



2016 *Annual Report*

**Tour-of-Utah Bike Race**  
Photographed at Tod's Junction





# *Garkane Energy Cooperative, Inc.*

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**Tropic-to-Hatch Transmission Line**  
Photographed on Hwy 89, south of Hatch, UT



## *General Manager and CEO Report*

We are pleased to announce that 2016 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. Over its history, Garkane has returned nearly \$10 million to its members.

A significant focus of our time and efforts this past year has been on controlling costs and making real changes that save members money. This has led to a strong net margin of \$4,824,131. Garkane has a strong financial outlook for 2017.

A focus on energy efficiency is another way we plan to help keep costs down. We continue to add more energy efficiency programs each year and hope you will take advantage of them. By consuming energy off-peak, users on the Half-Price Power program regularly save between 10%-20% off their power bill. This accounts for big savings, while reducing Garkane's peak demand.

Many of you know that in 2016 our Buckskin Substation was vandalized and severely damaged. Because of good planning, Garkane was able to return the substation to full function within a few hours. We express our sincere appreciation to our members for their patience as we dealt with this inexcusable

illegal action. With the help of Federal authorities and other local organizations, the Kane County Sheriff's office was able to capture an individual who has been federally indicted in the shooting. We are hopeful that the perpetrator will soon be brought to justice. Many years ago the Board made a hard decision in purchasing expensive mobile substations for instances just like this, and we are glad to see the investment pay off. Although we feel like this is an isolated incident, the Board will continue to make investments in security to protect our electric grid system.

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 always seek to be connected to the members we serve.

Respectfully,

**Carl B. Boyd Jr. - Board President**



**Dan McClendon - GM / CEO**





## 2016 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, William Hammon - 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**  
COO -Engineering  
Manager



**Jeff Vaughn**  
Kanab Area  
Manager



**Phillip Burr**  
Loa Area  
Manager



**Rob Wolfley**  
Hatch Area Mgr.



**Neal Brown**  
Marketing &  
Member Service  
Manager



**Landon Zaborowski**  
IT Manager

## *Garkane Energy Employees - Tenure as of December 31, 2016*

Phillip K. Burr	37 years(Loa Area Manager)	Robert Wolfley	13 years(Garfield Area Manager)	Daniel Thompson	6 years (Substation Supervisor)
Dan K. Taylor	37 years(Journeyman Lineman)	Mark Kabonic	12 years(Journeyman Lineman)	Neal Brown	4 Year (Marketing & MS Mgr.)
Jeffery Vaughn	33 years(Kanab Area Manager)	Brad Webb	12 years(Journeyman Lineman)	Heather Torgerson	3 year (Accountant)
Wesley H. Hoyt	33 years(Engineering Tech. /Foreman)	Klint Chynoweth	12 years(Propane Mgr/Warehouseman)	Landon Zaborowski	3 year (IT Manager)
Stacee Blackburn	31 years(Sr. Billing Clerk)	Wes Troy	12 years(Lineman)	Ryan Hirschi	3 year (Lineman)
Troy W. Johnson	31 years(Journeyman Lineman)	Ed Marshall	11 years(Engineering Assistant)	Leon Christensen	3 year (Mapping Technician)
Jeffrey A. Hafen	30 years(Maint. Crew Foreman)	Bryant Shakespear	11 years(Planning Engineer)	Derrick Woolsley	3 year (Meter Reader)
A. Kay Brooks	29 years(Journeyman Lineman)	Cole Twitchell	11 years(Substation Technician)	Dan McClendon	3 year (CEO / GM)
Thomas J. Barton	28 years(Engineering Technician)	Mindi Brian	11 years(Member Service Rep)	Birkette Willis	2 year (Member Service Rep)
Ira M. Avant	27 years(Engineering Manager)	Flint Chynoweth	11 years(Journeyman Lineman)	James Clegg	2 year (Energy Advisor)
Rick D. Stewart	23 years(Journeyman Lineman)	Kit Goulding	10 years(Journeyman Lineman)	Taleana Virostko	1 year (Member Service rep)
Scott L. Grundy	20 years(Journeyman Lineman)	Guy Renzello	10 years(Journeyman Lineman)	Treena Bridges	1 year (Member Service rep)
Casey J. Glover	20 years(Journeyman Lineman)	Gerry Hoyt	10 years(Journeyman Lineman)	*Trace Miller	(App. Journeyman Lineman)
Keri L. Ramsay	20 years(HR Director)	Anthony Baird	10 years(Journeyman Lineman)	*Todd Crowther	(App. Journeyman Lineman)
David Orton	18 years(Meter Reader)	Scott Colson	10 years(Journeyman Lineman)	*Denise Macklin	(Accountant)
Justin Miller	18 years(Journeyman Lineman)	Nathan Lyman	10 years(Journeyman Lineman)	*Jason Kirby	(IT Specialist)
Courtney Cropper	17 years(Journeyman Lineman)	Lisa Crane	9 years (Meter Technician)		
Brett Bunting	17 years(Meter Reader)	Travis Fox	9 years (Staking Technician)		
Cory Anderson	16 years(Accountant)	Taylor Albrecht	9 years (Apprentice Meter Tech.)		
Joshua Chappell	16 years(Journeyman Lineman)	Mark Palmer	9 years (Mapping Technician)		
Nichole Dinges	15 years(Metering Supervisor)	Susie Anderson	8 years (Member Service Rep)		
Clayton Johnson	15 years(Journeyman Lineman)	Charles Steed	8 years (Journeyman Lineman)		
Marcus V. Lewis	14 years(CFO)	Saige Edwards	6 years (Accounting Supervisor)		

