

KEYNOTE ADDRESS TO MEMBERS

attending SECO's Annual Meeting

Saturday, March 26, 2011

James P. Duncan, Chief Executive Officer



Good morning and let me also welcome you to the 73rd edition of our Annual Meeting of the Members. Or as we like to call it — Saturday Morning Live with several thousand of our closest friends. So thank you very much for coming.

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.

Also, before we go any further, I would like to ask any active duty military, current Reservists, and all Veterans to stand and be recognized. Thank you all for your past and current service to help preserve the freedoms that unfortunately we all tend to take too much 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. This year, I will start with a bit of a change of pace and talk about customer service and why it is so important to us.

First, let me just stress that at SECO customer service is not a department! It is a corporate culture and an overall guiding philosophy for all of us. That's why, for example, we have kept our local offices open while many others have closed theirs in the interest of cost control. We think being able to access our personnel in a convenient local setting is important for good two way communication and problem resolution. It also makes it easier for our 173,000 member who are spread out over our 2,000 square mile service territory to do business with us.

Since Cooperatives are not-for-profit, our prime mission is to provide you the best possible service at the lowest financially responsible cost. In general while prices for food, gas, and other commodities have been skyrocketing lately, we have actually been able to keep your rates under control and very competitive.

In fact, thanks in large part to the exceptional work of our power supplier, Seminole Electric Cooperative, we were able to announce a reduction of almost \$4 per 1,000 kilowatt hours in your cost of electricity effective January 1 of this year. In addition last November, as President Vick mentioned, we returned \$3.4 million to our members in the form of Capital Credits and have returned approximately \$20 million in the last several years. You expect the power to be there when needed and good customer service also means keeping the reliability of your electric service at an extremely high level.

Our overall system reliability indices for 2010 were essentially world class. Through the hard work of the men and women who work daily to assure the reliability of our service, we were able to assure that when you flipped the switch the power was there over 99.98% of the time. And when outages did occur, the response time to fix the problems was exceptionally quick.

To enhance the professional efforts of all of our employees, we also invested approximately \$1.6 million per month during 2010 making improvements to the electric system to assure the high reliability that you expect and deserve. Throughout the year, we very heavily promoted energy efficiency and conservation to assist you in reducing your power bills.

A number of examples of energy saving tips were on display in our Technology tent this morning. In addition, we offer many programs including free in-home energy audits that can help cut energy costs dramatically. Likewise, SECO energy experts are in the community constantly making energy savings presentations to service clubs, church groups, home owner associations, etc.

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The professionals in our Call Center make it easy to talk to a real person when you have a question about your account. And let me stress, the Call Center is located here in Sumterville — not in some other state or even another country.

I am also very proud of the service we offer to members when they install a solar power system on their property. We were the first electric cooperative in the state to offer true net metering for home solar panels. This allows members to sell excess power generated by the solar array back to SECO at full retail rates.

Unfortunately, there are all kinds of con artists out there determined to separate you from your hard earned money. And many of them are using energy related scams and even claiming to be SECO employees to initiate their fraudulent money grabs. Frankly, that ticks us off and we are taking an active role in protecting our members from these consumer scams.

We also constantly look for bad legislation that can have a negative impact on your lifestyle or your rates by unfairly subsidizing products or services. So that's just a quick summary of some of the things that we do under the banner of customer service that regularly translates to very high customer satisfaction on your part. Indeed, you regularly give us very high marks when it comes to customer satisfaction.

When a customer survey is done by either J.D. Power and Associates or NRECA's Market Research Services, our customer satisfaction scores are some of the highest in the nation. In fact, our most recent Annual Survey in November again showed that you rate us very highly. A statistically valid sample of members in Sumter, Lake, Marion and Citrus counties was telephoned surveyed. Overall, you gave us a satisfaction rating of 8.78 on a 10 point scale with 70% of the members giving ratings of 9 or 10. Some of the areas on which we scored very highly were:

- Having courteous and friendly employees
- Having accurate and understandable bills
- Supporting the local economy
- Being environmentally sensitive
- Minimizing longer outages
- Restoring power quickly after an outage, and
- Keeping members informed

Included within the survey were questions which compute the nationally recognized American Customer Satisfaction Index (ACSI). Our ACSI score of 83 was again one of the highest in the industry and ranked higher than the average for all of the nation's Touchstone Energy co-op's, the investor-owned utilities in Florida, and was 8 points above the electric industry average of 75. We certainly appreciate that type of input which helps us gauge the issues of importance to you.

