



LAKELAND ELECTRIC 2017 ANNUAL REPORT

Department of Electric Utilities
An Enterprise Fund of the City of Lakeland, Florida
For Fiscal Year Ended September 30th, 2017



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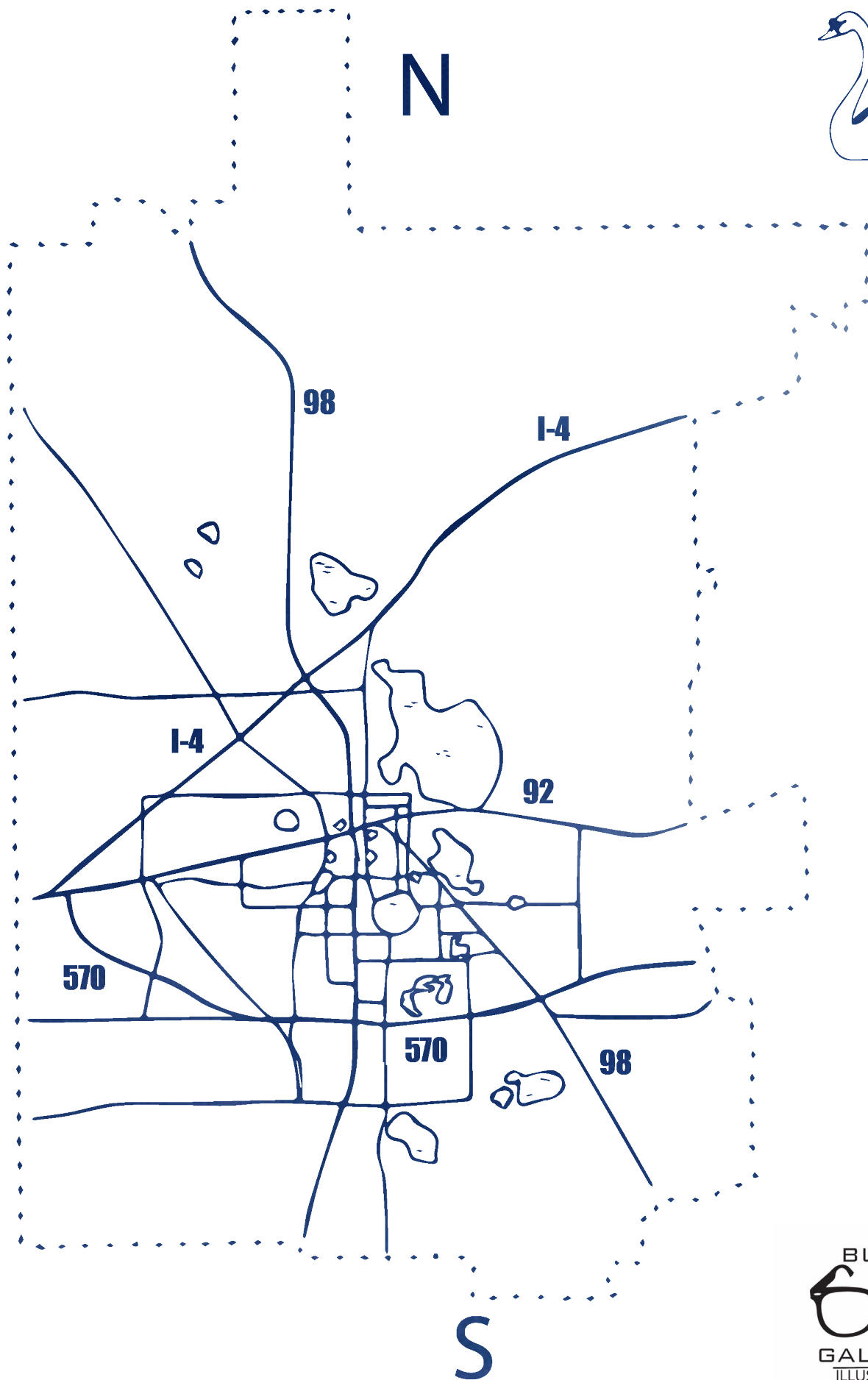
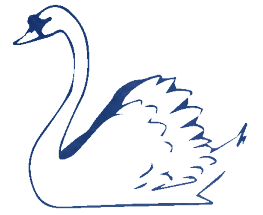
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LAKELAND ELECTRIC SERVICE AREA



2017 Highlights

Lakeland Electric had many notable successes in 2017. The following are among our top accomplishments.

- 1.** The eyewall of Hurricane Irma pounded all 246 square miles of Lakeland Electric's service area last September. At the height of the storm, 80,000 of our 125,000 customers were without power. The electric grid had to be rebuilt, not just repaired, across the entire territory. To reenergize our community, Lakeland Electric employees worked tirelessly, along with over 450 line workers from all over the US, to rebuild the grid and get the power back on.

