

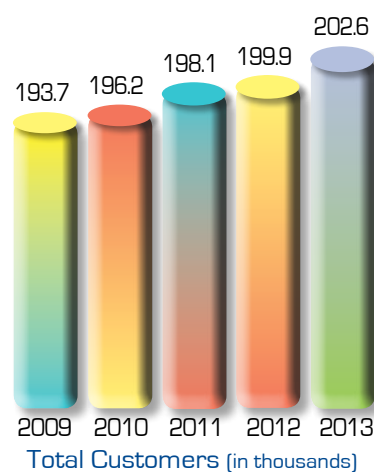
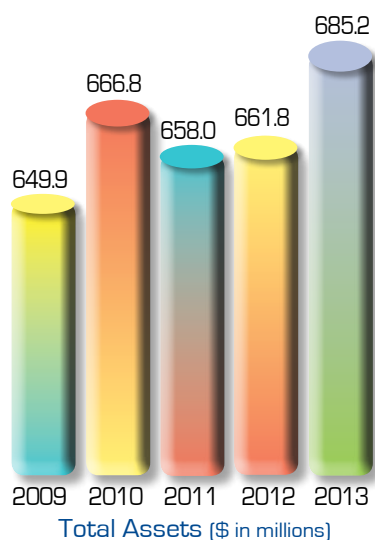
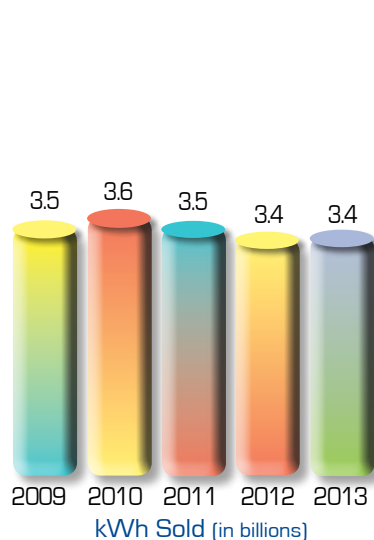
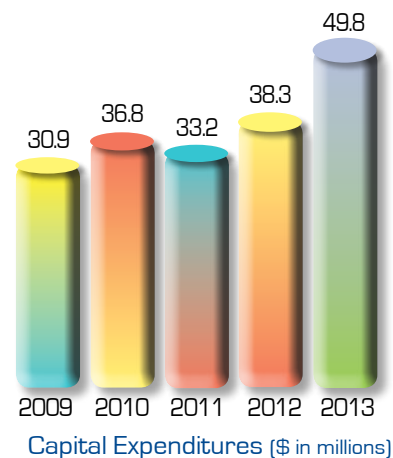
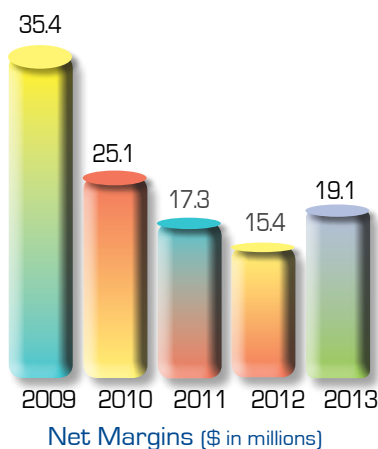
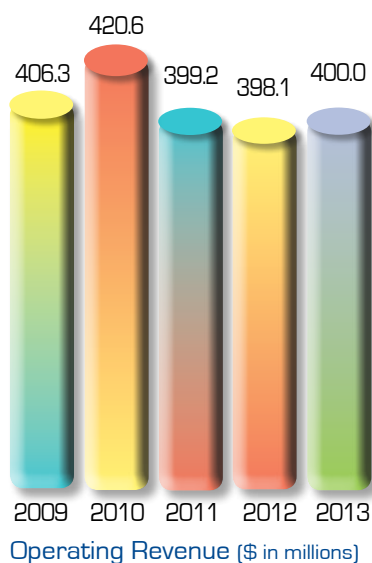




Thomas Alva Edison deserves his fair share of credit for lighting up the world. Among his many inventions, his creation of the first genuinely safe and economically viable system for generating and distributing light and power is something that is rarely touted. Edison's first model of a complete central power station in Brockton, Massachusetts, in 1883 was just the beginning of something amazing.

We dedicate our 2013 annual report to the inventive spirit and strategic vision that Thomas Edison demonstrated during his lifetime.

