



2015 ANNUAL REPORT



A Touchstone Energy Cooperative  The power of better connections.



POWERING 13,097 CONSUMERS

GARKANE ENERGY COOPERATIVE, INC.

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COVERING OVER 16,000 SQ MILES

GENERAL MANAGER AND CEO REPORT

We are pleased to announce that 2015 was a great year for the Cooperative. Over the past year, Garkane's Board of Directors and employees have focused our efforts on increased accountability, stronger governance and lower operating costs. We strive to live by the cooperative difference, and we are not driven by profits and making a return for shareholders. Our focus is on keeping this business financially strong on your behalf and continuing to provide you safe, reliable service at the lowest possible cost. Our financial position allowed us to refund \$400,000 in capital credit patronage to our members.

Our Board of Directors continue to receive excellent instruction and education, which keeps them up-to-speed on the changing environment of the electric utility industry. Many of our board members have received the Credentialed Cooperative Director certificate from the National Rural Electric Cooperative Association (NRECA).

A significant focus of our time and efforts this past year has been on controlling costs and making real changes that save members money. We will be making a few changes to improve our billing process. Investing in new technology has provided us the ability to become more efficient and provide better customer service.

A focus on energy efficiency is another way we plan to help keep costs down. Energy efficiency programs provide a way to reduce kilowatt hour usage, while also reducing our peak demand. As our peak demand decreases, Garkane saves money, and in turn, we are able to pass those savings onto participating members in these programs.

We celebrated 10 years with no Loss Time Accidents. Safety is a cornerstone of our cooperative and we set it as a number one priority. Garkane continues to receive awards and national recognition for its outstanding culture of safety. We credit the employees and management for making this such a priority.

As we move into the future, we our operating under a coporate strategic plan that will meet or exceed member expectations. We will continue to provide reliable, affordable power, despite national and industry pressures. In the next year and in the coming decades, you can trust that Garkane will advocate on your behalf to control expected price increases that may result from EPA's rules on carbon emissions.

Lastly, we know that communicating with our members is an essential part of doing business as a cooperative. You will find co-op information in our quarterly newsletter, social media pages, website, newspaper ads, radio and TV. We seek to be connected to the members we serve, now more than ever.

Respectfully,

Carl B. Boyd Jr. - Board President



Dan McClendon - GM / CEO





2015 BOARD OF DIRECTORS

TOP ROW: (Left to Right) LaDon Torgersen - District 1, Chad Williams - District 2, Tracy Potter - District 3, Reed Munson - District 4, Terry Griffiths - District 5

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

BOTTOM ROW: Preston Barlow - Dist.11

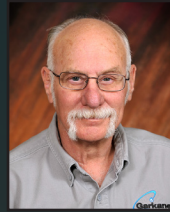
GARKANE ENERGY MANAGEMENT



Dan McClendon
CEO - General
Manager



Marcus Lewis
CFO - Finance
Manager



Mike Avant
Engineering
Manager



Jeff Vaughn
Kanab Area
Manager



Phillip Burr
Loa Area
Manager



Rob Wolfley
Hatch Area Mgr.
& Propane Mgr.



Neal Brown
Marketing &
Member Service
Manager



Landon Zaborowski
IT Manager

GARKANE ENERGY EMPLOYEES - TENURE AS OF DECEMBER 31, 2015

*Marion G. Chappell	40 years (Safety & Loss Ctrl. Director)	Joshua Chappell	15 years (Journeyman Lineman)	Taylor Albrecht	8 years (Apprentice Meter Tech.)
*Carlos Peterson	40 years (Engineering Assistant)	Nichole Dinges	14 years (Metering Tech./Foreman)	Mark Palmer	8 years (Mapping Technician)
Phillip K. Burr	36 years (Loa Area Manager)	Clayton Johnson	14 years (Journeyman Lineman)	Susie Anderson	7 years (Member Service Rep)
Dan K. Taylor	36 years (Journeyman Lineman)	Marcus V. Lewis	13 years (CFO/Propane Finance)	Charles Steed	7 years (Journeyman Lineman)
Jeffery Vaughn	32 years (Kanab Area Manager)	Robert Wolfley	12 years (Garfield Area Manager/Propane)	Saige Edwards	5 years (Billing Clerk/Receptionist)
Wesley H. Hoyt	32 years (Engineering Tech./Foreman)	Mark Kabonic	11 years (Journeyman Lineman)	Daniel Thompson	5 years (Engineering Tech.)
*Fayon Hunt	31 years (Billing Secretary/Kanab)	Brad Webb	11 years (Journeyman Lineman)	Neal Brown	3 Year (Marketing & MS Mgr.)
Stacee Blackburn	30 years (Billing Clerk)	Klint Chynoweth	11 years (Warehouseman)	Heather Torgerson	2 year (Billing Clerk)
Troy W. Johnson	30 years (Journeyman Lineman/	Wes Troy	11 years (Lineman)	Landon Zaborowski	2 year (IT Specialist)
Jeffrey A. Hafen	29 years (Maint. Crew Foreman)	Ed Marshall	10 years (Engineering Assistant)	Ryan Hirschi	2 year (Lineman)
A. Kay Brooks	28 years (Journeyman Lineman)	Bryant Shakespear	10 years (Planning Engineer)	Leon Christensen	2 year (Mapping Technician)
Thomas J. Barton	27 years (Engineering Technician)	Cole Twitchell	10 years (Substation Technician)	Derrick Woolsley	2 year (Meter Reader)
Ira M. Avant	26 years (Engineering Manager)	Mindi Brian	10 years (Member Service Rep)	Dan McClendon	2 year (CEO / GM)
*Craig M. Twitchell	26 years (Metering Technician)	Flint Chynoweth	10 years (Journeyman Lineman)	Birkette Willis	1 year (Member Service Rep)
Richard D. Stewart	22 years (Journeyman Lineman)	Bennet Brooks	9 years (Journeyman Lineman)	James Clegg	1 year (Energy Advisor)
Scott L. Grundy	19 years (Journeyman Lineman)	Kit Goulding	9 years (Journeyman Lineman)		
Casey J. Glover	19 years (Journeyman Lineman)	Guy Renzello	9 years (Journeyman Lineman)		
Keri L. Ramsay	19 years (HR Director)	Gerry Hoyt	9 years (Journeyman Lineman)		
David Orton	17 years (Meter Reader)	Anthony Baird	9 years (Journeyman Lineman)		
Justin Miller	17 years (Journeyman Lineman)	Scott Colson	9 years (Journeyman Lineman)		
Courtney Cropper	16 years (Journeyman Lineman)	Nathan Lyman	9 years (Journeyman Lineman)		
Brett Bunting	16 years (Meter Reader)	Lisa Crane	8 years (Meter Technician)		
Cory Anderson	15 years (Cost Accountant.)	Travis Fox	8 years (Engineering Assistant)		

