



A Touchstone Energy® Cooperative  
The power of human connections®



*2011 Annual Report*



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# BOARD PRESIDENT & CEO REPORTS

The Board of Directors and Management of Garkane Energy Cooperative are pleased to present this 2011 Annual Report to our membership. In addition to the financial performance of the Cooperative, you'll enjoy a review of the past year, discussion on important topics affecting Garkane, and steps we are taking to ensure a bright future to South Central Utah and Northern Arizona.

Garkane continues to be a significant player in the regional economy. Each year, Garkane reaches new milestones in its financial performance. This year's revenues of \$24.5 million and your equity in the Cooperative of \$30.1 million are both record highs.

While we have significant financial assets, Garkane's beginnings were very humble and included a small town philosophy. We care about the people we serve. These principles of caring, quality, and service have become part of our fabric in the ever-changing utility industry. We believe very strongly in quality service, and our employees and board members take ownership of the challenges we face.

Garkane's greatest asset is, its dedicated, professional workforce. Many of our employees and directors are recognized leaders in their professions, and are consistently recognized on regional and national levels for their accomplishments. This excellence extends beyond the workplace, as they serve our communities as elected officials, church and civic leaders, and volunteers in worthwhile activities, which improve quality of life. We applaud and salute their efforts.

So what is Garkane's philosophy in serving our members? It's not in slogans or mission statements, a clearly defined strategy, or the best newsletter. The difference at our Cooperative is in the hearts of the employees and directors and what we believe. From our office staff, to our technicians, to our journeymen linemen, each know the importance of you the member.

We're proud of our accomplishments during 2011. We commit to you that Garkane will continue to provide quality energy services at fair, reasonable, and competitive rates. We urge you to be involved in your Cooperative. You have the unique opportunity to have a say in Garkane's decision-making process through the election of Board Members and by sharing your thoughts and concerns with the Board and Management.

Thank you for giving us the opportunity to serve you.

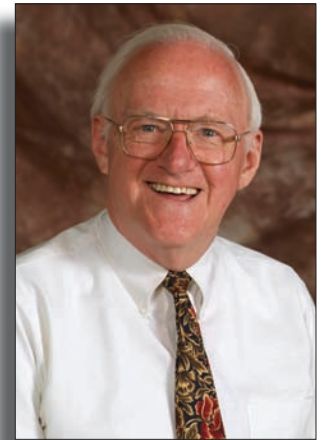
Respectfully submitted,

Carl B. Boyd Jr.  
Board President

Carl R. Albrecht  
CEO

Carl B.  
Boyd, Jr

Board  
President



Carl R.  
Albrecht

CEO





# 2011 IN REVIEW

Garkane Energy Cooperative enjoyed another great year in 2011. Financial performance was strong, more system improvements were made to enhance the reliability of our service, and our Propane Subsidiary enjoyed another year of moderate growth and financial success, as a wholly owned for-profit subsidiary of Garkane Energy.

The Cooperative has a firm financial base. Unlike electric consumers in many other parts of the nation, Garkane members continued to enjoy stable, reasonably priced power. Net margins, the amount by which revenues exceed expenditures, totaled over \$2.3 million for the year, which allowed Garkane to issue a \$500,000 Capital Credit Refund in December.

Improving system reliability continues to be a top priority for Garkane's Board of Directors and Management. During 2011, Garkane finalized the Hatch to Tod's Transmission Line and the expansions of the Hatch and Tod's Substations; Completed the Barney Top Underground Line; Finished construction of the new Underground Line in the Fishlake Basin; Completed the Kanab 400 South Transmission and Distribution Lines; Finished various projects relating to the new Federal Energy Regulatory Commission (FERC) Hydro License at the Boulder Plant; Completed the Cedar Mountain 2010-2011 Winter Storm Repairs; and most importantly, completed almost six years without a lost-time accident.