2013 Financial Highlights



Financial Highlights

Avg Monthly Residential kWh Used
 Capital Expenditures
 Customers per Employee
 Equity Distribution
 Interest Expense
 kWh Purchased
 kWh Sold
 Miles of Energized Line
 Net Margins
 Net Plant
 Operating Expense
 Operating Revenue
 Total Assets
 Total Customers

	2013	2012
Avg Monthly Residential kWh Used	1,053	1,056
Capital Expenditures	\$ 49,829,113	\$ 38,288,738
Customers per Employee	522	512
Equity Distribution	\$ 16,850,048	\$ 12,883,398
Interest Expense	\$ 12,962,675	\$ 13,847,628
kWh Purchased	3,665,475,288	3,651,351,327
kWh Sold	3,458,260,838	3,443,982,778
Miles of Energized Line	8,096	8,074
Net Margins	\$ 19,060,930	\$ 15,407,113
Net Plant	\$ 563,762,157	\$ 549,806,561
Operating Expense	\$ 373,847,082	\$ 375,220,635
Operating Revenue	\$ 399,958,104	\$ 398,134,120
Total Assets	\$ 685,237,668	\$ 661,761,280
Total Customers	202,629	199,882



President and CEO message

By just about any measure, it is evident that LCEC had another good year in 2013. We accomplished a great deal in terms of strategic priorities and key performance indicators. Many accomplishments are mentioned in this report even though the list goes further. Just as important as each project and program is our dedicated effort toward ensuring we are measuring the right things and focusing on the proper areas to meet our customers' needs. A formalized process improvement initiative was rolled out during the first quarter. The methodology that has been developed will become a consistent part of the LCEC culture.

Safety performance

Our safety results tied with our all-time best with only eight OSHA recordable incidents. While we strive to prevent or avoid any incidents, this laudable performance was accomplished through training, awareness and collaboration among employees. We address potential issues and take advantage of opportunities to prevent accidents before they happen.


Reliability performance

LCEC set the bar high by breaking a record for reliability in 2013. Our system reliability performance was better than our previous best in 2011 and far outperformed the annual target. The ongoing use and expansion of technology and automation as well as quick

response from employees played vital roles in improved performance. Capital projects, scheduled maintenance and proactive inspections as called for in our comprehensive ten-year electrical system plan kept us on track so the electric infrastructure remained in good operating shape.

Customer satisfaction performance

LCEC also ended the year exceeding our customer satisfaction goal, surpassing the target every month throughout the year. The measure is based on monthly mailed surveys, post-call surveys, and quarterly J.D. Power survey results. Improved hiring practices, targeted training, and monitoring programs as well



“If we all did the things we are capable of doing, we would literally astound ourselves.”

Thomas Edison

as providing effective employee and customer tools continue to keep us moving toward the top of the measurement scale when it comes to service. A unique and independent Center of Excellence certification is just one of the rewards that resulted from the hard work employees, leaders and Trustees dedicated to service.

Financial performance

Maintaining fiscal strength requires a delicate balance and continuous analysis. 2013 was an unusual year with lower-than-forecast sales during the first three quarters, slow customer growth and mild weather. We acted early to reduce spending where we could while still maintaining quality service. Slated projects were evaluated to determine if they were critical to service levels and only moved forward if they were absolutely necessary. Living up to our promise not to increase rates was at the forefront of every

business decision. With the help of an unusually warm three-month stretch to end the year, the attention to detail paid off, and we wrapped up a fifth consecutive year with no rate increase, and with no increase in sight given our current forecast. In addition, we were able to lower our power cost adjustment and reduce customers' bills beginning January 2014. We will continue to diligently look for ways to maintain—if not lower—our rates, improve our processes and optimize technology.

Planning ahead

The LCEC integrated business plan is geared toward fulfilling the corporate mission of providing reliable electricity and quality customer service at the lowest reasonably attainable rates. Strategic priorities, business objectives, corporate scorecards, a technology roadmap and business process architecture all help to guide us along the

way. Attention to the day-to-day business, while working on the three-to-five year strategy and watching the ever-changing utility horizon, is often a challenge. However, these are challenges that internal and external stakeholders are prepared to face in the interest of LCEC customers.

LCEC is proud of our accomplishments in 2013, and we are optimistic about our future. We are honored to have the privilege to serve you and take our obligation to serve very seriously. Employees and the Board of Trustees, with the support of vendors, community leaders, customers and other stakeholders, are unwavering in our commitment to providing reliable, cost-competitive electricity and quality service.