 - Restored 75% of customers without power within 3 days
 - 95% of customers without power were restored within 7 days
 - All customers were restored within 12 days
- 2.** For 2017, Lakeland Electric's rates were the lowest in Florida for all residential and industrial categories, and six of the eight commercial categories, according to the Florida Municipal Electric Association Monthly Bill Comparison.
- 3.** We opened our fourth solar farm in partnership with the City of Lakeland and NRG Energy, Inc. The 3.15 megawatt Medulla Road Solar Facility spans 65 acres, and its 11,640 solar photovoltaic panels are expected to generate enough energy to power more than 1,000 homes.
- 4.** In 2017, we continued to give the "best of the best" customer service to our customers in over a dozen categories. According to an annual benchmarking survey that compares our cost, operations, and safety data with utilities all over the country, our Customer Service Division ranked in the top quartile in the following areas:

 - Overall Cost
 - Speed of Answer
 - Cost per Field Service Order
 - Cost per Meter Read
 - Cost per Call
 - Meter Reading Accuracy
 - % of Meters Read
 - Billing Accuracy
 - % of Bills Estimated
 - Write-offs
 - Days Sales Outstanding
 - Lost Time Injury Rate
 - Customer Service Representative (CSR) Availability
 - First Contact Resolution
- 5.** We launched a new website featuring a digital Energy Toolset, which helps us transform our relationship with our customers from a once per month brief website interaction, to one where we become partners with our customer in helping them understand, manage, and even predict their energy costs. We now provide our customers with tools such as proactive bill analysis and alerts, one-click rate comparisons, and home energy analysis. Our Energy Toolset also gives tips to help customers manage costs on exceptionally hot or cold days, recommendations and services as seasons change, and data on the connections between the weather and the size of their bill. The Energy Toolset allows our customers to take control of their energy bill while helping the utility forego future power generation needs.



Lakeland Electric Executive Team



**JOEL
IVY**
General Manager



**MIKE
BECKHAM**
Assistant General Manager - Production



**JOEY
CURRY**
Assistant General Manager - Energy Delivery



**GINA
JACOBI**
Assistant General Manager - Fiscal Operations



**DAVID
KUS**
Assistant General Manager - Customer Service

Powered for LIFE

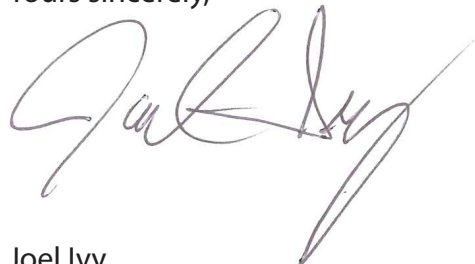
2017 was a year to remember for the City of Lakeland and Lakeland Electric. However, one event took center stage - Hurricane Irma. "Rare" is the word to describe Hurricane Irma, as our service territory was very close to the worst part of the storm, the northeast quadrant. Our citizens were besieged with very heavy rains causing flooding and winds with enough velocity to topple trees. While we lost very few poles, relatively speaking, the damage caused by tree and other debris knocked power out to 80,000 of our 125,000 customers. The trajectory of the storm straight up the spine of Florida greatly diminished the availability of help from our nearest neighbors, as they were faced with the same restoration scenario as we were. The path that lay ahead of us was daunting, but we had a plan.

First, we carry a strong reserve margin of electricity as well as finances to help us in times of crisis. Our Utility Committee and City Commission is very supportive in ensuring our rates and associated revenue streams are fair to customers and fair to the utility. In fact, our rates remain among the most competitive in the State. Living in peninsular Florida necessitates a strong financial position, as it did in 2004 when our area witnessed three separate storms near or over our service area. This strength is why we are affordable.

Second, within three days following the storm, our dedicated employees rose to the occasion and restored power to seventy-five percent of those affected by power outages. We worked sixteen-hour days, manning the phones, working social media, and repairing our coal generator. We repaired the system where we would energize the most customers and restored in the most critical areas, like hospitals and public safety agencies. By the end of day three, our plan was in full effect. We received linemen and tree crews from Oklahoma and North Carolina. By the end of the twelve days of restoration, we had fed and worked over four hundred and fifty people, which is about three to four times larger than our normal workforce. This type of action-oriented execution of our plan is what keeps us dependable.

Finally, I want to say thank you to the thirty-nine cities and contract companies that reported for duty in Lakeland. From Texas to Michigan's Upper Peninsula, we had the best support we could have hoped for. Being a sustainable enterprise means having a plan that will meet your goals. With the mutual aid in combination with the exceptional response of our employees to Irma's devastation, we showed our customers we were committed to returning their lives to normal as quickly as possible and gave them peace of mind during a difficult time.

