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2014 ANNUAL REPORT
GARKANE ENERGY COOPERATIVE

**PROVIDING SUPERIOR
RESPONSIVE
CUSTOMER SERVICE
CULTIVATING A CULTURE
OF SAFETY
BUILDING TRUST AMONG
MEMBERS AND EMPLOYEES**

GARKANE ENERGY COOPERATIVE, INC.

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GENERAL MANAGER AND CEO REPORT

We are pleased to announce that 2014 was a great year for the Cooperative. We celebrated 75 years of service to South Central Utah and Northern Arizona. We hope that you were able to attend some of the celebration events.

As your electric provider, we want to help you use energy efficiently and safely. Many of you look to us to be your energy expert, and have grown to rely on us to provide you with not only answers and advice, but to also provide services and products to meet your energy needs.

Concern for community is one of the seven cooperative principles and is just as important today as it was any time during our 75-year history. You know that you can rely on us to be involved in your communities as participants in local civic and leadership organizations, at community events, and through monetary contributions, scholarship and grants.

We had another very successful UREA youth leadership camp. This camp provides high school juniors with the opportunity to learn from a variety of speakers on motivational, inspirational, and self-help topics. Students walk away with a sense of community and service similar to the cooperative spirit that Garkane encompasses.

Garkane continued work on the Tropic-to-Hatch transmission line with hopes of finishing the project in 2016. Crews were able to finish and install the new Torrey substation which will serve members in Torrey and the surrounding areas. The Johnson Canyon 3-phase upgrade was also completed, providing much needed infrastructure for the growth in that area, just outside of Kanab.





GENERAL MANAGER AND CEO REPORT (CONT...)

Garkane continued its safety record with over 9 years with no loss-time-accident. Garkane continues to receive awards and national recognition for its outstanding culture of safety. We credit the employees and management for making this a priority.

For 75 years, the communities we serve know they can rely on us. Even in the ever-changing utility environment and the evolving world we live in, our commitment to you will not change. We will continue to seek innovative ways to meet the challenges of tomorrow while developing new ways to serve you, our members.

As we move into the future, Garkane's Board of Directors, management, and employees will apply the values of our mission statement to provide superior, responsive customer service, while cultivating a culture of safety, in a manner that builds trust among its members and employees alike.

Respectfully,

Carl B. Boyd Jr. - Board President



Dan McClendon - GM / CEO





2014 BOARD OF DIRECTORS

TOP ROW: (Left to Right) LaDon Torgersen - Dist. 1, Trent Hunt - Dist. 2, Tracy Potter - Dist.3, Reed Munson-Dist.4, Terry Griffiths - Dist.5

MIDDLE ROW: (Left to Right) Carl Boyd Jr. - Dist. 6, Andy Gant - Dist.7, Rod Ence - Dist.8, Boudicca Joseph - Dist.9, Nanell Robinson - Dist.10

BOTTOM ROW: Tyler Barlow - Dist.11

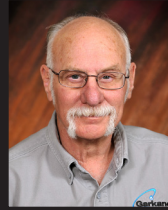
GARKANE ENERGY MANAGEMENT



Dan McClendon
CEO - General
Manager



Marcus Lewis
CFO - Finance
Manager



Mike Avant
Engineering
Manager



Marion Chappell
Safety & Loss
Control Director



Jeff Vaughn
Kanab Area
Manager



Phillip Burr
Loa Area
Manager



Rob Wolfley
Hatch Area Mgr.
& Propane Mgr.