\*Hired in 2017

**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, 2016**

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

	<b>2016</b>	<b>2015</b>
<i>Operating Revenue</i>		
Revenues	\$27,904,817	\$26,136,331
<i>Expenses &amp; Deductions</i>		
Cost of Sales	10,191,803	9,919,911
Transmission Expense	270,122	236,623
Distribution Expense	1,826,985	1,872,636
Consumer Accounts Expense	730,756	753,465
Customer Service Expense	194,094	185,423
Administrative & General Expense	5,329,331	5,200,019
Depreciation & Amortization Expense	3,118,454	3,047,527
Tax Expense	753,414	758,760
Interest Expense	1,299,174	1,355,549
Other Deductions	43,288	41,227
<b>TOTAL COST OF SERVICE</b>	<b>\$23,757,421</b>	<b>\$23,371,140</b>
<b>OPERATING MARGINS</b>	<b>\$4,147,396</b>	<b>\$2,765,191</b>
<i>Non-Operating Margins &amp; Other Credits</i>		
Interest Earnings	50,446	34,620
Other Capital Credits & Allocations	497,549	509,957
Misc. Non-Operating Income	8,580	11,094
Gain/Loss on Disposition of Property	152,143	92,162
Other (Including Extraordinary Items)	26,215	448,170
Provision for Income Taxes	(58,198)	(103,052)
<b>NET MARGINS</b>	<b>\$4,824,131</b>	<b>\$3,758,142</b>
Patronage Capital - Beginning of Year	43,272,635	39,912,001
Refund of Patronage Capital Credits	(396,193)	(397,508)
<b>PATRONAGE CAPITAL - END OF YEAR</b>	<b>\$47,700,573</b>	<b>\$43,272,635</b>

**CONSOLIDATED BALANCE SHEETS, AS OF DEC. 31****2016****2015****ASSETS*****Long-Term Assets***

Plant	\$117,642,390	\$113,009,789
Less: Depreciation	(46,410,743)	(43,538,524)
<b>NET PLANT</b>	<b>71,231,647</b>	<b>69,471,265</b>
Non-Utility Property	2,435,448	2,451,909
Investments in Assoc. Organizations	1,915,466	1,863,186
Other Investments	55,245	280,309
	<u>\$75,637,806</u>	<u>\$74,066,669</u>

**TOTAL LONG-TERM ASSETS*****Current Assets***

Cash	3,052,209	3,570,131
Accounts Receivable - Net	4,280,871	3,519,370
Materials & Supplies	2,806,538	2,816,746
Prepayments & Other Accrued Assets	1,072,333	365,755
Total Current Assets	<u>11,211,951</u>	<u>10,272,002</u>
<b>TOTAL ASSETS</b>	<b><u>\$86,849,757</u></b>	<b><u>\$84,338,671</u></b>

**LIABILITIES & PATRONAGE*****Patronage Capital***

	\$47,700,573	\$43,272,635
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**LONG-TERM DEBT**

Deferred Income Tax Liability - NET	586,307	567,774
Accumulated Operating Provisions	20,832	203,053
Other Long-Term Debt	516,062	529,811
CFC Mortgage Notes	28,797,238	30,473,028
<b>TOTAL LONG TERM DEBT</b>	<u>\$29,920,439</u>	<u>\$31,773,666</u>

**CURRENT LIABILITIES**

Accounts Payable	2,318,609	2,531,604
Consumer Deposits	774,791	728,017
Other Current Liabilities	3,694,700	3,535,681
<b>TOTAL CURRENT LIABILITIES</b>	<u>6,788,100</u>	<u>6,795,302</u>

Deferred Credits

	2,440,645	2,497,068
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**TOTAL LIABILITIES & PATRONAGE**

	<u>\$86,849,757</u>	<u>\$84,338,671</u>
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## *Report of the Secretary-Treasurer*

We are happy to report that Garkane Energy experienced another good year, ending 2016 in a strong financial position with a net margin of \$4,147,396. Residential consumers make up 53.9% of Garkane's customer mix, which represents the largest segment, followed by small commercial customers at 29.75%. Operational expenses make up 30.1% of Garkane's cost with the cost of wholesale power representing 35% 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 2016.

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



**Bald Eagle**

Photographed at the Coral Pink Sand Dunes



**Grand Staircase Escalante Monument**  
Photographed on historic Hwy 12



# Historic Growth Statistics

Electric numbers only (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
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
2016	13,293	25,182,149	255.9	117.6	8,804,659	2,310	5.75

## CUSTOMER MIX: ELECTRICITY SALES

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

	2016	2015		2016	2015
Residential	53.9%	52.4%	Operational Expenses	30.2%	32.3%
Small Commercial	29.8%	29.8%	Cost of Wholesale Power	35.1%	35.4%
Large Commercial	4.9%	6.5%	Depreciation & Interest	16.6%	17.7%
Street Lights/Public Facilities	9.1%	9.1%	Taxes	2.8%	2.6%
Irrigation	2.3%	2.2%	Margin	15.3%	11.6%



## *Garkane Propane Report*

Garkane Propane enjoyed another successful year, reporting a net profit of \$132,790. Net sales were strong at \$2,028,434. The Propane subsidiary returned \$100,000 in dividends to the Cooperative. Garkane Propane serves its customers best by providing reliable service, at reliable prices. Garkane Propane now serves just under 4,000 customers. That number continues to grow as customers enjoy great prices with quality service.

Respectfully submitted,

**Klint Chynoweth**  
Propane Manager

**Reed Munson**  
Propane Board President

**Preston Barlow**  
Propane Board Vice President

**William Hammon**  
Propane Board Secretary/Treasurer

## Escalante River

Photographed at a Hwy 12 lookout





**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

**Colorado City/Hildale**

1185 West Utah Avenue  
Hildale, UT 84784  
(435) 874-2810