Yours sincerely,



Joel Ivy
General Manager
Lakeland Electric





CITY OF LAKELAND COMMISSION

William
Mutz
Mayor



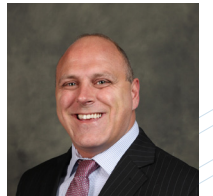
Phillip
Walker
Northwest



Bill
Read
Northeast



Justin
Troller
At-Large



Michael
Dunn
Southwest



Scott
Franklin
Southeast



Stephanie
Madden
At-Large



CITY OF LAKELAND MANAGEMENT

TONY
DELGADO
City Manager



BRAD
JOHNSON
Deputy City Manager



SHAWN
SHERROUSE
Assistant City Manager



CITY OF LAKELAND UTILITY COMMITTEE CITIZENS

Joe
Childs
Outside-City-Residential



Daryl
Johnson
Inside-City-Residential



Terry
Dennis
Industrial



Mike
McGee
Commercial



March 2018

To the Ratepayers of Lakeland Electric:

We are pleased to present you with our Popular Annual Financial Report (PAFR), as defined by the Government Finance Officers Association (GFOA), of Lakeland Electric (LE) for the fiscal year ended September 30, 2017. The following pages provide a summary of your Electric Utility's major initiatives, statistical data, and financial condition.

The financial information presented here is summarized and does not substitute for the Comprehensive Annual Financial Report (CAFR). The CAFR details LE's financial position and operating activities for each fiscal year, in conformity with Generally Accepted Accounting Principles (GAAP). This PAFR, by its summary nature, is not intended to conform to GAAP and associated reporting standards set forth by applicable governing bodies. Both the budget and CAFR have received awards for outstanding financial reporting from the GFOA.

We hope this report will give you a better understanding of Lakeland Electric and its financial condition. We welcome your comments and suggestions.

You may find other information regarding Lakeland Electric, including this Annual Report (PAFR), annual budget and CAFR, on the City of Lakeland's website:
www.lakelandgov.net

Respectfully submitted,



Gina Jacobi, MBA, CGFM
Assistant General Manager – Fiscal
Operations

BY THE
NUMBERS

Retail kWh
SOLD
3 Billion

Number of
Employees
510



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

City of Lakeland, Florida
Department of Electric Utilities

For its Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016



Executive Director/CEO

CUSTOMERS 128,535



NUMBER OF CUSTOMERS



CUSTOMER CONSUMPTION

OPERATIONAL REVENUES \$303.5M



CUSTOMER REVENUE

NON-FUEL EXPENSES \$99.2 M



FUEL EXPENSES \$120.5M



OUR VISION

Powering our community with
excellence in energy solutions.

OUR MISSION

Committed to providing safe, reliable, competitive, and environmentally
responsible energy solutions to enrich our customers' quality of life.

CORE VALUES

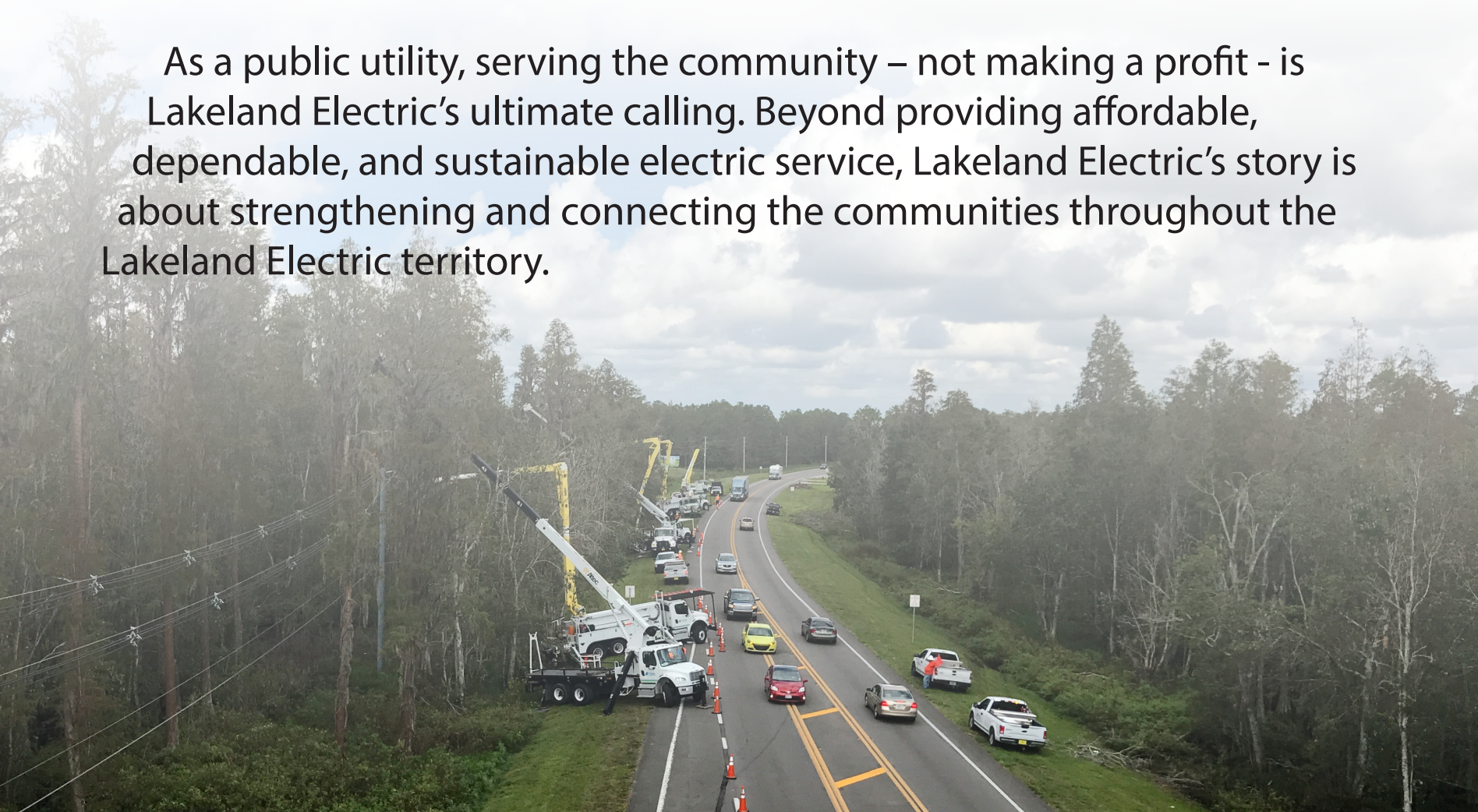
Appreciation, customer focus, safety, diversity, accountability, initiative, teamwork,
integrity, open communication.

