



75

*Years of Cooperative Success*  
2013 Annual Report



# 2013 Annual Report

## Garkane Energy Cooperative, Inc.

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# 1938

Garkane Energy is formed as a cooperative from community members in Garfield & Kane counties.

# 1939

First lines are energized on December 20th. Tropic resident Helma Haas, (age 14) remembers literally dancing down the street.

# 1941

Garkane expands to Wayne County and adds 300 members to the Cooperative.

# 1950

Garkane adds members in Antimony, Spry, and Boulder, pushing the membership total to 1,560.



# 1958

Garkane builds a hydroplant on Boulder Mt. to supply power to the expanding system. It was dedicated on Aug. 22, 1958.

# 1964

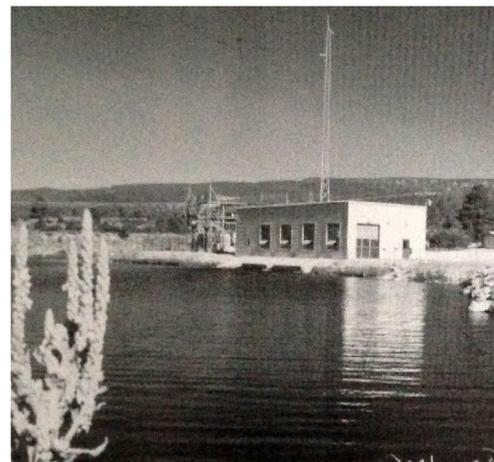
Discussions and debates continue regarding office relocation of Garkane's headquarters.

# 1989

Fifty years after the first lines were energized, Garkane membership reaches 6,136 with annual revenues at \$7.8 million.

# 2013

Garkane tops 13,500 members, from the original 28, more than seventy five years ago. Garkane has returned over \$8 Million to its members in capital credit refunds.



## *Board President & General Manager/CEO Report*

In 1935, President Franklin D. Roosevelt issued an Executive Order to create the Rural Electrification Administration (REA) to provide funding for utility groups who would serve rural areas. Just three years later, in 1938, and energized in Dec. 1939, a group of citizens in Garfield and Kane Counties created Garkane Energy. It was formed under this program which was established as a lending agency, making loans to finance electrical systems that would serve rural areas. Now, some 75 years later, we are no longer funded by the federal government, as these federal loans and obligations were paid off in 1996.

This year, Garkane Energy Cooperative is celebrating 75 years of serving you, and we are proud to share this historic milestone with our members and the communities we serve. You are the reason we're here today. We will always be grateful to those early pioneers of Southern Utah who organized Garkane and made it possible for us to have the standard of living we enjoy today. After 75 years in the industry, the changes are astonishing. The introduction of electricity to rural America has forever changed the lives of farmers and families, which has resulted in growth taking place in South-Central Utah and Northern Arizona.

As we report to you, our member owners, we are happy to inform you that Garkane Energy is financially healthy and completed 2013 with total plant valued at over \$100 million. In spite of the rising costs of doing business and considerable new construction, our cash position allowed for a half million dollar refund in Dec, 2013. Members saw the credit on their monthly electric bills during the Dec. billing cycle.

We believe that serving has always been about doing the right thing, whether we are helping our members achieve their goals, making a difference in the neighborhoods where we live and work, or guiding and governing this great cooperative today and for the future.

On a personal note, I plan to retire at the end of April, after Garkane's annual meetings. I have been with the Co-op for over 40 years, and have served as General Manager / CEO for 22 years. I have enjoyed serving and hope that I have left the Cooperative in a better situation than when I started. The Board of Directors have selected a new CEO, Mr. Daniel McClendon who is very experienced in the utility industry and in whom I have confidence will continue to lead the Cooperative forward. I thank the Board of Directors, Members, and Employees for the opportunity to serve, and wish you all the very best in the future. Garkane is a great cooperative and will continue to strive to improve in providing affordable, reliable electric service to all the members in South-Central Utah and Northern Arizona.

