

# KEYNOTE ADDRESS TO MEMBERS

## *attending SECO's Annual Meeting*

Saturday, March 27, 2010

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*James P. Duncan, Chief Executive Officer*



Good morning and let me also welcome you to the 72nd edition of our Annual Meeting of the Members.

There is just something special about spending a pleasant Saturday morning in March with several thousand of our closest friends, so... Thank you for coming.

Mr. Vick mentioned the new facility that we are in today and I want to talk briefly about it.

The former "Pole Barn" structure was constructed approximately forty years ago and had served a long and useful life. Unfortunately, it was to the point of requiring an entirely new roof structure to insure its continuing usability and safety.

After evaluating the options for the repairs, we determined that we could construct this hurricane hardened steel structure for less money than simply replacing the roof structure on the previous building. For less money, we ended up with about the same size structure with no internal support columns which allows us to add approximately six hundred additional seats under roof.

Since the structure is hurricane wind rated, it will be used for staging visiting crews who are here for service restoration following major storms or hurricanes. In addition, we will use it to store construction materials that are better protected under roof. So although it makes an extremely nice Annual Meeting facility, I assure it is used much more than this one day a year.

Let me pause to also thank all of our employees who have worked so hard to get this facility ready for you, to prepare and serve the refreshments, and to answer your questions in the Tech Tent. They do a great job in preparing for and conducting this meeting and I sincerely appreciate their efforts and I know that you do as well. *(pause)*

Before we go any further, I would like to ask any active-duty military, current reservists, and all veterans to stand and be recognized. *(pause)*

Thank you all for your past and current service to help preserve the freedom that unfortunately we tend to all take for granted.

Each year, as the Annual Meeting date approaches, I spend a fair amount of time trying to decide what topics to cover in my fifteen to twenty minute talk with you.

Last year, I focused a great deal on three topics:

- The incredible amounts of money our government was spending and apologized to "drunken sailors" for equating them to fiscal irresponsibility
- The Cap and Trade tax and the potential huge cost impacts
- Climate Change Evangelists and the coming spectacle of their conference in Copenhagen... or Copenhagen if you are quite sophisticated.

Overall, the reaction to those comments last year was very positive and a huge majority of you agreed with my concerns. I must note, however, that at least one member of the audience was not particularly impressed.

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On the following Monday morning I received an anonymous email blasting me for my political rant and comparing me to Rush Limbaugh, George W. Bush, Gary Morse (Developer of The Villages) and Jimmy Swaggert.

So I guess, at least in that person's opinion, at some point in my comments I went from being ultra conservative to preaching. I'll try not to do that this morning. Nevertheless, I still have virtually all of those same concerns except, in some cases, they have gotten stronger.

So first, let's revisit the spending.

Since I spoke with you last, our Federal deficit has increased by approximately two trillion dollars give or take a few billion and that doesn't even consider the huge unfunded liabilities we're all facing. But what are a few billion or even trillion among friends.

Let's try and put a trillion dollars in perspective.

If someone had started spending a million dollars a day on the date that Christ was born and his heirs had continued that spending through today, they still would not have spent a trillion dollars.

In fact, that total spending would be about the same or a little less than last year's huge federal Stimulus program.

Our spending is so out of control that the AAA Credit rating of the USA is in jeopardy! Our current level of spending is simply unsustainable and let me stress that it is not one party. Both are equally guilty and both overload our spending authorizations with huge amounts of earmarks that are so ridiculous many of them can't even pass the laugh test.

And speaking of laugh tests, the past twelve to fifteen months have not been particularly kind to the Climate Change Evangelists.

Although a number of us have long suspected that the so called "settled science" was heavily distorted, we were still shocked at the revelations that began surfacing from the primary University responsible for climate change data and by the previously renowned United Nations Intergovernmental Panel on Climate Change (the IPCC). Both of those institutions received some rude wake up calls since we met last.

Let me start with the once prestigious University of East Anglia Climate Research Unit aka the CRU which had been the primary research institution responsible for the so-called scientific data regarding climate change. Although initially ignored by the so called main stream media, the hacked emails from researchers at the CRU soon became public and certainly indicated that, indeed, some of the climate change data had been manipulated.