We pledge to continue to operate the Cooperative in a fiscally responsible manner while not losing sight of the high premium you place on customer service, reasonable rates, and service reliability. Okay, enough of that, I know you are expecting my annual soap box rant so here it comes.

It is unfortunate that our Federal government hasn't learned the lesson of efficiency, low cost, and staying out of issues they were never intended to handle. Unfortunately, there is a growing trend in our government whereby agencies staffed by unelected political appointees and faceless bureaucrats are making rules that affect us all. These agencies have, in some instances, bypassed the legislative process entirely or have been allowed to plunge head long into virtually irrevocable rule making without proper oversight.

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One such example is what's happening today at the U.S. Environmental Protection Agency (EPA) with regard to greenhouse gas regulations. This agency's actions, if left unchecked, will hit every one of us squarely in the pocketbook when it comes to electrical cost.

Regular readers of our *SECO News* and veterans of our Annual meetings know that we were strongly opposed to the Cap and Trade bill that was originally passed in the U.S. House of Representatives. Thankfully, that atrocious piece of legislation did not make it through the Senate where it had bipartisan opposition. President Obama himself had stated that passage of a Cap and Trade style bill would necessarily cause consumer power bills to skyrocket.

When it became clear that a Cap and Trade style bill was not going to be passed by the overall Congress, the EPA threatened bureaucratic action to regulate greenhouse gases like carbon dioxide under the Clean Air Act so as to put pressure on Congress. Let me pause and remind you that the Clean Air Act was passed decades ago – long before carbon dioxide and other greenhouse gases were even on the radar screen of concern.

Potential regulation by the EPA prompted veteran Democratic Representative John Dingle who authored the Clean Air Act, to state that having the EPA regulating greenhouse gases under the Act would result in a “glorious mess,” since the Act was never intended for that purpose. Nevertheless, having failed legislatively to impose draconian costs on carbon, the EPA's back door approach is well underway. New rules recently went into effect from the EPA that will make the cost of new fossil fuel generation prohibitive and will likely adversely affect the cost of operating existing power plants. That in turn will affect the power bills of all customers.

Keep in mind, that the EPA is initiating these rules without a mandate from Congress or from the American people. It now appears that a bi-partisan majority in Congress understands that the Cap and Trade bill or EPA regulation of greenhouse gases will have a catastrophic effect on cost and do very little to reduce the volume of such gases. They are upset, on both sides of the aisle, with the EPA proposals and are working to find ways to suspend, delay, or limit the impact of these rules. Frankly, we wish them well.

For our part, we are going to continue to engage our elected officials about the realities of the EPA's actions and the crushing financial impact those actions will have on the people of the nation and on our struggling economy.

On a related topic, let me just express my concerns about our national energy policy.

WE DON'T HAVE ONE!

LET ME REPEAT – WE DON'T HAVE ONE!

The fact of the matter is that we haven't had a serious national energy policy in this nation for forty years and certainly don't have one now. I know a few of you in the audience are old enough to remember the Arab Oil Embargo in the 70's during the Presidencies of Richard Nixon and Jimmy Carter. During those trying times of long gas lines, rationing of quantities, etc. both Presidents expressed resolve that we as a nation would become independent of foreign oil. Well, that didn't happen then, nor has it happened during the Presidencies of:

- Reagan
- Bush 41
- Clinton
- Bush 43, or
- Obama

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What should have been a wakeup call for each of these Presidents, of the need for a comprehensive national energy policy has routinely been ignored for various political reasons. Nothing much has changed as of today.