Garkane has a very difficult and complex system to operate and maintain. With all the elements of the electric industry, including generation, transmission, and distribution, Garkane is unlike most rural electric cooperatives. Most electric cooperatives have distribution only, without any generation or transmission facilities. Garkane now serves over 13,500 members, over 2,200 miles of line. This is a small membership base over which to spread costs. Garkane's power-lines traverse many public lands (i.e., Parks, Monuments, National Forests, BLM lands, etc.). Right-of-Ways are extremely costly to obtain, to construct, and maintain. Many environmental studies have to be completed. Maintenance work in these pristine areas is often completed by helicopter rather than by normal access and procedures.

Garkane began work on obtaining a Right-of-Way for the Tropic to Hatch Transmission Line in 2005. The line traverses the Grand Staircase – Escalante National Monument, US Forest Service, BLM, and State Lands, along with some private lands. Retirement of the old line involves Bryce Canyon National Park. Prairie dogs, Sage Grouse, Pigmy Rabbits, and Goshawks, have all required special environmental mitigation efforts.

In March of 2011, the U.S. Dept. of Agriculture, (for the US Forest Service, the lead agency), signed off. On April 1st of 2011, the Record of Decision (ROD), was also signed by the Regional Forest Supervisor in Cedar City. The State BLM & Local BLM Offices have also signed off. We look forward to final approval of the Plan of Development (POD) in the near future and hope to begin construction in 2013. This line is much needed to provide adequate power deliveries to Western Garfield and Northern Kane Counties. During previous winter seasons, Garkane has had to use diesel generation to supplement the voltage in these areas. Total costs to date for this project is near two million dollars in environmental costs alone, prior to any construction.

We are fortunate to have a long-term, stable power supply contract. Deseret Power, our power supplier, is a cooperative, which was formed by Garkane and five other Utah co-ops in 1978. Deseret is on firm financial ground, and has ample capacity to provide for our growth well into the future. Deseret owns its own coal mine, railroad and power plant. This vertical integration has saved millions of dollars in coal costs and



- Barney Top Underground Line Work -



- Kanab 400 South Transmission Line Work -

# 2011 IN REVIEW - CONTINUED

shipping charges. Deseret has not increased our basic power supply costs since 1996. However, Deseret has faced pressure from the Environmental Protection Agency (EPA) to make costly investments in its regulatory controls to satisfy the EPA's regulations. These investments are creating impacts to the operating costs of our wholesale power supply at the Hunter II coal-fired power plant - near Castledale, Utah, in the amount of \$200 million dollars this year alone.

The EPA's mission (as noted from the EPA's website: [www.EPA.gov](http://www.EPA.gov)) is to protect Americans from significant risks to human health and the environment where they live, learn and work. The previous costs mentioned will facilitate the EPA's goals by allowing less emissions into the atmosphere.

Due to these significant cost increases, Deseret Power has increased the wholesale power rate they charge Garkane Energy. This increase by Deseret is 8 percent and took effect January 1st of 2012. This is Deseret's first rate increase to us since 1996.

Garkane hired an independent party to complete a Cost of Service Study to help Garkane determine how Deseret's wholesale power rate adjustment will affect our current retail rates. That being said, Garkane's rate adjustment to our consumer/members will take effect July 1, 2012. We expect this increase to be approximately 4-5%. Garkane will still be very competitive with other rates in Utah and well below the nation's average. A public hearing is scheduled for June 25, 2012 at Garkane's Hatch Business Office at 1:00 p.m.

We know this news is not the best, but we are doing everything we can to help keep your power rates down while maintaining a level of quality service. It is our desire to be open and transparent with you, so you can plan for the future. We will be providing more information as it becomes available on our website and Facebook page. Please check these often, as they will provide information on methods you can use to decrease your power bill. We suggest that you also visit [TogetherWeSave.com](http://TogetherWeSave.com) for suggestions and tips on how to conserve energy and save money on your power bill.

Cedar Mountain, Kanab City, and Kane County, generally have experienced substantial growth over the past years. There are new subdivisions at East Zion and in Kanab City. A new Five-Star Destination Resort has been constructed just south of Big Water in Eastern Kane County near Lake Powell. Sustained growth continues in the Torrey, Teasdale, and Grover areas in Wayne County and throughout Garfield County. It seems our service area has been discovered by the rest of the world and people want to live here. The current economic conditions have slowed growth considerably in these areas and throughout Garkane's system during the last few years, but there are signs of slow recovery.