Neal Brown
Marketing &
Member Service
Manager

GARKANE ENERGY EMPLOYEES - TENURE AS OF DECEMBER 31, 2014

*Carl R. Albrecht	40 years (General Manager/CEO)	Courtney Cropper	15 years (Journeyman Lineman)	Gerry Hoyt	8 years (Journeyman Lineman)
Marion G. Chappell	39 years (Safety & Loss Ctrl. Director)	Brett Bunting	15 years (Meter Reader)	Anthony Baird	8 years (Journeyman Lineman)
Carlos Peterson	39 years (Engineering Assistant)	Cory Anderson	15 years (Cost Accountant.)	Scott Colson	8 years (Journeyman Lineman)
Phillip K. Burr	35 years (Loa Area Manager)	Joshua Chappell	14 years (Journeyman Lineman)	Nathan Lyman	8 years (Journeyman Lineman)
Dan K. Taylor	35 years (Journeyman Lineman)	Austin Owens	14 years (Journeyman Lineman)	Lisa Crane	7 years (Meter Technician)
Jeffery Vaughn	31 years (Kanab Area Manager)	Nichole Dinges	13 years (Metering Tech./Foreman)	Travis Fox	7 years (Engineering Assistant)
Wesley H. Hoyt	31 years (Engineering Tech. /Foreman)	Clayton Johnson	13 years (Journeyman Lineman)	Taylor Albrecht	7 years (Apprentice Meter Tech.)
Fayon Hunt	30 years (Billing Secretary/Kanab)	Marcus V. Lewis	12 years (CFO/Propane Finance)	Mark Palmer	7 years (Mapping Technician)
Stacee Blackburn	29 years (Billing Clerk)	Robert Wolfley	11 years (Garfield Area Manager/Propane)	Susie Anderson	6 years (Billing Secretary/Hatch)
Troy W. Johnson	29 years (Journeyman Lineman/	*Robin Campbell	11 years (Billing Secretary/Kanab)	Charles Steed	6 years (Journeyman Lineman)
Jeffrey A. Hafen	28 years (Maint. Crew Foreman)	Mark Kabonic	10 years (Journeyman Lineman)	Saige Edwards	4 years (Billing Clerk/Receptionist)
A. Kay Brooks	27 years (Journeyman Lineman)	Brad Webb	10 years (Journeyman Lineman)	Daniel Thompson	4 years (Engineering Tech.)
*Ronald A. Rees	26 years (Meter Reader)	Klint Chynoweth	10 years (Warehouseman)	Neal Brown	2 Year (Marketing & MS Mgr.)
Thomas J. Barton	26 years (Engineering Technician)	Wes Troy	10 years (Lineman)	Heather Torgerson	1 year (Billing Clerk)
Ira M. Avant	25 years (Engineering Manager)	Ed Marshall	9 years (Engineering Assistant)	**Landon Zaborowski	1 year. (IT Specialist)
Craig M. Twitchell	25 years (Metering Technician)	Bryant Shakespear	9 years (Planning Engineer)	**Derrick Woolsley	1 year (Meter Reader)
*Rick Enslie	21 years (Engineering Asst. / IT)	Cole Twitchell	9 years (Substation Technician)	**Dan McClendon	1 year CEO / GM
Richard D. Stewart	21 years (Journeyman Lineman)	Mindi Brian	9 years (Billing Clerk/Receptionist)		
Scott L. Grundy	18 years (Journeyman Lineman)	Flint Chynoweth	9 years (Journeyman Lineman)		
Casey J. Glover	18 years (Journeyman Lineman)	Heath Hatch	9 years (Journeyman Lineman)		
Keri L. Ramsay	18 years (Billing Clerk)	Bennet Brooks	8 years (Journeyman Lineman)		
David Orton	16 years (Meter Reader)	Kit Goulding	8 years (Journeyman Lineman)		
Justin Miller	16 years (Journeyman Lineman)	Guy Renzello	8 years (Journeyman Lineman)		

*Retired in 2014

**Hired in 2014

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 list of Garkane's personnel represents a total of 1,041 years of experience in serving residents of South Central Utah and Northern Arizona as of December 31, 2014