As I have mentioned before, we have a remarkable group of employees, who are also very involved in helping their communities thrive. They donate countless hours to local emergency response teams, youth activities and sports, community celebrations, and beautification efforts. We appreciate their efforts to help wherever they are needed, and we recognize their dedication to the members of Garkane Energy as they carry out their job responsibilities in a safe and efficient manner. We know that we can count on

them to provide you with the best service possible.

The world is a difference place today. The regrettable actions of a few have caused doubt to obscure confidence, and skepticism to erode trust. When it comes to building a partnership to help you keep the lights on, you demand the utmost integrity. Doing the right thing for our membership is never optional at Garkane Energy. For us, it's an everyday requirement for everything we do, just as it has been since we first opened our doors in 1938. Financial strength provides a solid foundation upon which Garkane Energy serves their members. We are proud to report we are strong and better positioned to meet your needs in the years ahead.

Be assured that the Board of Directors, management, and staff are engaged in the issues that affect Garkane Energy. As always, we welcome your input and participation -- this is your Cooperative, and we are honored to be able to serve you and your families. We will continue to work hard to earn and keep your trust and confidence.

Respectfully,

M. LaDon Torgersen  
Board President



Respectfully,

Carl R. Albrecht  
General Manager / CEO





## 2013 Board of Directors

*TOP ROW: (Left to Right) LaDon Torgersen-Board President Dist. 1, Trent Hunt-VP Dist. 2, Michael Blackburn - Deseret Trustee Dist.3, Reed Munson-Dist.4, Terry Griffiths-Dist.5,*

*MIDDLE ROW: (Left to Right) Carl Boyd Jr. Deseret Trustee, 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



**Carl Albrecht**  
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 31,2013

Carl R. Albrecht	40 years(General Manager/CEO)	Justin Miller	15 years(Journeyman Lineman)	Kit Goulding	7 years(Journeyman Lineman)
*Stan T. Chappell	38 years(Finance Manager)	Courtney Cropper	14 years(Journeyman Lineman)	Guy Renzello	7 years(Journeyman Lineman)
Marion G. Chappell	38 years(Safety & Loss Ctrl. Director)	Brett Bunting	14 years(Meter Reader)	Gerry Hoyt	7 years(Journeyman Lineman)
Carlos Peterson	38 years(Engineering Assistant)	Cory Anderson	13 years(Cost Accountant.)	Anthony Baird	7 years(Journeyman Lineman)
Phillip K. Burr	34 years(Loa Area Manager)	Joshua Chappell	13 years(Journeyman Lineman)	Scott Colson	7 years(Journeyman Lineman)
Dan K. Taylor	34 years(Journeyman Lineman)	Austin Owens	13 years(Journeyman Lineman)	Nathan Lyman	7 years(Journeyman Lineman)
Jeffery Vaughn	30 years(Kanab Area Manager)	Nichole Dinges	12 years(Metering Tech./Foreman)	Lisa Crane	6 years (Meter Technician)
Wesley H. Hoyt	30 years(Engineering Tech. /Foreman)	Clayton Johnson	12 years(Journeyman Lineman)	Travis Fox	6 years (Engineering Assistant)
Fayon Hunt	29 years(Billing Secretary/Kanab)	Marcus V. Lewis	11 years(CFO/Propane Finance)	Taylor Albrecht	6 years (Apprentice Meter Tech.)
Stacee Blackburn	28 years(Billing Clerk)	Robert Wolfley	10 years(Garfield Area Manager/Propane)	Mark Palmer	6 years (Mapping Technician)
Troy W. Johnson	28 years(Journeyman Lineman/	Robin Campbell	10 years(Billing Secretary/Kanab)	Susie Anderson	5 years (Billing Secretary/Hatch)
Jeffrey A. Hafen	27 years(Maint. Crew Foreman)	Mark Kabonic	9 years(Journeyman Lineman)	Charles Steed	5 years (Journeyman Lineman)
A. Kay Brooks	26 years(Journeyman Lineman)	Brad Webb	9 years(Journeyman Lineman)	Saige Edwards	3 years (Billing Clerk/Receptionist)
Ronald A. Rees	25 years(Meter Reader)	Klint Chynoweth	9 years(Warehouseman)	Daniel Thompson	3 years (Engineering Tech.)
Thomas J. Barton	25 years(Engineering Technician)	Wes Troy	9 years(Lineman)	Neal Brown	1 Year (Marketing & MS Mgr.)
Ira M. Avant	24 years(Engineering Manager)	Ed Marshall	8 years(Engineering Assistant)	**Heather Torgerson	1 mon. (Billing Clerk)
Craig M. Twitchell	24 years(Metering Technician)	Bryant Shakespear	8 years(Planning Engineer)	**Landon Zaborowski	1 mon. (IT Specialist)
Rick Ensle	20 years(Engineering Asst. / IT)	Cole Twitchell	8 years(Substation Technician)	**Dan McClendon	(CEO / GM as of 5/1/2014)
Richard D. Stewart	20 years(Journeyman Lineman)	Mindi Brian	8 years(Billing Clerk/Receptionist)		
Scott L. Grundy	17 years(Journeyman Lineman)	Flint Chynoweth	8 years(Journeyman Lineman)		
Casey J. Glover	17 years(Journeyman Lineman)	Heath Hatch	8 years(Journeyman Lineman)		
Keri L. Ramsay	17 years(Billing Clerk)	Bennet Brooks	7 years(Journeyman Lineman)		
David Orton	15 years(Meter Reader)	Voi Barton	7 years(Journeyman Lineman)		