As you read Garkane's 2011 Annual Report, you will notice we're getting a little older, and a little younger. A list of tenure is provided on Page 9 of the Annual Report. We currently have 18 employees who have 20 years of experience

or more. We also have 16 new employees with 5 years or less experience. As Garkane employees retire, doors are opened to many who are looking to return to the area. If you have children or grandchildren who have made mention of wanting to return to Southern Utah, let them know of future career opportunities with Garkane. Working for the Cooperative allows you to work for your neighbors and friends.

We hope you enjoy learning more about your cooperative as you read Garkane's 2011 Annual Report.



- Hatch to Tod's Transmission Line -



- New Hatch Substation -

# TREASURER'S REPORT

It is my pleasure to report the financial condition for Garkane Energy Cooperative.

Consolidated Net Margins for 2011 were approximately \$2.3 million. Garkane's consolidated total revenues for the year were \$24.5 million, up from last year's total of \$24.1 million. Total investment in plant and equipment now totals almost \$92.6 million, compared to last year's total of \$88.8 million; and patronage capital, your ownership equity in the Cooperative, is now valued at over \$30.1 million, compared to last year's total of \$28.3 million.

During 2011, Residential and Small Commercial Customers sales accounted for 81.5% of Garkane's electricity sales. Purchases by Large Commercial Customers were also a significant revenue source, accounting for 7.2% of sales. Governmental, street lighting, and irrigation classifications complete the balance of sales figures.

Included with this report, are the audited 2011 and 2010 Consolidated Operating Statements and Consolidated Balance Sheets. Historical trends are also provided for a comparative analysis. Please review these figures at your leisure and feel free to ask questions or comment. A detailed audit is also available for inspection.

The Board of Directors is continually looking at all aspects of our operation and striving to make Garkane as efficient as possible, rendering the most reliable service we can, at the lowest possible cost, consistent with sound business practices.

It's important that you take an active role in your Cooperative. We encourage you to become well informed on issues affecting Garkane. We welcome your comments, suggestions and questions.

Respectfully submitted,

Terry Griffiths,  
Board Treasurer

Terry  
Griffiths

Board  
Treasurer



A Touchstone Energy® Cooperative 



# GARKANE'S HISTORICAL GROWTH

The Cooperative has experienced growth in a variety of ways since its incorporation in 1938. Presented below are selected key statistical figures covering the general growth of the electrical operations of Garkane over the past four and a half decades, along with annual comparative data for the most recent decade. Steady, manageable growth has been the hallmark of Garkane Energy throughout its history.

Year	No. of Members	Annual Electric Revenues	KWHs Sold (Millions)	Plant (Millions)	Wholesale Power Costs	Miles of Line	Members/per Line Mile
1960	1,786	\$ 314,823	14.8	\$ 4.50	\$ 19,610	722	2.50
1970	2,665	924,651	42.1	8.00	151,927	1,085	2.50
1980	4,646	3,443,740	112.9	13.20	1,693,783	1,499	3.10
1990	6,273	8,527,906	120.3	28.10	3,448,521	1,672	3.75
1995	6,778	8,244,604	102.3	36.70	2,247,045	1,695	4.00
1996	7,013	8,657,998	105.2	38.60	2,262,103	1,721	4.07
1997	7,180	8,735,100	109.2	40.10	2,438,116	1,748	4.11
1998	7,423	8,428,292	111.5	41.40	2,263,190	1,771	4.19
1999	7,723	8,834,954	116.1	42.60	2,514,420	1,792	4.31
2000	7,964	9,372,769	120.8	44.40	2,221,999	1,826	4.36
2001	8,199	9,499,502	120.2	46.90	2,027,329	1,862	4.40
2002	8,385	9,610,177	122.2	48.80	2,285,646	1,901	4.41
2003	8,636	9,897,151	124.9	48.60	2,467,326	1,924	4.49
*2004	10,318	10,992,825	138.8	53.35	3,061,284	1,979	5.21
2005	10,604	12,574,720	158.3	55.46	3,964,615	2,017	5.26
2006	11,012	13,683,381	171.1	59.97	4,034,067	2,042	5.39
2007	11,357	14,677,458	182.8	68.90	4,662,426	2,102	5.40
2008	11,495	15,837,717	194.1	75.79	4,832,114	2,135	5.38
**2009	12,721	18,596,689	211.7	84.58	5,618,945	2,168	5.87
2010	12,731	21,659,647	231.4	88.79	7,271,209	2,181	5.84
2011	12,798	21,925,338	231.5	92.65	7,369,190	2,202	5.81