*Retired in 2015

Garkane considers itself very fortunate to have an extremely capable and experienced workforce. Our full time 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 as of December 31, 2015

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

	2015	2014
<i>Operating Revenue</i>		
Revenues	\$26,136,331	\$25,654,856
<i>Expenses & Deductions</i>		
Cost of Sales	9,919,911	9,603,888
Transmission Expense	236,623	201,427
Distribution Expense	1,872,636	2,038,800
Consumer Accounts Expense	753,465	798,582
Customer Service Expense	185,423	153,240
Administrative & General Expense	5,200,019	5,101,719
Depreciation & Amortization Expense	3,047,527	3,018,822
Tax Expense	758,760	704,516
Interest Expense	1,355,549	1,380,348
Other Deductions	41,227	45,303
TOTAL COST OF SERVICE	23,371,140	23,046,645
OPERATING MARGINS	\$2,765,191	\$2,608,211
<i>Non-Operating Margins & Other Credits</i>		
Interest Earnings	34,620	36,769
Other Capital Credits & Allocations	509,957	484,716
Misc. Non-Operating Income	11,094	19,202
Gain/Loss on Disposition of Property	92,162	94,044
Other (Including Extraordinary Items)	448,170	1,191,421
Provision for Income Taxes	(103,052)	(158,126)
NET MARGINS	\$3,758,142	\$4,276,239
Patronage Capital - Beginning of Year	39,912,001	35,635,762
Refund of Patronage Capital Credits	(397,508)	
PATRONAGE CAPITAL - END OF YEAR	\$43,272,635	\$39,912,001

REPORT OF THE SECRETARY-TREASURER

We are happy to report that Garkane Energy experienced another good year, ending 2015 in a strong financial position with a net margin of \$3,758,142.

Residential consumers make up 52.4% of Garkane's customer mix which represents the largest segment, followed by small commercial customers at 29.8%. Operational expenses make up 32.3% of Garkane's cost with the cost of wholesale power representing 36.4% of the expenditure mix. At Garkane Energy, rates are determined locally by the Board of Directors, elected by you. The board agreed to refund \$400,000 in capital credits in 2015.

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,

Nanell Robinson
Secretary / Treasurer





ACCOUNTABILITY AND TRUST



10 YEARS NO LOSS TIME ACCIDENTS

HISTORIC GROWTH STATISTICS Electric only numbers (does not include Propane)

* 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
2015	13,079	23,102,962	240.5	113.01	8,380,091	2,294	5.70

CUSTOMER MIX: ELECTRICITY SALES

EXPENDITURE MIX: COST OF SERVICE AS A % OF REVENUE

	2015	2014		2015	2014
Residential	52.4%	51.0%	Operational Expenses	32.3%	31.9%
Small Commercial	29.8%	30.5%	Cost of Wholesale Power	36.4%	36.2%
Large Commercial	6.5%	6.8%	Depreciation & Interest	18.0%	17.7%
Street Lights/Public Facilities	9.1%	9.3%	Taxes	3.0%	2.6%
Irrigation	2.2%	2.4%	Margin	10.3%	11.6%

GARKANE PROPANE REPORT

Garkane Propane enjoyed another successful year, reporting a net profit of \$204,131. Net sales were strong at \$2,199,763. The Propane subsidiary returned \$50,000 in dividends to the cooperative.

Garkane Propane serves its customers in a similar way that Garkane Energy has run its electricity business for over 76 years; providing consistent reliable service, at consistent reliable prices.

Garkane Propane now serves just under 4,000 customers. That number continues to grow as customers realize the great prices and quality service that Garkane Propane offers.

Respectfully submitted,

Rob Wolfley
Propane Manager

Reed Munson
Propane Board President

Preston Barlow
Propane Board Vice President


Chad Williams
Propane Board Secretary/Treasurer





SERVING 2,294 MILES OF LINE



A Touchstone Energy® Cooperative 
The power of human connections®

Loa

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Loa, UT 84747
(800) 747-5403

Hatch

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

Kanab

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Kanab, UT 84741
(888) 644-5026

Colorado City/Hildale

1185 West Utah Avenue
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(435) 874-2810