This incident was informally referred to as "Climategate" and you know when they put "gate" at the end of a descriptor, it's not a really good thing.

The hacked emails revealed several potentially serious allegations including:

- Scientists plotting how to avoid responding to Freedom of Information requests from climate change skeptics
- Researchers discussing how to manipulate raw data from tree rings about historical temperatures
- The head of the research unit, Professor Jones, discussing using a "trick" to massage figures and "hide the decline".

Professor Jones subsequently resigned as head of the research unit and in later interviews admitted that the world's temperature had not risen since 1995.

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Later, Russian scientists complained that significant Russian climate data had apparently been tampered with at the Hadley Center for Climate Change which is also in Britain.

And now scientists and others from Canada, China and elsewhere are saying that temperature recording stations in more rural, colder areas of their countries have been ignored by the U.N. and others in favor of temperature stations in more urban, warmer areas to make it appear as if there is a marked warming trend.

And then we have the previously mentioned United Nations Intergovernmental Panel on Climate Change aka the IPCC. With this group, it's hard to really know where to start in terms of apparent corruption, politicizing, and general misrepresentation.

Their reports on climate change have been used by Al Gore and others to reinforce the case that global warming is real, man is the culprit, and we must do something right now to reverse it.

The IPCC has tried to portray itself as squeaky clean and had insisted that all of the conclusions in its reports were based entirely on solid, peer reviewed research.

That claim of peer reviewed research has been proven fraudulent through a series of recent scandalous revelations that call all reports from the IPCC in to question.

The list of erroneous pronouncements that have since been quietly adjusted or rescinded by the IPCC include such things as erroneous warnings about:

- Melting glaciers in the Himalayan mountains
- A decline of 40% of the Amazon Rain forest due to global temperatures
- Assertions that hurricanes were being caused by global warming with no scientific linking of such information.
- A significant error in the amount of land in various countries that lie below sea level and, hence, were threatened by rising sea levels.
- Errors in alleged rising in sea levels.

This is just the tip of the iceberg – no pun intended – of the erroneous data spewed by the IPCC in its hysterical obsession with forcing draconian changes on the world's economies to avoid their predicted climate disaster.

As I told you at this meeting last year, the culmination of their efforts was to have occurred at the Climate Change Conference in Copenhagen last December. That's when the world's leaders, particularly the industrialized nations, would succumb to the "obvious settled science" and commit to billions or trillions of dollars of wealth transfer, loss of jobs, etc.

Fortunately, Climategate occurred prior to the December conference and that plus the fact that the U.S. Senate had failed to take up the House passed version of Cap and Trade caused the Copenhagen event to essentially be a non-event.

Nevertheless, all of the so called protectors of the environment managed to tie up every available limousine in Copenhagen and, in fact, had to import others to assure that there was at least one limo for every attendee....not to mention all of the private and government jets - - A.K.A. "Air Nancy".

This was in spite of the fact that they had touted for months the amazing public transportation system available in Copenhagen. And not to be outdone, our own elected officials traveled to Copenhagen in mass and spent hundreds of thousands of dollars – probably millions in travel and living expenses to attend.

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The agenda as I reported to you last year was to force the developed nations like us to commit billions of dollars of wealth transfer to the so-called developing nations to assist them in reducing their CO<sup>2</sup> output.

One of the major ironies of the entire event is the fact that China with its massive economy is considered a developing nation and we would have been expected to borrow billions of dollars from them or whomever and then give it to China to assist them in implementing CO<sup>2</sup> reduction strategies.

The end result was that in the midst of a snow storm there was very little agreement and a very weak non-binding agreement was put in place. But the effort is ongoing and the IPCC is working to schedule the next Climate Change meeting in Rio in 2012 with hopes that more can be accomplished.

Back here in the U.S., since we last met, the U.S. House of Representatives has passed very disturbing Cap and Trade legislation but the Senate has not yet taken it up and appears somewhat reluctant to do so particularly in the aftermath of Climategate and the IPCC's revelations.