## CUSTOMER MIX: ELECTRICITY SALES

	2011	2010
Residential	51.4%	51.6%
Small Commercial	30.1%	29.9%
Large Commercial	7.2%	7.4%
Street Lights/Public Facilities	9.7%	9.3%
Irrigation	1.6%	1.8%

## EXPENDITURE MIX: COST OF SERVICE AS A % OF REVENUE

	2011	2010
Operational Expenses	34.5%	32.9%
Cost of Wholesale Power	37.2%	35.3%
Depreciation & Interest	18.8%	18.9%
Taxes	2.3%	2.2%
Margin	7.2%	10.7%

\* Kanab City Acquisition

\*\* Twin Cities Acquisition



M. LaDon Torgersen, Koosharem  
District No. 1  
National Rural Electric Cooperative  
Association (NRECA) Board Member



Trent B. Hunt, Loa  
District No. 2  
Board Vice President



Michael Blackburn, Bicknell  
District No. 3 Deseret Power - Trustee  
Utah Rural Electric Association  
(UREA) Board President



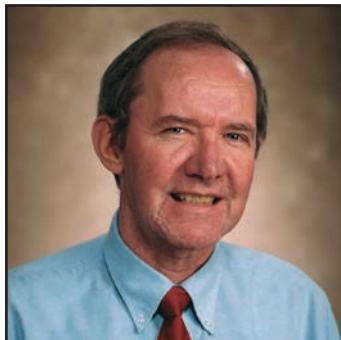
Reed L. Munson, Escalante  
District No. 4  
Propane Subsidiary Vice President



Terry Griffiths, Orderville  
District No. 5  
Board Sec./Treasurer



Carl B. Boyd, Jr., Tropic  
District No. 6  
Board President



Randall V. Brown, Kanab  
District No. 7  
Deseret Power - Trustee  
Blue Mountain Energy - Board President



Rodney R. Ence, Duck Creek  
District No. 8



Boudicca Joseph, Big Water  
District No. 9

**BOARD  
OF  
DIRECTORS**

*- Eight -*



Wayne H. Robinson, Kanab  
District No. 10  
Propane Subsidiary President



Tyler B. Barlow, Hildale  
District No. 11  
Propane Subsidiary Sec./Treasurer



# GARKANE ENERGY MANAGEMENT

Top row, left to right:

Carl R. Albrecht, General Manager/CEO  
 Stan T. Chappell, Finance Manager  
 Propane Subsidiary Chief Financial Officer  
 Marcus V. Lewis, Staff Assistant  
 Ira M. Avant, Engineering Manager



Second row, left to right:

Marion G. Chappell, Safety & Loss  
 Control Director  
 Robert C. Wolfley, Garfield Area Manager &  
 Propane Subsidiary Chief Operating Officer  
 Phillip K. Burr, Loa Area Manager  
 Jeffery J. Vaughn, Kanab Area Manager