#1904

For over one hundred and ten years, Lakeland Electric has been a public utility owned by the City of Lakeland. Having a locally-owned power company since 1904 has shaped the greater Lakeland community for the better. Thanks to the dividends generated by Lakeland Electric for the City, Lakeland is known for many things, in particular for its outstanding police and fire emergency services as well as beautiful roadways, parks, and recreational amenities.

Service, not Profit

As a public utility, serving the community – not making a profit – is Lakeland Electric's ultimate calling. Beyond providing affordable, dependable, and sustainable electric service, Lakeland Electric's story is about strengthening and connecting the communities throughout the Lakeland Electric territory.



Three Priorities

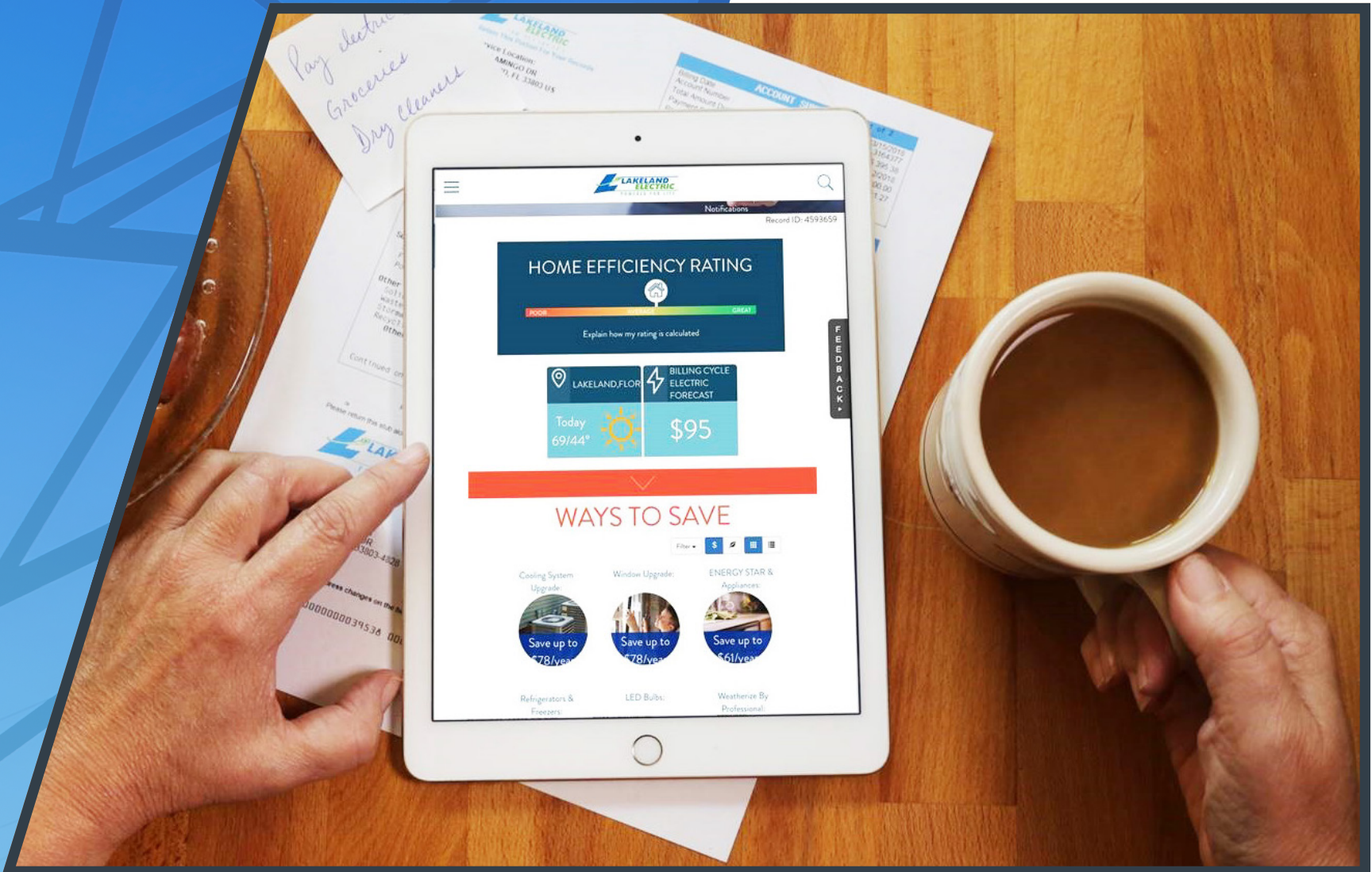
Lakeland Electric has changed a lot since 1904, but our priorities have always been the same: taking care of our customers, our environment, and our community. These priorities are the focus of our story and represented by the following three icons: My Lakeland Electric Account, ReEnergize Lakeland, and Community Giving.

