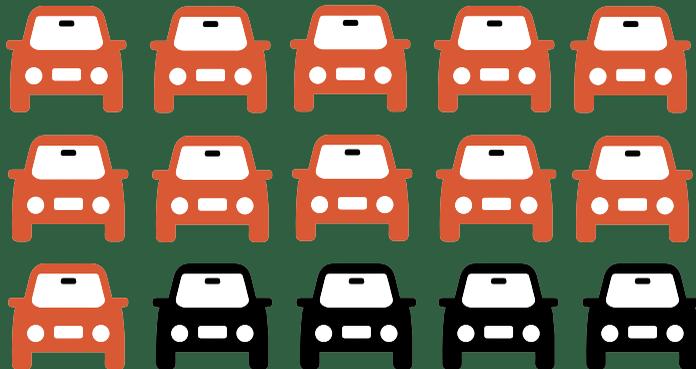
OSHA Recordable incidents

Target = No more than 7 Actual = 3



Fleet Accidents

Target = No more than 15 Actual = 11



New Services Designed

6,272

7,944

Streetlight repairs

Response to Customer Requested Tree-Trimming

of requests = 1,053

Response Goal = within 60 days

Response Result = within 18 days



Vegetation Management Plan

Dangerous trees removed = 108

Single-Phase Trimming = 427 miles of line

Three-Phase Trimming = 537 miles of line

1,233

Trouble Calls Outside Regular Business Hours



138 kV Transmission Line Inspections

Bucket & Climbing - 85 miles of line = 100% of goal

Infrared - twice a year = 100% of goal

Flying - twice a year = 100% of goal

Water Crossing - twice a year = 100% of goal

SENIOR LEADERSHIP TEAM

**Dennie
Hamilton**

Executive Vice President
& Chief Executive Officer

During 2018, the LCEC leadership team's vital role was to drive and support change. As the performance foundation of the organization, the combined strengths of the team were put to the test to ensure employees understood, embraced, and had the tools they needed to implement system changes. At the same time, it was critical to balance the need to keep the business operating at the high level customers have come to expect. The team's collective capability and the support of a strong and experienced employee workforce generated positive outcomes across the board.

DIRECTORS

**Gary
Avin**

Customer Care
Operations

**Frederic
Kunzi**

Information
Technology &
Chief Information
Officer

**Rick
Fuson**

Electric
Operations

**Charise
Swanson**

Regulatory and
Governmental
Relations
Chief Risk/
Compliance
Officer

**Kathy
Irwin**

Human
Resources &
Facilities Services

**Denise
Vidal**

Finance and
Accounting &
Chief Financial
Officer

MANAGERS

**Peggy
Boldissar**

Financial
Accounting

**Allan
Ruth**

Construction and
Maintenance

**Clark
Hawkins**

System
Operations
& Technical
Services

**Karen
Ryan**

Public
Relations

**Susan
Matt**

Enterprise
Risk

**Karen
Sherman**

Audit
Services

**Ed
Nagy**

IT Infrastructure
and Operations
& Information
Security Officer

**Shawn
Walling**

Design &
Engineering

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& Holt
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Fort Myers, FL 33902

INDEPENDENT AUDITORS:
McNair, McLemore, Middlebrooks
& Co., LLP
Certified Public Accountants

www.lcec.net

Hired
16
new linemen



12
partial tuition
reimbursement

382%
increase in
GenerLink sales



Mentored
2
college interns

Published
77
newsletters



Saved
\$10,000
by recycling instead
of landfill costs



6,735
Volunteer hours

31
bags of trash collected
along roadways



Awarded
\$45,000
in environmental
grants

Filled
92
vacant positions