## GARKANE ENERGY EMPLOYEES

### Tenure as of December 31, 2011

Carl R. Albrecht	38 years	(General Manager/CEO)	Nichole Dinges	10 years	(Metering Tech./Foreman)
Stan T. Chappell	36 years	(Finance Manager/ Propane CFO)	Clayton Johnson	10 years	(Journeyman Lineman)
Marion G. Chappell	36 years	(Safety & Loss Ctrl. Director)	Marcus V. Lewis	9 years	(Staff Assistant)
Carlos Peterson	36 years	(Engineering Assistant)	Robert Wolfley	8 years	(Garfield Area Manager/ Propane COO)
Sherolyn Langston	33 years	(Executive Assistant)	Robin Campbell	8 years	(Billing Secretary/Kanab)
Phillip K. Burr	32 years	(Loa Area Manager)	Mark Kabonic	7 years	(Journeyman Lineman)
Dan K. Taylor	32 years	(Journeyman Lineman)	Brad Webb	7 years	(Journeyman Lineman)
Jeffery Vaughn	28 years	(Kanab Area Manager)	Klint Chynoweth	7 years	(Warehouseman)
Wesley H. Hoyt	28 years	(Engineering Tech./Foreman)	Wes Troy	7 years	(Apprentice Lineman)
Fayon Hunt	27 years	(Billing Secretary/Kanab)	Ed Marshall	6 years	(Engineering Assistant)
Stacey M. Blackburn	26 years	(Billing Clerk)	Bryant Shakespear	6 years	(Planning Engineer)
Troy W. Johnson	26 years	(Journeyman Lineman/ Warehouseman)	Cole Twitchell	6 years	(Substation Technician)
Jeffrey A. Hafen	25 years	(Maint. Crew Foreman)	Mindi Brian	6 years	(Billing Clerk/Receptionist)
A. Kay Brooks	24 years	(Journeyman Lineman)	Flint Chynoweth	6 years	(Journeyman Lineman)
Ronald A. Rees	23 years	(Meter Reader)	Heath Hatch	6 years	(Journeyman Lineman)
Thomas J. Barton	23 years	(Engineering Technician)	Bennet Brooks	5 years	(Journeyman Lineman)
Ira M. Avant	22 years	(Engineering Manager)	Voi Barton	5 years	(Journeyman Lineman)
Craig M. Twitchell	22 years	(Metering Technician)	Kit Goulding	5 years	(Journeyman Lineman)
Rick Enslie	18 years	(Engineering Asst. / IT)	Guy Renzello	5 years	(Journeyman Lineman)
Richard D. Stewart	18 years	(Journeyman Lineman)	Gerry Hoyt	5 years	(Journeyman Lineman)
Scott L. Grundy	15 years	(Journeyman Lineman)	Anthony Baird	5 years	(Journeyman Lineman)
Casey J. Glover	15 years	(Journeyman Lineman)	Scott Colson	5 years	(Journeyman Lineman)
Keri L. Ramsay	15 years	(Billing Clerk)	Nathan Lyman	5 years	(Journeyman Lineman)
David Orton	13 years	(Meter Reader)	Lisa Crane	4 years	(Meter Technician)
Justin Miller	13 years	(Journeyman Lineman)	Travis Fox	4 years	(Engineering Assistant)
Courtney Cropper	12 years	(Journeyman Lineman)	Taylor Albrecht	4 years	(Apprentice Meter Tech.)
Brett Bunting	12 years	(Meter Reader)	Mark Palmer	4 years	(Mapping Technician)
Cory Anderson	11 years	(Purchase Agent/Cost Accountant.)	Susanne Anderson	3 year	(Billing Secretary/Hatch)
Joshua Chappell	11 years	(Journeyman Lineman)	Charles Steed	3 year	(Journeyman Lineman)
Austin Owens	11 years	(Journeyman Lineman)	Saige Edwards	1 year	(Billing Clerk/Receptionist)
			Daniel Thompson	1 year	(Engineering Tech.)

Garkane considers itself very fortunate to have an extremely capable and experienced workforce. Our employees are recognized frequently for their excellence on a state, regional, and national basis. Garkane employees are often asked to serve as instructors at training sessions for personnel of other electric utilities. The above list of Garkane's personnel represents a total of 854 years of experience in serving the residents of South Central Utah and North Central Arizona as of December 31, 2011.