Sincerely,

Larry Turbeville, President
Dennie Hamilton, Chief
Executive Officer





“There is no substitute for hard work.”

Thomas Edison

Electricity is vital to our communities. It takes hard work to balance competitive rates with reliability. LCEC employees have never been strangers to hard work and have overcome continual challenges throughout the years. From unusually active hurricane seasons to very tight economic times, LCEC has been able to meet our customers' needs.

In 2013, system reliability was at an all-time high, rates had not increased for five years in a row, customer satisfaction levels were above average and safety records were exceeded. None of these accomplishments could have been achieved without the hard work of employees, the Board of Trustees, our business partners and the support of our customers.

Reliability

Each year, LCEC sets an aggressive reliability target based on past performance and anticipated improvement. In 2013, performance was 31 percent better than the performance goal. Service interruptions were primarily

caused by storms and tree contacts. When outages did occur, response was good, and restoration time improved by nearly five percent over the previous year.

Exceeding the reliability goal was the result of a

comprehensive electric operations plan. The plan entails maximizing technology to analyze and identify issues before they cause a problem, scheduled maintenance, vegetation management, and process improvement.

Construction and Maintenance by the Numbers

- 4 – new circuits added to new North Trail Substation
- 19 – miles of underground distribution installed
- 22 – new automated distribution switches added to system
- 91 – underground transformers installed
- 137 – concrete poles installed
- 140 – miles of transmission line inspected
- 171 – miles of overhead wire installed
- 523 – overhead transformers installed
- 763 – miles of tree trimming performed in easements
- 819 – transmission insulators replaced
- 887 – overhead devices maintained and inspected
- 1,020 – wood poles installed
- 1,500 – tree trim requests addressed
- 1,509 – underground transformers maintained
- 3,000 – miles of circuit inspections completed
- 3,200 – poles inspected
- 7,896 – streetlight repairs



Regulatory Compliance

LCEC continues to take a proactive position when it comes to compliance with North American Electric Reliability Corporation (NERC), Florida Reliability Coordinating Council (FRCC) and Federal Energy Regulatory Commission (FERC) requirements. Throughout the year, a team monitors compliance activities and participates in a series of mock audits covering all applicable reliability standards. In addition, all training and communication requirements are met. In 2013, LCEC achieved and maintained compliance with all applicable reliability standards and other rules and associated requirements.

Technology

The LCEC system operations center is staffed every




Working in tight spots and under adverse conditions is all in a day's work.

hour of every day. Operator stations are designed to work seamlessly with technology to allow operators to manage and oversee the electric system. In 2013, a new display wall was installed to support mission-critical operations. The split configuration allows for independent displays or an inclusive overview of all information being processed in the operations center. Paired with technology in

the field, monitoring the system and restoration are much more timely and efficient. In addition, an outage management system upgrade was initiated to enhance response to outages.





**“We will make
electricity
so cheap
that only the
rich will burn
candles.”**

Thomas Edison

While LCEC cannot control the cost of fuel and some of the other factors that impact the cost of electricity, we can make sure that rates are as fair and reasonable as possible. Approximately one-third of a customer's electric bill includes expenses that LCEC can directly manage. The other two-thirds of the bill is attributed to power costs. In 2013, LCEC was able to manage operating and maintenance costs so that rates were not increased for the fifth year in a row, and a rate decrease was planned for early 2014. Although the economy was beginning to improve, customers are still struggling, and employees did their part to hold the line on rates.



**We keep an eye on
everyday operations to
keep your rates stable.**

Sales and Growth

Customer growth was expected to be no higher than 1 percent for the year, and projections held true. By year-end, LCEC had gained approximately 2,747 customers. A milestone was reached earlier in the year when customer count exceeded 200,000, making LCEC one of the largest cooperatives in the nation. The usually mild Southwest Florida weather, successful customer conservation efforts and new advancements in energy-saving technology kept sales below budget for most of the year. But by year-end, sales were back on track and targets were met.



Diligent Financial Oversight

LCEC employees undertake a stringent budget process and are expected to account for every dollar spent. Process improvements, use of technology and continual monitoring of expenditures and resources ensure that customers' best interests are at the forefront of everything we do. An upgrade of the financial planning and tracking software proved to be a monumental task, and as a result, the budget process and many other accounting actions were streamlined. The upgrade also made it easier for business users to access data, create reports and conduct analyses.