MY ACCOUNT
LAKELAND ELECTRIC

REENERGIZE
LAKELAND

COMMUNITY GIVING
LAKELAND ELECTRIC





MY ACCOUNT

LAKELAND ELECTRIC

We provide customers with essential services that keep their lives humming along. The Lakeland Electric customer experience includes several components. From setting up a customer profile on the website's new digital Energy Toolset to paying a bill at an Express Pay Kiosk, we strive to create customer experiences that are easy and pleasant.

We encourage our customers to take advantage of our convenient programs, like the Pay As You Go billing method. Because of the busy lives our customers lead, knowing there are 8 Ways To Pay, makes paying your bill effortless. These positive interactions are achieved thanks to investments in our employees as well as technology.

All these things (and many more!) make up what it means to be a customer of Lakeland Electric.





The logo for ReEnergize Lakeland features the word "REENERGIZE" in a bold, sans-serif font. The "RE" is in blue, and "ENERGIZE" is in green. A green swoosh underline is positioned under "ENERGIZE". Below this, the word "LAKELAND" is written in a smaller, blue, sans-serif font.

REENERGIZE LAKELAND

To maintain a vibrant community, we must always keep our eyes on the future. ReEnergize Lakeland is a group of programs that allow our customers to save electricity, learn about energy conservation, and improve the environment all at the same time. Our ReEnergize Lakeland programs focus on Solar, Tree, and Energy Efficiency projects to help keep Lakeland green. By protecting our environment, encouraging evolving energy technologies, and providing ways to conserve energy and save money, Lakeland Electric helps create a sustainable future for everyone.





COMMUNITY GIVING

LAKELAND ELECTRIC

A green swoosh graphic that starts under the word 'GIVING' and curves under the word 'ELECTRIC'.

As a publicly-owned utility, Lakeland Electric ranks giving back to the community as a high priority. Lakeland Electric works with charities, schools, sports, and the arts within our territory, making it a better place to live, work, and play.

We do this in many ways. For example, we offer grants to local charities, scholarships to students, and sponsor and volunteer at many community events throughout the year.



KEY FINANCIAL TERMS:

Operating Revenues

Revenues that are earned as a result of the utility's business operations

Operating Expenses

Expenditures that the utility incurs as a result of business operations

Depreciation

Allocation of cost of an asset over its useful life

Other Transfers

Payments from (to) the utility to (from) city government, excluding dividend

Dividend

Yearly payment from the utility to city government based on MWh consumption

Investment Income

Earnings on the utility's investments

Asset

Resources that the utility owns

Liability

The utility's legal debts or obligations

Net Position

The difference between the utility's assets and deferred outflows, and liabilities and deferred inflows

Deferred Inflows/Outflows

Flows of resources into and out of the utility during the fiscal year that are related to future periods

FINANCIAL ACTIVITY

OPERATING REVENUES

Sales of energy - retail
Sales of energy wholesale
Other electric operating revenue

OPERATING EXPENSES

Fuel and purchased power
Non fuel expenses
Depreciation, net

OPERATING INCOME

NON-OPERATING ACTIVITY

Investment and other income
Interest and amortization
Dividend and other transfers, net

CHANGE IN NET POSITION

Condensed Statement of Revenue, Expenses and Changes in Net Position
September 30, 2013 through 2017 - In thousands