\*Retired this year

\*\*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 976 years of experience in serving residents of South Central Utah and Northern Arizona as of December 31, 2013

## Consolidated Statements of Revenue & Patronage Capital, as of Dec. 31

	<b>2013</b>	<b>2012</b>
<b><i>Operating Revenue</i></b>		
Revenues	\$26,392,171	\$24,209,363
<b><i>Expenses &amp; Deductions</i></b>		
Cost of Sales	10,313,790	8,960,053
Transmission Expense	254,926	396,931
Distribution Expense	1,850,928	2,036,850
Consumer Accounts Expense	820,564	807,052
Customer Service Expense	114,625	102,693
Administrative & General Expense	4,930,058	4,661,158
Depreciation & Amortization Expense	2,917,614	2,782,004
Tax Expense	650,107	638,121
Interest Expense	1,330,259	1,413,272
Other Deductions	46,979	49,395
<b>TOTAL COST OF SERVICE</b>	<b>23,229,850</b>	<b>21,847,529</b>
<b>OPERATING MARGINS</b>	<b>3,162,321</b>	<b>2,361,834</b>
<b><i>Non-Operating Margins &amp; Other Credits</i></b>		
Interest Earnings	43,403	38,187
Other Capital Credits & Allocations	441,582	404,012
Misc. Non-Operating Income	6,819	13,638
Gain/Loss on Disposition of Property	191,697	83,141
Other (Including Extraordinary Items)	18,575	15,602
Provision for Income Taxes	(148,096)	(137,796)
<b>NET MARGINS</b>	<b>\$3,716,301</b>	<b>\$2,778,618</b>
Patronage Capital - Beginning of Year	32,416,106	30,132,725
Refund of Patronage Capital Credits	(496,645)	(495,237)
<b>PATRONAGE CAPITAL - END OF YEAR</b>	<b>\$35,635,762</b>	<b>\$32,416,106</b>