Making Every Dollar Count

LCEC continues to take cost-cutting measures and utilize innovative strategies to limit the number of delinquent accounts, reduce write-offs, address at-risk accounts and recover revenue owed to the company. Efforts to detect meter-tampering cases and collect restitution resulted in close to \$100,000 in additional revenue. LCEC also takes advantage of opportunities to salvage materials such as wire, metal and other equipment. In 2013, more than \$300,000 was recovered through recycling efforts.

Equity Distribution

In 2013, the LCEC Board of Trustees approved a distribution of \$16.8 million in equity to current and inactive customers, memberships that have been closed since 2005, and toward bad-debt recovery. LCEC is proud to have returned more than \$208 million in equity to members over the years. Although equity is not equivalent to cash or liquid assets, it is an indication of financial stability. It allows for improvement in the delivery of power and services through capital projects without incurring costly loans. Only half of the electric cooperatives in the United States are able to return equity to members.





**“Sometimes
the best
solution is
teamwork.”**

Thomas Edison

A well-maintained electric system, financial strength, and modern technology could not be possible without a cohesive and focused team to make it happen. LCEC has earned a reputation for the teamwork employees demonstrate every day. Collaboration is critical for day-to-day operations and expands much farther to include customers, vendors, suppliers, media and governmental agencies. In addition, it is vital that the Board of Trustees and leadership team support a forward-thinking integrated business plan that aligns the organization toward improving performance and addressing the best interests of customers.



Teamwork involving all stakeholders is a way of life at LCEC.

Customer Care

Employees in every department at LCEC are linked with customers in one way or another. Whether it is behind the scenes or on the front line, satisfying customers is one of the primary goals of the organization. The customer experience is continually gauged through customer surveys and a corporate scorecard. In addition, LCEC participates in quarterly J.D. Power customer surveys. In 2013, LCEC scores

improved significantly as a result of cross-functional teams continually working to make sure processes are efficient, work practices are best-in-class, and performance advances.

Billing

During the year, LCEC produced more than 2.2 million bills. A combination of timely mailed and electronic bills requires parallel processes to be performed each business day. Accuracy depends on



many processes including the reading of meters. LCEC has utilized two-way automated meter reading through the power lines since 2003. A billing system upgrade was completed in 2013, and a new meter data management project is scheduled for completion in 2014. These are just a few of the projects aimed at increasing access to information that will improve service to customers.

Process Improvement


For several years LCEC has been implementing a unified process improvement methodology. Teams of employees continue to participate in defining and analyzing current processes, mapping them, identifying areas for improvement,

then formulating a plan, executing improvements and evaluating outcomes. Projects completed in 2013 ranged from the equity distribution process and implementation of the Public Service Tax in Cape Coral to installation of remote connect and disconnect meters and the start-service process.

Tools to Use

Providing information to customers and giving them access to more data has proven to enhance the customer experience. The LCEC kiloWATCH program allows customers to view daily usage and receive alerts when they reach a self-selected threshold. It has helped to eliminate the surprise that

sometimes comes with the bill. Customers also have a chance to receive a free energy audit over the phone, online or on-site. Certified energy advisors assist in evaluating energy consumption and provide tips to improve energy efficiency. The addition of mobile website applications has also expanded the opportunity to access LCEC information any time of day from wherever the customer may be. Convenient QuickPay online payment options, Pay by Phone and additional authorized pay stations make paying hassle-free.



“The doctor of the future will give no medicine, but will interest patients in the care of the human frame, in a proper diet, and in the cause and prevention of disease.”

Thomas Edison

In 2013, a stringent LCEC safety program and formalized wellness initiative were geared toward keeping employees healthy while keeping operating costs low and productivity high. Engaging employees in a healthy lifestyle and offering supportive social communities through programs and facilities are just the beginning of creating a healthy workplace culture. LCEC employees held OSHA-recordable incidents to eight, equalling our previous best performance. Although just one incident is too many, with 400 employees and around-the-clock operational hours, LCEC is proud of this accomplishment. Medical insurance savings as a result of the wellness program are expected to be fully realized within the next few years.



On-Site Fitness

Although the idea of an on-site fitness center isn't a new one at LCEC, employees took full advantage of a new addition to the main headquarters building in 2013. Benefits of the new fitness center include employee retention, reduced healthcare costs and employee engagement. To ensure success of the program, an educational aspect was built in to include personal fitness training, boot camps and nutrition counseling. Employees also have the option of reimbursement for a portion of their fitness expenses if they choose to participate in an external program.