2017	2016	2015	2014	2013
\$291,555	\$283,302	\$296,955	\$295,628	\$281,798
4,643	5,789	5,521	3,840	13,372
7,286	7,462	7,027	6,870	6,886
303,484	296,553	309,503	306,338	302,056
120,510	109,466	124,528	134,396	135,104
99,223	83,364	89,451	81,469	77,257
38,269	41,784	40,734	39,482	37,817
258,002	234,614	254,713	255,347	250,178
45,482	61,939	54,790	50,991	51,878
5,832	6,795	4,227	15,549	748
(17,660)	(18,385)	(18,786)	(21,578)	(22,737)
(28,448)	(30,678)	(29,506)	(25,517)	(24,095)
(40,276)	(42,268)	(44,065)	(31,546)	(46,084)
\$5,206	\$19,671	\$10,725	\$19,445	\$ 5,794

CREDIT RATINGS

AA

STABLE
Standard & Poors™

AA-

POSITIVE
Fitch™

Outlook updated early fiscal year 2018

Aa3

STABLE
Moody's™

FINANCIAL ACTIVITY

ASSETS

Current assets
Utility plant, net
Other noncurrent assets

DEFERRED OUTFLOWS OF RESOURCES

LIABILITIES

Current liabilities
Noncurrent liabilities

DEFERRED INFLOWS OF RESOURCES

NET POSITION

Net investment in capital assets
Unrestricted

REVENUE SOURCES

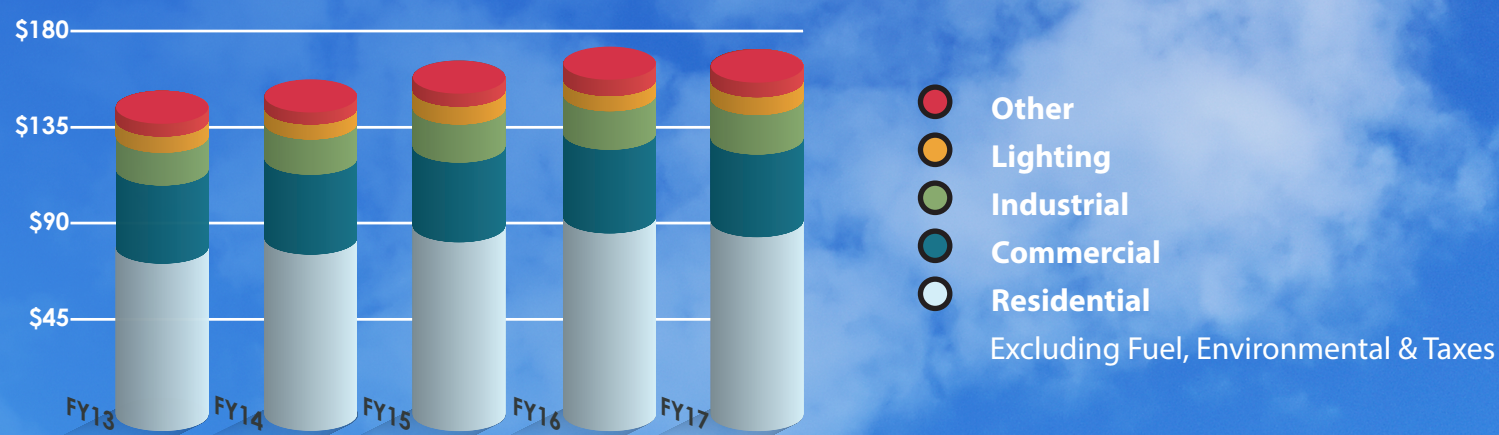
In millions

○ Taxes	\$7.2
● Other	\$7.3
● Wholesale	\$4.6
● Environmental	\$7.8
● Fuel	\$114.6
● Base	\$162.0



Condensed Statement of Net Position
September 30, 2013 thru 2017 - In thousands

2017	2016	2015	2014	2013
\$167,326	\$165,568	\$150,372	\$147,139	\$153,401
649,740	656,497	666,644	675,503	678,435
90,183	96,469	86,158	83,799	86,430
907,249	918,534	903,174	906,441	918,266
70,391	92,266	70,498	64,307	57,681
56,990	49,637	42,995	59,337	88,981
517,251	560,460	550,149	559,938	505,548
574,241	610,097	593,144	619,275	594,529
64,535	67,045	66,541	54,182	47,629
222,755	211,864	203,263	192,567	164,258
116,109	121,794	110,724	104,724	169,531
\$338,864	\$333,658	\$313,987	\$297,291	\$333,789



FINANCIAL ACTIVITY

In 2017, the utility's income was adversely impacted by Hurricane Irma, the most intense hurricane to strike the continental United States since Katrina in 2005. Irma inflicted widespread damage to the Lakeland Electric system and a majority of the utility's customers lost power for 3 – 12 days. The loss in sales immediately following Irma's landfall coupled with milder weather overall resulted in a 1.7% decline in energy consumption. Customer growth was solid at 1.4%.