Consolidated Balance Sheets, as of Dec. 31	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
<i>Long-Term Assets</i>		
Plant	\$102,423,607	\$95,739,358
Less: Depreciation	(37,792,643)	(35,046,296)
<b>NET PLANT</b>	<b>64,630,964</b>	<b>60,693,062</b>
Non-Utility Property	2,046,431	1,951,622
Investments in Assoc. Organizations	1,758,281	1,708,044
Other Investments	315,379	330,873
<b>TOTAL LONG-TERM ASSETS</b>	<b>68,751,055</b>	<b>64,683,601</b>
<i>Current Assets</i>		
Cash	2,423,262	3,422,403
Accounts Receivable - Net	4,200,594	2,491,664
Materials & Supplies	2,919,253	3,220,908
Prepayments & Other Accrued Assets	188,598	140,685
Total Current Assets	9,731,707	9,275,660
<b>TOTAL ASSETS</b>	<b>\$78,482,762</b>	<b>\$73,959,261</b>
 <b>LIABILITIES &amp; PATRONAGE</b>		
<i>Patronage Capital</i>	\$35,635,762	\$32,416,106
 <b>LONG-TERM DEBT</b>		
Deferred Income Tax Liability - NET	441,865	412,897
Accumulated Operating Provisions	1,881,316	1,724,788
CFC Mortgage Notes	31,791,158	31,331,318
<b>TOTAL LONG TERM DEBT</b>	<b>34,114,339</b>	<b>33,469,003</b>
 <b>CURRENT LIABILITIES</b>		
Accounts Payable	2,542,220	1,868,251
Consumer Deposits	707,536	683,602
Other Current Liabilities	3,356,220	3,373,433
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,605,976</b>	<b>5,925,286</b>
 Deferred Credits	2,126,685	2,148,866
<b>TOTAL LIABILITIES &amp; PATRONAGE</b>	<b>\$78,482,762</b>	<b>\$73,959,261</b>

## *Report of the Secretary-Treasurer*

We are happy to report that Garkane Energy experienced another good year, ending 2013 in a strong financial position with a margin of \$2,759,055. As a result, a patronage capital refund in the amount of a half million dollars was approved by the Board of Directors in December 2013.

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. While dealing with inflationary pressures and maintaining an aggressive modernization program of system upgrades the past few years, rates to our members have remained relatively stable for many years, and we remain committed to keeping your power rates as low as possible for as long as possible.

We are proud to be a community partner, helping wherever possible to make a positive difference in the lives of our members. We do millions of dollars of business locally, employ 65 full-time employees, and participate in many charitable and community events.

I invite you to review the Auditor's Report and the Financial Statements and Notes 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,