LCEC PowerPac

Several years ago, LCEC employees organized a running/walking group to help encourage each other and to promote wellness within the organization. The group frequents races and fitness walks throughout the year and never misses an opportunity to cross the finish line. The group is also instrumental in coordinating the annual LCEC 5K Race for United Way. Participants from as far away as Tallahassee participated in the 2013 event which was held in association with Cape Coral's Oktoberfest. LCEC also supports many of the community fitness events such as the American Heart Association Heart Walk,

Captiva Triathlon, Marco Island Jolly Be Good 5K and the Cape Coral Bicycle Pedestrian Project.

On-Site Wellness

In addition, LCEC continued a partnership with Marathon Health to help employees and family members get and stay healthy. Operating on the premise that prevention is the best step in staying healthy, LCEC established an on-site wellness center. The goal is to inspire employees to lead healthier lives through primary care, health assessment, risk reduction, disease management, wellness education and online tools offered by Marathon. Healthcare costs are expected to be



LCEC offer many wellness programs for employees and their families.


reduced when employees and insured family members utilize the center. Time away from work is minimized because employees can visit the center and get back to their daily jobs quickly. Annual health screenings are offered at no charge, and online resources offer around-the-clock attention.

Wellness Fair

Included in wellness educational efforts, LCEC offers employees an opportunity to meet and greet local healthcare providers, fitness training experts and nutrition specialists at an annual Wellness Fair. Vendors are on site to provide free

screenings and informational brochures and samples, and employees are able to get a flu shot and donate blood if they desire. Zumba and boot camp demonstrations are also provided to encourage employees to include fitness in their health plan.





**“The three great
essentials to
achieve anything
worthwhile are,
first, hard
work; second,
stick-to-itiveness;
third, common
sense.”**

Thomas Edison

Aside from the many accomplishments mentioned in this report, LCEC was acknowledged for many positive reasons in 2013. LCEC took advantage of opportunities to exchange information and ideas with customers through on-site presentations, social media, special mailings and monthly newsletters. Communication with stakeholders is a priority and an area that we will continue to nurture to meet the growing need.



LCEC strives to remain successful by benchmarking and measuring performance locally, nationally and industrywide.

Best Employer

For the fourth year, LCEC was recognized on a national level as one of AARP's Top 50 Best Employers for Workers Over 50. Examples of the policies and practices that earned the recognition include learning and development programs, tuition reimbursement, service anniversary celebrations, a fair benefits package and retiree communication.

Center of Excellence

In 2013, LCEC earned the prestigious Center of Excellence certification from BenchmarkPortal. Only six utilities in the nation have received the designation, and LCEC is the only cooperative to meet the stringent requirements. The LCEC Customer Care Center utilizes performance metrics to ensure the best possible service for customers. This year, representatives in the Customer Care Center

handled 386,734 calls and 19,252 Internet requests for service. It is rare that a contact center is certified during the first review process, and LCEC is proud of the achievement.

Fit-Friendly Worksite

Also in 2013, LCEC was honored by the American Heart Association as a Gold Level Fit-Friendly Worksite. LCEC offers multiple opportunities for physical activity at the worksite,



has increased the number of healthy eating options available to employees, promotes a wellness culture on-site, and embraces the promotion of physical activity and good nutrition. As a Fit-Friendly Worksite, LCEC is considered a corporate trailblazer. Trying to improve the health and wellness of employees equates to reduced operational costs and helps to keep electric rates competitive for customers.

Image Award

LCEC also brought home the Grand All Image Award from the local Florida Public Relations Association competition in 2013. Image Awards recognize outstanding public relations programs and have become the standard of excellence throughout the state.

Regional Leadership

LCEC Chief Executive Officer Dennie Hamilton was elected to serve as the chairperson of the Florida Reliability Coordinating Council (FRCC) through 2014. The FRCC's mission is to ensure that the bulk power system in peninsular Florida is reliable, adequate and secure. Hamilton also serves on the Lee County Horizon Council Executive Board. In addition, he is the treasurer for the Southwest Florida Economic Development Alliance, a regional entity aimed at attracting companies to Southwest Florida to help diversify the economy.


Social Media

LCEC boosted its social media presence by developing a phased strategy and consistent editorial calendar featuring

electric safety, conservation, and industry news. Area attractions, dining spots and vacation destinations are also highlighted regularly. Daily posts and community conversations helped to double followers and laid the foundation for creating a more formalized social media team.

Customers began to use the sites to make inquiries, share compliments and address account issues. The goal is to build a social media foundation that can be utilized during a crisis, if needed. In the event of a major outage, hurricane or other disaster, customers will have an additional channel for two-way communication.