Although operating revenues rose \$6.9 million, or 2% from 2016, the growth was more than accounted for by higher fuel revenues of \$11.8 million. (Fuel revenue is a pass-through and its increase was associated with higher fuel and purchased power costs, reflecting 28% increase in the average cost of natural gas.) Excluding fuel, retail revenues decreased \$3.5 million reflecting the 1.7% sales decline mentioned above.

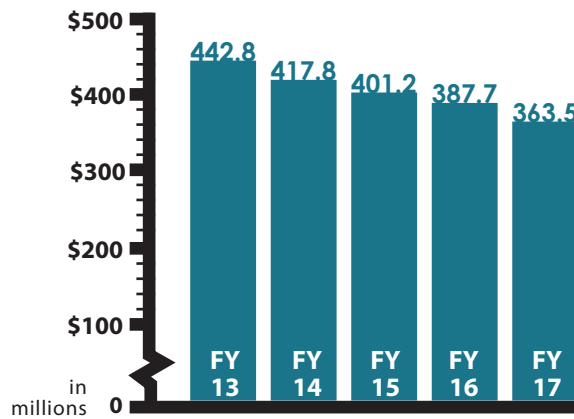
Non-fuel operating expenses were \$16.1 million higher than 2016 reflecting \$10.4 million in hurricane restoration costs and an increase of \$4.3 million in Administrative and General expenses. (In 2016, Administrative and General costs were lower because of adjustments made to the pension liability in accordance with Generally Accepted Accounting Principles.)

EXPENSE BREAKDOWN

In millions

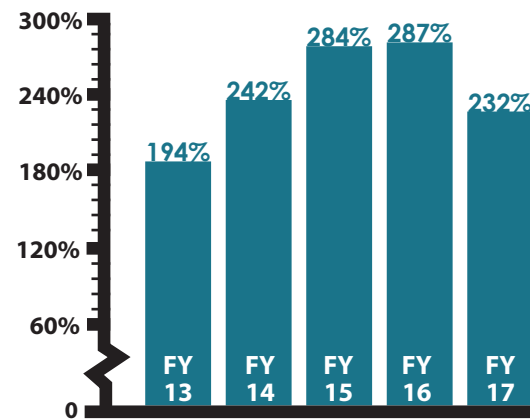
○ Customer Service.....	\$8.0
● Taxes	\$7.2
● Delivery	\$31.7
● Admin & General	\$22.9
● Production	\$29.4
● Depreciation	\$38.3
● Fuel.....	\$120.5