Terry Griffiths  
Secretary / Treasurer

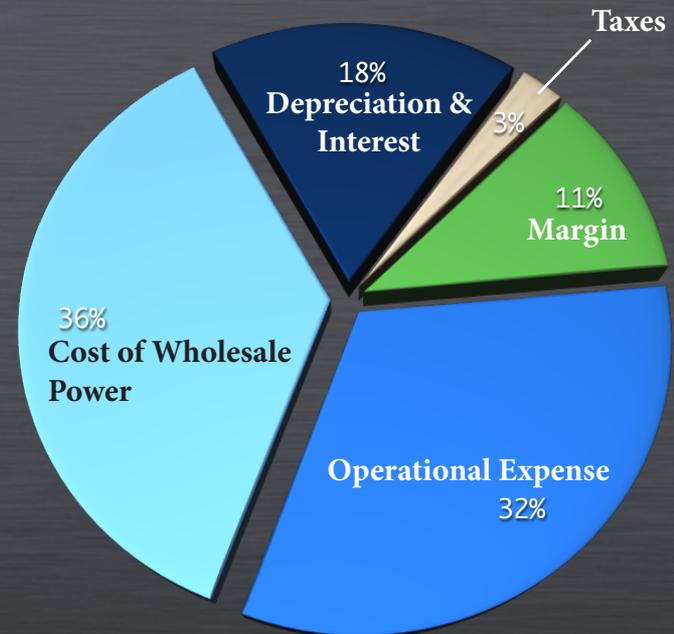
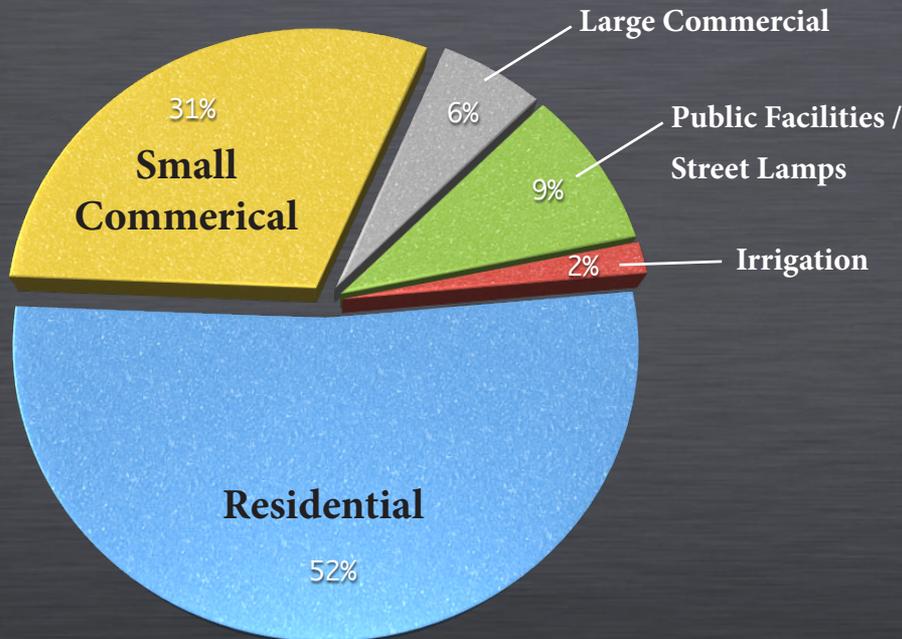


# Historic Growth Statistics

\* 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	12,975	22,746,974	233.3	102.42	8,052,288	2,225	5.83



**CUSTOMER MIX - ELECTRICITY SALES**

**EXPENDITURE MIX**

# A Culture of Safety - 8 Years Without a Lost-Time Accident

At Garkane Energy Cooperative, we place the highest priority on the safety of our members, our employees, and our community. Electricity is a safe economical energy source that provides our members with the many conveniences we enjoy at work and play. Following simple safety guidelines can help make sure you stay safe at home and on the job.

Eight years of No Lost-Time Accidents (LTAs), in this business is almost unheard of. We credit the employees, management, and board of directors for “buying in” to a culture of safety. Garkane has been recognized by the Utah Worker’s Compensation Fund, Utah Safety Council, Federated Rural Electric Insurance, the National Rural Electric Cooperatives Association, and others for this outstanding record of safety.

It is vital that our members understand the importance of electrical safety at home, where electric potential is measured in hundreds of volts and can cause serious injury. On the electric grid where electric currents can be more than 1,000 times as powerful, safety can be a matter of life and death. Please remember to look up when working outdoors. Be sensitive about where you plant new trees. Also of concern is the risk involved in locating a haystack or building under a high voltage power line. When this occurs, clearances are reduced and a hazard exists for children or adults who might climb on top of a haystack or structure. Be extra careful when moving irrigation pipes. Many electrical accidents on farms occur when irrigation pipes are accidentally raised into power lines.

One aspect of our safety program involves our safety trailer demonstrations. Garkane Energy’s Safety and Loss Control Director, Marion Chappell and Dan Taylor; conduct safety demonstrations each year at various schools, businesses, clubs, and events throughout the Garkane Energy system. The presentation catches the attention of children and adults alike. Hundreds of school kids have taken part in these safety demonstrations and each of them walk away with a new-found respect for electricity.