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# GARKANE'S WHOLLY-OWNED SUBSIDIARY, GARKANE PROPANE, INC.

Other happenings during 2011 included events relating to Garkane's wholly-owned for-profit Propane Subsidiary.

Garkane Propane was established in 1998 as a non-profit division of Garkane Energy Cooperative. It was established using the same business structure as a cooperative. Garkane Propane was spun-off into an independent, wholly-owned for-profit subsidiary and incorporated November 8, 2002.

Garkane Propane pledged to its customers that it would run its business similar to the way Garkane Energy has run its electricity business for over 73 years: providing safe, reliable service, at reasonable, stable pricing.

Unstable energy prices have caused concern over the past couple of years for many of our customers. We have witnessed the price of gasoline follow the "roller-coaster" price of oil.

Garkane Propane presently serves over 2900 customers and profits for 2011 were modest. We look forward to another strong year serving you. We also extend an invitation to anyone that does not have LP-Gas service with Garkane Propane to call our office with new service inquiries. Garkane Propane continues to strive to provide competitive prices and quality customer service to our customers.

Thank you for your continued business.  
Respectfully submitted,

Wayne Robinson  
Propane Board President

Stan T. Chappell  
Propane CFO

Wayne  
Robinson

President



Reed  
Munson

Vice President



Tyler  
Barlow

Sec./Treasurer



- Propane Storage Tank in Kanab -



# PICTURES OF AREA PROJECTS



- Line Work Near Bicknell -



- Kanab 400 South Transmission Line Work -



- Hatch to Tod's Transmission Line Work -



- Repairs to Penstock Near Boulder Plant -



- Hatch to Tod's Transmission Line Work -



# Co-op Connections® CARD



Last Spring all Garkane consumer/members received a Co-op Connections® Card in the mail. The Connections Card was free to all consumer/members and came with two Key Fobs (smaller-sized cards for your keychain), and a list of participating national businesses.

Initially, the Connections Card focused mainly on providing discounts for prescription drugs at local and national drug stores. The Connections Card now provides a new **Healthy Savings discount** for prescription, dental, vision, hearing aids, lab and imaging, and chiropractic services. Go to [HealthySavings.coop](http://HealthySavings.coop) for further details about



the program. We will be sending out a sticker to attach to the back-side of your current card. Or, in

the meanwhile, go to [HealthySavings.coop](http://HealthySavings.coop) and click on the icon to “print my card”. The card also provides discounts to national stores such as **Dish Network, The Hershey’s Store, Land’s End, various Hotel chains, and many other stores.** Go to [Connections.coop](http://Connections.coop) to find more deals from our national and local dealers.

There is another way for you to save with your Co-op Connections® Card! [MyVIPsavings.com](http://MyVIPsavings.com) is an amazing internet Mall where you can enjoy convenient shopping and exciting savings at over 1,000 of your favorite online stores including, Old Navy, Gap, Macys, Best Buy, and Toys “R” Us...just to name a few. Plus, you’ll receive **CASHBACK** dollars on every qualifying purchase! Look for special “deals of the day” on Garkane’s homepage and specials like double cash back. Have the group number (located on the back-side of your card) handy to sign up.

Lastly, there’s even a link for coupons to use at local and national grocery stores that you can print from your home computer and take to the stores with you. Save on every day items such as: milk, butter, cleaning supplies, make-up, and other food items. Again, to access these savings, simply go to: [Connections.coop](http://Connections.coop). It’s that easy!

We hope these new options on the Co-op Connections® Card help our members keep a little bit more in their pocket with the savings that are offered.

During the month of April, Garkane will begin contacting local businesses to sign up to accept the **Connections Card**. Look for the sign in your area or simply look on [Connections.coop](http://Connections.coop) to find which local stores accept the card where discounts are available. This Card offers discounts from all participating businesses and will increase customer visits at participating local businesses.

This is a new program from Touchstone Energy, which we felt would benefit all Garkane members by offering valuable discounts from participating businesses. If you’re a business and want to get involved, contact Marcus Lewis, in the Loa Office at (800) 747-5403, or e-mail at: [mlewis@garkaneenergy.com](mailto:mlewis@garkaneenergy.com).