The lack of energy policy allows us to be threatened with shortages of oil or extremely high prices by countries that aren't very stable and really don't like us very much. Unfortunately, for political and special interest reasons we too often throw out the phrase "independence from foreign oil" to justify actions that really have no impact on our usage of oil. For example, our leaders attack the use of fossil fuels to generate electricity in the name of reducing our dependence on foreign oil. Frankly, that's absurd and rather disingenuous. In other words — they are lying!

The quantity of oil used in the generation of electricity across the nation is miniscule – .9% of U.S. generation. Unfortunately, however, because of the lack of any formal, comprehensive energy policy from any of our leaders for the past forty years we have to continually deal with Mid-East dictators, worry about the oil supply, and pay billions of dollars to other nations who either hate us, or would like to kill us, or both.

The reality is that we have enormous reserves of both coal and natural gas in this country that are virtually untapped and free of the restrictions of foreign nations. So what is our current political climate for energy independence here at home?

Well, let's look at a few examples:

- Our Secretary of Energy, Dr. Stephen Chu, has lamented that we need to get our price of gasoline up to the level of European countries - \$7 or \$8 a gallon – to encourage Americans to buy small, fuel efficient vehicles and to conserve.
- Our Secretary of the Interior, Mr. Alberto Salazar, has consistently put up huge roadblocks to the domestic exploration of and drilling for our own oil.
- The EPA Secretary, Ms. Lisa Jackson, has initiated an all out assault on coal burning power plants without offering any reasonable alternatives in the interest of reducing greenhouse gases while we are also exporting huge quantities of coal to China to burn in their power plants.

Coal accounts for 45% and natural gas 24% of our U.S. electrical generation. And,

- Our own President while on his recent trip to Brazil praised the Brazilian efforts to drill for oil off of their shores and stressed that we will be a very eager customer for the oil. And, that we will assist with \$3 billion of financial support of their drilling efforts. What is wrong with this picture?

We have vast resources of coal, natural gas, and oil that for political reasons we are unable to use. We export our U.S. coal and buy foreign oil. With regard to nuclear power, obviously the events in Japan have been tragic but we can't totally abandon the use of nuclear power here in the U.S. as a result. It is 20% of our electrical generation. Instead, we must insure our plant safety and make sure that new plants have the best and safest designs possible — and deal properly with spent fuel disposal. Frankly, if this country can place men and women on the moon and can launch and return space shuttles safely, we can surely find a design for nuclear plants that can withstand the challenges of nature and of terrorists.

We must also continue to develop alternate energy and renewable fuels because they can contribute to energy independence. However we cannot delude ourselves into thinking that wind and solar power can meet much of our nation's total energy needs. That day is many, many years away and, in reality, may never arrive due to the intermittent output of those facilities and the limitations on storage of electricity. Nevertheless, research and development need to continue.

The bottom line is that we can and must significantly reduce our dependence on foreign oil. It can be done, but we have to be honest about how we do it. In other words, someone needs show some leadership to step up and develop a national energy policy that incorporates everything in the toolbox:

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- Coal
- Natural gas
- Nuclear
- Solar
- Wind
- Bio-fuels
- Battery technology

Or, as I said last year — LEAD, FOLLOW, or GET OUT OF THE WAY.

Hopefully that will happen but in the meantime, we will continue advocating for sensible policies and keeping you informed of the results. And as I told you last time, it is also your responsibility to demand answers from our elected officials. After all, they are supposed to work for us.

Well let me stop and say that I know that some of you will interpret my comments as having been unduly partisan but let me stress that my criticisms were leveled at four Republican presidents and three Democratic presidents — so I have tried to be as non-partisan as possible. And that is because frankly I think both parties have historically been blinded by power and have collectively spent money that we don't have in almost unfathomable amounts that cannot be sustained. The impact will be either a seriously weakened dollar, hyper inflation, or both. Any or all of those will have significant impacts on the cost of everything including electrical bills. Likewise, action to restrict the types of fuels that can be used to generate our electricity based upon disputed science or political motives will significantly impact the availability, reliability, and cost of electricity.

Climate change discussion can become very emotional, but it has such serious potential impacts on everything we do as a nation, that we must be sure before we act.

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

I am Jim Duncan and I approve this message.

So, in closing — I know those are the words you've been waiting for — let me just emphasize 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 the rates 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.