Nevertheless, as a secondary approach, the EPA has now released an Endangerment Finding regarding CO<sup>2</sup> and indicated that if Congress does not address the issue, they will under the Clean Air Act.

Frankly, historically, the EPA and the Clean Air Act have created a number of very worthwhile improvements in our pollution control abilities. However, the Clean Air Act was never intended to regulate CO<sup>2</sup> and, as one Democratic House member put it, to do so will be a "glorious mess".

Sumter Electric, Seminole Electric, our wholesale energy supplier, and the National Rural Electric Cooperative Association are all requesting that you help us stop the EPA from forcing new, reckless, and costly Climate Change laws on our industry. The Science does not support the EPA actions. It is the wrong agency to be doing it and will raise costs for everyone and now is not a time to rush new energy bills into law that will raise everyone's costs.

A number of House members and Senators from both parties have submitted legislation to prevent the EPA from assuming responsibility for regulating CO<sup>2</sup> output. Hopefully, they will be successful until the disputed science is made more clear as to the factual impacts of CO<sup>2</sup> on climate and humans.

I want to stress, however, that our industry and, particularly, our power supplier Seminole Electric have not stood still. Since its inception, Seminole and SECO have been dedicated to providing clean, safe, reliable, and very importantly cost effective power.

In Florida, Seminole has been proactive in developing renewable energy resources and has one of the largest renewable energy portfolios in Florida. Currently, about 4% of Seminole's total energy portfolio is from renewables.

Seminole recently spent more than three hundred million dollars installing and upgrading environmental equipment on its coal fired power plants in Palatka to meet new Federal environmental rules. This is on top of the two hundred thirty-three million spent on pollution control equipment when the plant was first brought into commercial operation in 1984.

Regulatory uncertainty is a significant problem in planning for generation resources that can take years to permit and build. Once again, our industry finds itself awaiting proposed new EPA rules to regulate carbon emissions.

Seminole and SECO are justifiably concerned that, despite our efforts to provide clean, low cost wholesale power, the new rules, if adopted, will result in higher electric bills for everyone.

Let me stop here and make a personal point.

Obviously, I don't know for sure whether or not CO<sup>2</sup> has significantly adversely affected our planet.

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Although some of you disagree with me, and especially in light of the past year's revelations about the settled science, I am equally convinced that the pro man made Climate Change faction does not have clear scientific data either.

In particular, I have no confidence in the ability of the United Nations and their Inner-governmental Panel on Climate Change to provide fair, unbiased, proven science on the topic.

My objective as CEO of your Cooperative is simply to assure that we don't have to make significant increases in your rates for electricity based upon "suspect" or "manipulated" scientific data.

Again, I understand that some of you disagree and I absolutely respect your right to do so.

In addition to our concerns about cost, these uncertainties regarding the appropriate types of generation also raise alarms about the reliability of our electrical system moving forward.

Frankly, if Florida's growth had continued on its 2006 pace and not been affected by the massive adverse impacts of the failing economy, we could already be facing limited supply.

With the significantly cold weather on the morning of January 11, SECO and most of the other utilities in Florida established a new all time system peak. Ours was 854 Megawatts - - million watts – a whopping 113 million watts or 15% over our 2009 peak.

Although we escaped any significant energy shortages on that morning, reserve margins in the state were absolutely razor thin. So that brings me to the next portion of my comments this morning and that's concern over our country's overall energy future.

Recently, I had the pleasure of hearing a presentation by Mr. John Hoffmeister, former Shell Oil President who said the following: "*The energy abyss is on the way*" and, he said, "*it's coming within a decade.*"

Hoffmeister who started Citizens for Affordable Energy after leaving Shell Oil continued with the following quote:

*"All we have to do, Ladies and Gentlemen, is look at a few facts. In the last five years, this nation has shelved more than 100 new coal plants to produce electricity. We haven't built a new nuclear plant in twenty years – and that was permitted more than thirty years ago, but it took over a decade to build."*

He went on to say that for the past forty years we have been living on the legacy infrastructure, the energy infrastructure that was built between the 1910's and the 1970's.