Participation is voluntary and all participating businesses have the choice to opt out of the program at the end of every year. This program gives participating businesses exposure to our 13,500. The Connections Card also features Garkane’s important contact information and website.



Just one more great benefit brought to you by Garkane Energy!

- Twelve -

A Touchstone Energy® Cooperative  
The power of human connections®



# FUTURE ENERGY CHALLENGES

There is a “perfect storm” brewing in this country as it relates to the electrical industry. There has been a growing demand, stagnant generation construction, with very few new plants constructed, with environmental issues precluding new generation.

After this economic slowdown, even with optimistic projections for energy efficiency and increased use of renewable power sources, our nation will eventually deplete its excess generating capacity, if new plants are not built. Plants that have been built are natural gas fueled.

Low cost power sources, such as hydro-electric energy and coal-power plants are becoming a thing of the past, as environmental concerns dictate changes from the status quo.

Today, over 80% of the power generated and used in Utah (and 43% across the U.S.) comes from power plants using coal as the primary fuel source. Environmental concerns in Utah and throughout the nation has essentially halted plans for the building of any new coal-fired power plants at a time when many states and utilities are left wondering where they will fill their need for future power. There has not been a new coal generating station come on line in the US since the 1980's. Two new nuclear plants were recently given the green light to start construction in Georgia.

We realize there are differing opinions on future power generation, and the sources to be used. We hope you will study the issues being discussed and make informed decisions. These are truly challenging issues facing America's energy future as well as Garkane's. We must find reasonable solutions that will keep costs down and electricity available and reliable. We encourage you to take an active role in state and federal matters as the nation looks into other energy sources such as coal gasification, nuclear, natural gas, or renewables such as wind, solar, or biomass. Garkane believes it will take a broad mix of all these resources to solve our nation's energy problems.

Garkane has also worked with several renewable project entities that may bring new wind, solar and hydro to Garkane's service area.

Garkane's GreenWay Program recently finished its 7th year, offering Green Power to consumer/members since 2005. We now have 151 members participating that purchase over 30,000 kWhs of renewable energy each month. The GreenWay program was started to provide options to our members. Garkane members can support renewable energy technologies (wind, solar, and biomass) by purchasing a green certificate in 100 kilowatt-hour blocks.

During the last five years the percentage of participants has grown to only 1.4%, which is slightly below the national average for similar programs. The conclusion one can draw, is that even though we hear a great deal about renewable energy in the media, when it comes to actually paying for it on their monthly power bill - few people actually take part. As a comparison, Rocky Mountain Power's Blue Sky Program has approximately 2.8% participation.

If you choose to receive green power for a portion of your electric supply, somewhere on the Western power grid, an exact amount of power, equivalent to your green power block, is being produced by a renewable power producer, and the premium you pay is supporting that production. If you have questions or comments about our GreenWay program, please give us a call.



# GARKANE ENERGY COOPERATIVE, INC.

## CONSOLIDATED STATEMENTS OF REVENUE AND PATRONAGE CAPITAL

DECEMBER 31, 2011 AND DECEMBER 31, 2010

Operating Revenues	<u>2011</u>	<u>2010</u>
<u>Line</u>		
1 Revenues	\$ 24,533,030	\$ 24,145,564
<b>Expenses and Deductions</b>		
2 Cost of Sales	10,044,851	9,270,078
3 Transmission Expense	200,401	217,579
4 Distribution Expense	1,988,159	2,157,844
5 Consumer Accounts Expense	744,906	767,071
6 Customer Service Expense	104,007	106,916
7 Administrative & General Expense	4,865,196	4,234,342
8 Depreciation & Amortization Expense	2,525,836	2,390,602
9 Tax Expense	528,722	529,491
10 Interest Expense	1,652,796	1,748,187
11 Other Deductions	62,271	58,410
12 TOTAL COST OF SERVICE	<u>22,717,145</u>	<u>21,480,520</u>
13 OPERATING MARGINS	1,815,885	2,665,044
<b>Non-Operating Margins &amp; Other Credits</b>		
14 Interest Earnings	45,706	46,961
15 Capital Credits	247,590	219,430
16 Misc. Non-Operating Income	6,819	10,228
17 Gain/(Loss) on Disposition of Property	138,754	70,784
18 Other (Including Extraordinary items)	195,231	221,358
19 Provision for Income Taxes	(111,701)	(120,040)
20 NET MARGINS	\$ 2,338,284	\$ 3,113,765
21 Patronage Capital - Beginning of Year	28,293,752	25,676,924
22 Refund of Patronage Capital Credits	(499,311)	(496,937)
23 PATRONAGE CAPITAL - END OF YEAR	<u>\$ 30,132,725</u>	<u>\$ 28,293,752</u>