CONSOLIDATED STATEMENTS OF REVENUE & PATRONAGE CAPITAL, AS OF DEC. 31

	2014	2013
<i>Operating Revenue</i>		
Revenues	\$25,654,856	\$26,392,171
<i>Expenses & Deductions</i>		
Cost of Sales	9,603,888	10,313,790
Transmission Expense	201,427	254,926
Distribution Expense	2,038,799	1,850,928
Consumer Accounts Expense	798,583	820,564
Customer Service Expense	153,239	114,625
Administrative & General Expense	5,101,719	4,930,058
Depreciation & Amortization Expense	3,018,822	2,917,614
Tax Expense	704,516	650,107
Interest Expense	1,380,348	1,330,259
Other Deductions	45,302	46,979
TOTAL COST OF SERVICE	23,046,643	23,229,850
OPERATING MARGINS	2,608,213	3,162,321
<i>Non-Operating Margins & Other Credits</i>		
Interest Earnings	36,769	43,403
Other Capital Credits & Allocations	484,716	441,582
Misc. Non-Operating Income	19,202	6,819
Gain/Loss on Disposition of Property	94,044	191,697
Other (Including Extraordinary Items)	1,191,421	18,575
Provision for Income Taxes	(158,126)	(148,096)
NET MARGINS	\$4,276,239	\$3,716,301
Patronage Capital - Beginning of Year	35,635,762	32,416,106
Refund of Patronage Capital Credits		(496,645)
PATRONAGE CAPITAL - END OF YEAR	\$39,912,001	\$35,635,762

CONSOLIDATED BALANCE SHEETS, AS OF DEC. 31

	2014	2013
ASSETS		
<i>Long-Term Assets</i>		
Plant	\$108,356,007	\$102,423,607
Less: Depreciation	(40,669,233)	(37,792,643)
NET PLANT	67,686,774	64,630,964
Non-Utility Property	2,417,748	2,046,431
Investments in Assoc. Organizations	1,810,380	1,758,281
Other Investments	318,315	315,379
TOTAL LONG-TERM ASSETS	72,233,217	68,751,055
<i>Current Assets</i>		
Cash	3,666,150	2,423,262
Accounts Receivable - Net	3,227,021	4,200,594
Materials & Supplies	2,942,220	2,919,253
Prepayments & Other Accrued Assets	152,811	188,598
Total Current Assets	9,988,202	9,731,707
TOTAL ASSETS	\$82,221,419	\$78,482,762
LIABILITIES & PATRONAGE		
<i>Patronage Capital</i>	\$39,912,001	\$35,635,762
LONG-TERM DEBT		
Deferred Income Tax Liability - NET	511,434	441,865
Accumulated Operating Provisions	781,374	1,881,316
CFC Mortgage Notes	32,143,757	31,791,158
TOTAL LONG TERM DEBT	33,436,565	34,114,339
CURRENT LIABILITIES		
Accounts Payable	1,916,752	2,542,220
Consumer Deposits	697,463	707,536
Other Current Liabilities	3,465,443	3,356,220
TOTAL CURRENT LIABILITIES	6,079,658	6,605,976
Deferred Credits	2,793,195	2,126,685
TOTAL LIABILITIES & PATRONAGE	\$82,221,419	\$78,482,762

**PROVIDING MEMBERS
WITH
ENERGY SERVICES
AT COMPETITIVE PRICES
THEREBY
IMPROVING THEIR
QUALITY OF LIFE**



Garkane
Energy
75 years

KIRKLAND
Signature
drinking water

Doritos
ORIGINAL
CHILI CHIPS

REPORT OF THE SECRETARY-TREASURER

We are happy to report that Garkane Energy experienced another good year, ending 2014 in a strong financial position with a margin of \$2,290,222.

As a member of Garkane Energy Cooperative, you belong to a company that is locally-owned and controlled and one that has a vested interest in your welfare. We return excess margins to you instead of stockholders, keeping the money in the local economy instead of sending it to out-of-town investors. At Garkane Energy, rates are determined locally by the Board of Directors, elected by you. Because of the rate increase in 2015, the board decided not to offer a capital credit refund in 2014.

Residential customers make up 51% of Garkane's customer mix which represents the largest segment, followed by small commercial customers at 30.5%. Operational expenses make up 34.2% of Garkane's cost with the cost of wholesale power representing 34% of the expenditure mix.

We are proud to be a community partner, helping wherever possible to make a positive difference in the lives of our members. Garkane adds millions of dollars to the local economic base, employs 60 full-time employees, and participates in many charitable and community events. I invite you to review the Auditor's Report and the Financial Statements and encourage you to stay informed and involved in the issues facing your Cooperative. We appreciate your support, and your comments are always welcome.