*"Nothing has been new in the major infrastructure build-out of this country that wasn't either already built or imagined by the 1970's."*

In fact he contends the United States is on a course to maintain "*the status quo that we have had since Richard Nixon first introduced the concept of energy independence and promising it within seven years.*"

That was 1973 when Americans were waiting in gas lines. He goes on to say,

*"our job as energy leaders is to make sure that every American, every customer, every user of electrons, every user of liquid fuels understands the truth, the facts of what the energy situation is all about."*

Ladies and Gentlemen that is why we have continued to express concern about the direction of energy policy in this country and the uncertainty that it has created which leads to major limitations on what companies are willing to invest in terms of generating capacity.

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It is imperative that we as a nation utilize every available source of energy here in the U.S. to avoid the inevitable dependence on foreign sources.

We have incredible resources in coal, natural gas, oil and wind and solar that can be effectively combined with nuclear to assure an affordable reliable energy future. Frankly, with regard to our energy future it is time for our National and State leaders to LEAD, FOLLOW OR GET OUT OF THE WAY and allow us to get on with the job of assuring that affordable, reliable energy future.

To that end, we need your assistance to get that very basic message to our Federal and State leaders when it comes to energy.

LEAD, FOLLOW OR GET OUT OF THE WAY.

We have talked about energy independence in this country for decades and it is long past time to get on with it. So let me close this portion of my comments with a very candid explanation that's the same as what I told you the last year.

I am devoting so much of my time and SECO's communication efforts to this topic for a somewhat selfish reason.

When your electric bills go up because of the impact of Carbon taxes or Cap and Trade or EPA regulation or whatever exotic title they give it, I want to be able to truthfully say that I warned you what was coming and did all that I could to stop it.

So now it's your turn to again demand answers from our elected officials.

After all...they are supposed to work for us.

Thank you for indulging me in my soapbox rant this morning. I certainly appreciate your attention.

I am Jim Duncan and I approve this message.

So, in closing – I know that's the words you've been waiting for – let me just emphasize that it is a privilege and an honor to work with our Board of Trustees and our tremendous employee team to deal with the challenges of providing reliable electric service while trying to keep costs affordable in an extremely challenging environment. Again I want to thank you for your attention this morning and certainly hope that you enjoy the rest of your morning with us.



WILSON SHEPPARD'S PLAQUE

Now, on a totally different topic, I want to inform you that, Mr. Wilson Sheppard, one of our long term SECO Board members, advised us that he will be retiring from his Board position effective the end of this month. I can assure you that Mr. Sheppard will be tremendously missed by all of us.

To fill this vacancy in accordance with our Bylaws, a letter will be going out to all of the members in Mr. Sheppard's Trustee District #8, advising them of a Special District Meeting on April 29th at the Tavares Middle School to elect a successor to Mr. Sheppard. Those will certainly be big shoes to fill.



So now I would like to invite Mr. Vick, our Board President, to come forward and present a plaque to Mr. Sheppard honoring his nineteen years of service on our Board.

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The plaque recognizes:

- Mr. Sheppard's nineteen years of service.
- The record growth during that period.
- His service as our SECO Board President from 1996 to 2002 and from 2004 to 2009
- His service as our delegate to Seminole Electric from 1991 to 2008 including serving as Seminole's Board President from 2000 through 2003.

Mr. Sheppard you have certainly had a very distinguished time of service on our Board during a very rapidly changing period and we sincerely thank you for all of your contributions during those nineteen years.



And now, before I attempt to answer any of your questions in the Old Business/New Business questions and answer segment of our program, let me again suggest some ground rules.

As usual, we have a very large audience again this morning and I request that if you have a question relating to your specific individual electric service that you hold those questions for discussion with one of our Staff members.

All of my direct report departmental directors are located to my right next to the stage and will be pleased to discuss with you and to attempt to resolve your individual concerns.

They, and I will remain there for at least 30 minutes after the meeting is officially adjourned during the prize drawings.

So with that request, are there any general questions or comments that you want to share with us?