**“What you
are will show
in what
you do.”**

Thomas Edison

LCEC employees can be found throughout the community living the corporate values in every way. The LCEC vision is to energize the communities we serve. These are not just words; this vision is a philosophy that employees live by. From preserving the environment and the arts to cultivating a future workforce and helping to fight disease, LCEC and its employees have a rich heritage of recognizing a need and working to fill it. This goes beyond the delivery of electricity.



From climbing 32 flights of stairs for the Lung Association to protecting birds by helicopter, LCEC goes to great heights to serve.

Those in Need

LCEC continues to be one of the top contributors to United Way. Hundreds of programs receive the benefit of financial contributions and volunteer hours that LCEC employees, friends and family generously donate. Monthly events help to not only bring in much-needed funds but also to create a cohesive and engaged team. The LCEC homegrown band, the Killa-Watts, spent thousands of hours of their spare time rehearsing

and performing for local non profits to provide fundraising opportunities and entertainment. Members of the group, along with their co-workers, have earned a reputation for being there when needed.

Young People Are the Future

Investing time and talent in local young people has been a rewarding venture for LCEC. Several employees began their career at LCEC as a student intern. Other

interns have gone on to be successful in the utility industry or where they could use the skills they learned at LCEC. LCEC employees also spoke to several student groups during the year to provide information about the career opportunities the industry offers. Employees served as Literacy Buddies or high school student mentors with the goal of guiding students toward furthering their education and entering the local job force.

Winning the Battle

Throughout the year, LCEC employees participate in and support special events geared toward the fight to find a cure for cancer, heart disease, stroke, lung disease, obesity, diabetes and many other health-



related ailments. Along with raising funds, employees strive to raise awareness about the prevention, early detection and treatment of such diseases. Working closely with local healthcare associations, agencies and providers, the LCEC wellness philosophy has an opportunity to spread throughout the community.

Delicate Balance

Protecting and preserving precious resources, which include spectacular scenery, unique wildlife and abundant local treasures, are an important aspect of the LCEC plan. Partnerships and programs such as vegetation management and recycling go a long way toward sustainability. At the same time, LCEC is committed to contributing to the local economic

development efforts by providing jobs, training, and taking on leadership roles. Involvement in local chambers of commerce, civic groups and advisory committees helps to bring the business community together and keeps the voice of the customer strong.

Arts and Culture

LCEC is proud to support creativity, performance and imagination for all ages. Recognizing that Southwest Florida is home to the work of accomplished and budding artists, we invest time, funds and talent in local agencies and programs. Whether it is partnering to bring educational plays into the classroom, funding transportation to give children a rare chance to experience the symphony or participating in a local art

festival, LCEC is committed to preserving local heritage and sustaining the area's artistic identity.

Holiday Giving

A holiday Pack-A-Sack program resulted in a truckload of gifts and essential items delivered to young single mothers learning to make it on their own. In addition, employees collected more than 200 pounds of pet food to deliver to the local food pantry after learning that often the homeless feed their pets before they feed themselves. LCEC also continued its long-standing tradition of presenting food gift cards and personal items to homeless folks restricted to a local medical unit for the holidays. These are just a few ways employees give back.



Board of Trustees

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

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

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

District 1- Marco Island and Goodland

Curtis Bostick

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

Seat 1
Dr. Gary Jackson

Seat 2
Dr. Darlene Andert

Seat 3
David Scott

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

Geoffrey Roepstorff

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
William Mathis

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

Frank Garrett

Trustee At Large

Carlos Cavenago



Management Team

CEO

Dennie Hamilton - Executive Vice President and Chief Executive Officer

Directors

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

Rick Fuson - Director Electric Operations

Kathy Irwin - Director Human Resources and Facilities Services

Fredric Kunzi - Director Information Technology & Chief Information Officer

Joe Padgett - Director Customer Care Operations

Denise Vidal - Director Finance and Accounting & Chief Financial Officer

Managers

Peggy Boldisar - Manager Financial Accounting

Jason Gordon - Manager Customer Accounting

Bob Grover - Manager System Operations

Clark Hawkins - Manager Design and Engineering

Ed Nagy - Head of IT Infrastructure and Operations & Information Security
Officer (ISO)

Cindy Neumann - Head of Program Management and Process Practices

Scott Peal - Head of Architecture & Development Practice

Allen Ruth - Manager Construction and Maintenance

Karen Ryan - Manager Public Relations

Corporate Information

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