Respectfully Submitted,

Nannell Robinson
Secretary / Treasurer



HISTORIC GROWTH STATISTICS

* KANAB CITY ACQUISITION

** TWIN CITIES ACQUISITION

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
2000	7,964	9,372,769	120.8	44.40	2,221,999	1,826	4.36
*2004	10,318	10,992,825	138.8	53.35	3,061,284	1,979	5.21
**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
2012	12,842	21,187,447	229.8	95.74	7,171,567	2,212	5.81
2013	12,825	22,746,974	248.4	102.42	7,974,991	2,225	5.83
2014	12,922	22,184,562	239.8	108.36	7,378,971	2,245	5.76

CUSTOMER MIX: ELECTRICITY SALES

EXPENDITURE MIX: COST OF SERVICE AS A % OF REVENUE

	2014	2013		2014	2013
Residential	51.0%	51.8%	Operational Expenses	34.2%	31.9%
Small Commercial	30.5%	30.6%	Cost of Wholesale Power	34.0%	36.2%
Large Commercial	6.8%	6.6%	Depreciation & Interest	18.8%	17.7%
Street Lights/Public Facilities	9.3%	9.2%	Taxes	3.0%	2.6%
Irrigation	2.4%	1.8%	Margin	10.0%	11.6%

GARKANE PROPANE

Garkane Propane had an excellent year in 2014 by increasing its customer base. The Propane division was started as a non-profit, but was spun-off in 2002 as a for-profit Subsidiary of Garkane Energy.

Garkane Propane serves its customers in a similar way that Garkane Energy has run its electricity business for over 75 years: providing consistent, reliable service, at consistent stable prices.

In 2014, propane prices increased as a result of shortages across the country. Gas prices have decreased significantly and now is a fantastic time to sign up for Garkane Propane services.

Garkane Propane now serves over 3,500 customers. That number continues to rise, as customers realize the quality service and prices the Propane Subsidiary can offer.

Respectfully Submitted,

Rob Wolfley
Propane Manager



Reed Munson
President



Andy Gant
Vice President



Tyler Barlow
Sec. Treasurer





BRE HAMMON SELECTED AS NATIONAL YOUTH SPOKESPERSON



In 2014, Hammon, a member of Garkane Energy Cooperative, Inc., was chosen by Utah's Youth Tour participants to serve as a delegate to the Youth Leadership Council. At the YLC Leadership Conference, her fellow delegates selected her out of 1,600 of the brightest students from across the country to serve as national spokesperson for the 42-member council. Standing before the co-op leaders, Hammon offered the following reflection on her Youth Tour experience in Washington, D.C.:

... [S]ome of my favorite moments happened sitting on the bus, traveling from point A to point B. Conversing with young adults so much like me, and yet so different. Challenging each other's statistics, exchanging our favorite presidents. And it was in moments such as these that suddenly it did not matter what the girl to the right of me was wearing, it did not matter that the boy to the left of me had just told me he has never had a bed of his own. All of which were things that could have very easily classified us, labeled us, made us different from the whole, but these things were not a factor in being accepted into the greater Youth Tour family. So it was here that I had found my people.

Each state attending the Youth Tour selects a representative for the NRECA Youth Leadership Council. The YLC delegates attend a weeklong summer Leadership Conference in Washington, D.C. A national spokesperson is then selected during the conference to address both the NRECA Annual Meeting and the Youth Tour delegates the following summer. Breonna did a fantastic job representing Garkane Energy, UREA, and the Youth Tour as the national spokesperson, inspiring over 8,500 business associates at the NRECA annual meeting.

**PROVIDING A BALANCE
BETWEEN THE
NEEDS OF THE
OF THE COOPERATIVE'S
MEMBERS AND
EMPLOYEES**



**PROVIDING PROFESSIONAL
DEVELOPMENT
OPPORTUNITIES
FOR THE ORGANIZATION'S
EMPLOYEES**

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.



A Touchstone Energy® Cooperative 
The power of human connections®

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(888) 735-4288

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