# GARKANE ENERGY COOPERATIVE, INC.

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2011 AND DECEMBER 31, 2010

### ASSETS

#### LINE

#### Long-Term Assets

	<u>2011</u>	<u>2010</u>
24 Plant	\$ 92,647,646	\$ 88,791,354
25 Less: Depreciation	(33,077,084)	(31,482,882)
26 NET PLANT	<u>59,570,562</u>	<u>57,308,472</u>
27 Non-Utility Property	1,894,663	1,835,373
28 Investments in Assoc. Organizations	1,655,726	1,577,928
29 Other Investments	330,167	340,608
30 TOTAL LONG-TERM ASSETS	<u>63,451,118</u>	<u>61,062,381</u>
<b>Current Assets</b>		
31 Cash	2,008,587	1,493,778
32 Accounts Receivable - Net	3,034,746	2,940,098
33 Materials and Supplies	3,088,451	3,267,906
34 Prepayments & Other Accrued Assets	114,393	137,081
35 TOTAL CURRENT ASSETS	<u>8,246,177</u>	<u>7,838,863</u>
36 TOTAL ASSETS	<u>\$ 71,697,295</u>	<u>\$ 68,901,244</u>

### LIABILITIES & PATRONAGE

37 PATRONAGE CAPITAL	\$ 30,132,725	\$ 28,293,752
<b>Long-Term Debt</b>		
38 Deferred Income Tax Liability - Net	329,111	270,818
39 Accumulated Operating Provisions	1,612,045	1,285,720
40 RUS and CFC Mortgage Notes	31,819,427	31,207,354
41 TOTAL LONG-TERM DEBT	<u>33,760,583</u>	<u>32,763,892</u>
<b>Current Liabilities</b>		
42 Accounts Payable	1,803,704	2,017,856
43 Consumer Deposits	619,630	582,320
44 Other Current Liabilities	3,130,229	2,954,562
45 TOTAL CURRENT LIABILITIES	<u>5,553,563</u>	<u>5,554,738</u>
46 Deferred Credits	2,250,424	2,288,862
47 TOTAL LIABILITIES AND PATRONAGE	<u>\$ 71,697,295</u>	<u>\$ 68,901,244</u>



A Touchstone Energy® Cooperative 

[GarkaneEnergy.com](http://GarkaneEnergy.com)



## MISSION STATEMENT

Garkane Energy is a member-owned cooperative, whose mission is to provide superior, responsive customer service, while cultivating a culture of safety in a manner that builds trust among its members and employees alike.

We seek to provide our members with energy services of value at competitive prices, thereby improving their quality of life.

Our mission also includes providing professional development opportunities for the organization's employees and to maintain a balance between the needs of the Cooperative's members and employees.

An independent audit of Garkane's financial operations is conducted annually. The financial data contained in this Annual Report is derived from that audit, which was completed by Aycock, Miles, & Associates, CPA's - Roosevelt, UT

## Garkane Energy Business Offices

### **Loa**

120 West 300 South  
Loa, UT 84747  
(800) 747-5403

### **Hatch**

468 North HWY 89  
Hatch, UT 84735  
(888) 735-4288

### **Kanab**

1802 South HWY 89A  
Kanab, UT 84741  
(888) 644-5026