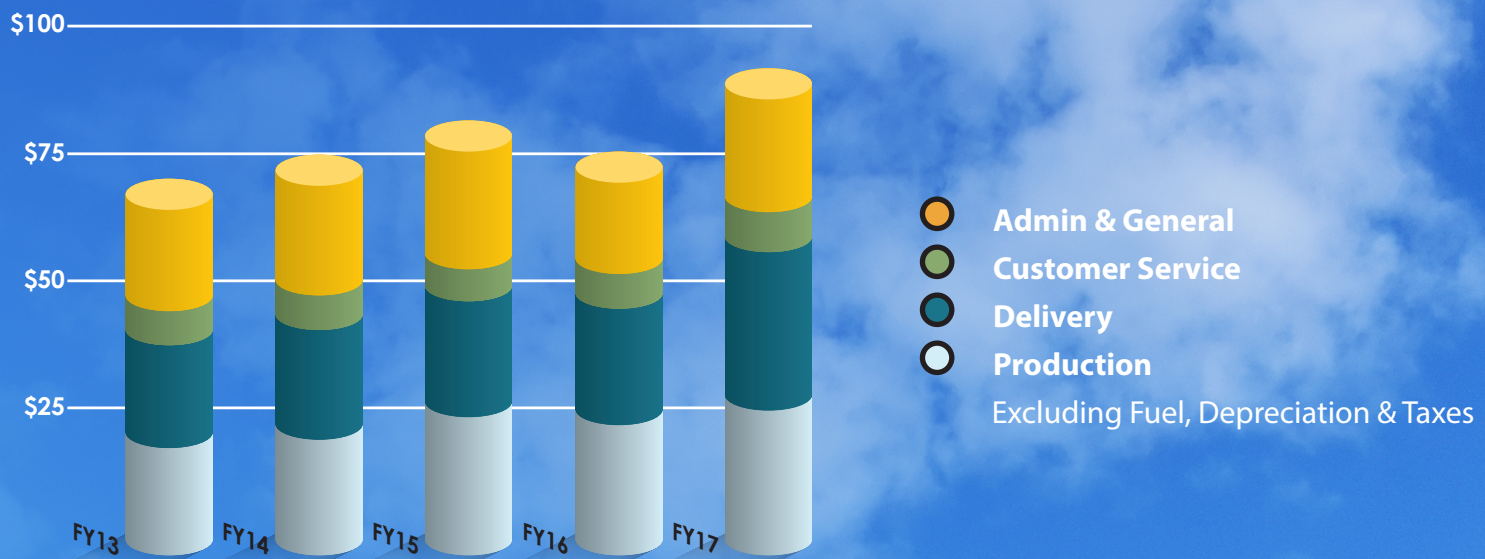
LONG TERM DEBT

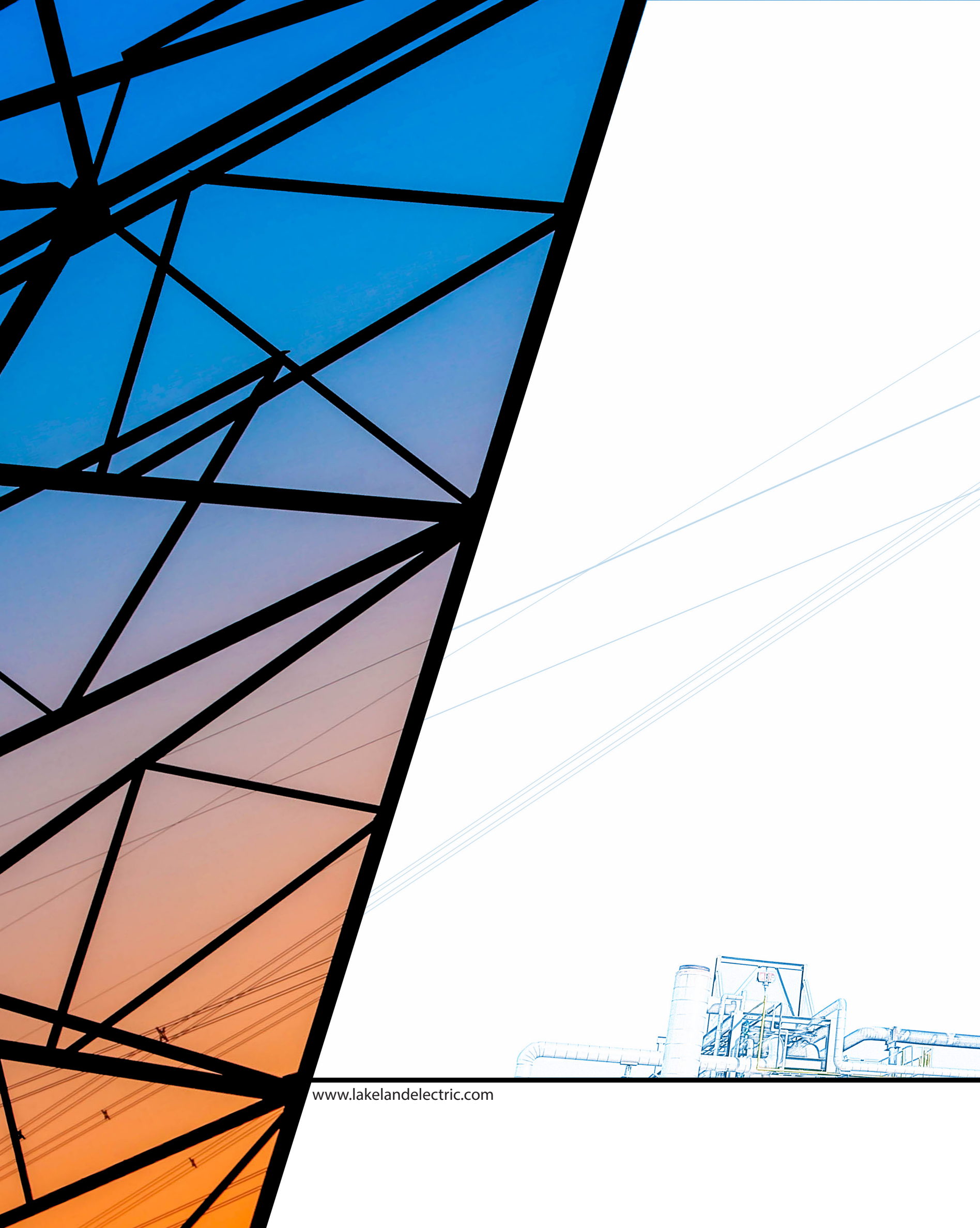
At the end of 2017, the amount of debt outstanding totaled \$363.5 million, down \$24.3 million from 2016.



DEBT SERVICE COVERAGE

This ratio is a measurement that demonstrates an entity's ability to pay its annual debt service made up of both principal and interest. Lakeland Electric's bond covenant requires debt service coverage of at least 150%, but through a conservative approach to finances, an internal benchmark of 200% has been long established. Debt Service coverage exceeded the benchmark at 232% in 2017.





www.lakelandelectric.com