*Dan Taylor safety demonstration*



*Dan Taylor (left), Marion Chappell (right),*



*Nate Lyman, pole-top safety training*

## 2013 in Review

2013 was a great year financially for the Cooperative, with record margins, and the Co-op was able to return \$500,000 in capital credits to its members on their December 2013 bill. A strong financial foundation, year after year is a hallmark of Garkane Energy.

On June 1st, 2013, following the groundbreaking with Lt. Governor Greg Bell and government agency representatives, Garkane crews started construction on the multi-year Tropic to Hatch 138 kV transmission line. Because of the location and roadless areas, skilled crews had to walk in each day to perform the construction work. Poles were set by use of helicopters at \$42 to \$76 per minute, depending on the size of the helicopter. Progress was made on the Bryce Plateau as well.

A three-phase line up Johnson Canyon was also initiated, with ongoing work happening in 2014. This project will keep crews busy changing out poles and upgrading infrastructure for growth in Johnson Canyon, just outside of Kanab. Crews started and completed the underground line to the new Zion View Estates on Cedar Mountain in 2013. This will be a vital source of power for growth on Cedar Mountain. Crews broke ground on the new Torrey Substation and work continues with anticipation of it being finished in 2014.

2013 provided many opportunities for Garkane to give back to the communities it serves. Garkane assisted in another successful UREA Youth Leadership Camp held at Snow College. Providing growth and learning opportunities for Junior High School students is one of many ways that Garkane gives back. Garkane continues to sponsor many athletic and community events throughout the service area.

2013 was a great year for new construction and growth within the Garkane system. This will provide much needed infrastructure for future growth and expansion in the South-Central and Northern Arizona region.

Tropic to Hatch  
Transmission Project



Johnson Canyon 3-Phase  
Project



# Garkane Propane

Garkane Propane had an excellent year in 2013 by increasing its customer base and offering a great return back to the Cooperative. 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 2013, propane prices increased as a result of shortages across the country. Garkane Propane seeks to maintain and keep consistent pricing, but is not immuned to macro conditions that affect the market supply and cost of LP-gas.

Garkane Propane now serves 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





Utah's Governor Herbert Congratulates  
Garkane Energy on Seventy-Five Years  
of Service to South-Central Utah and  
Northern Arizona



## STATE OF UTAH

GARY R. HERBERT  
GOVERNOR

OFFICE OF THE GOVERNOR  
SALT LAKE CITY, UTAH  
84114-2220

SPENCER J. COX  
LIEUTENANT GOVERNOR

April 23, 2014

Carl Albrecht, CEO & General Manager  
Garkane Energy Cooperative, Inc.  
1802 South Highway 89A  
Kanab, Utah 84741

Dear Mr. Albrecht, Board of Directors, Employees, and Members:

It is my pleasure as Governor to offer warm congratulations, as you celebrate the 75<sup>th</sup> anniversary of Garkane Energy Cooperative. Your success in building a thriving organization to serve the energy needs of growing rural communities in south-central Utah and north-central Arizona is commendable.

In particular, I wish to recognize your efforts to provide electricity and services not only to thousands of local residents but also millions of tourists who visit the four national parks—Zion's, Bryce Canyon, Capitol Reef, and Grand Canyon—as well as the two national monuments and several state parks and national forests located within your service area. Your service enables hundreds of rural families and individuals both in Utah and Arizona to make a living by providing myriad amenities to these visitors. Accordingly, Garkane Energy is a significant economic driver locally and an important contributor to Utah's and Arizona's economies.

I also wish to applaud Garkane's involvement in the communities you serve through business development, scholarships, volunteerism, the Utah Rural Electric Association Youth Leadership Challenge, and supporting local schools and community groups. You are an exemplary corporate citizen.

Again, congratulations and best wishes for your continued prosperity in the years ahead.

Sincerely,

Gary R. Herbert  
Governor

# 2013 Projects

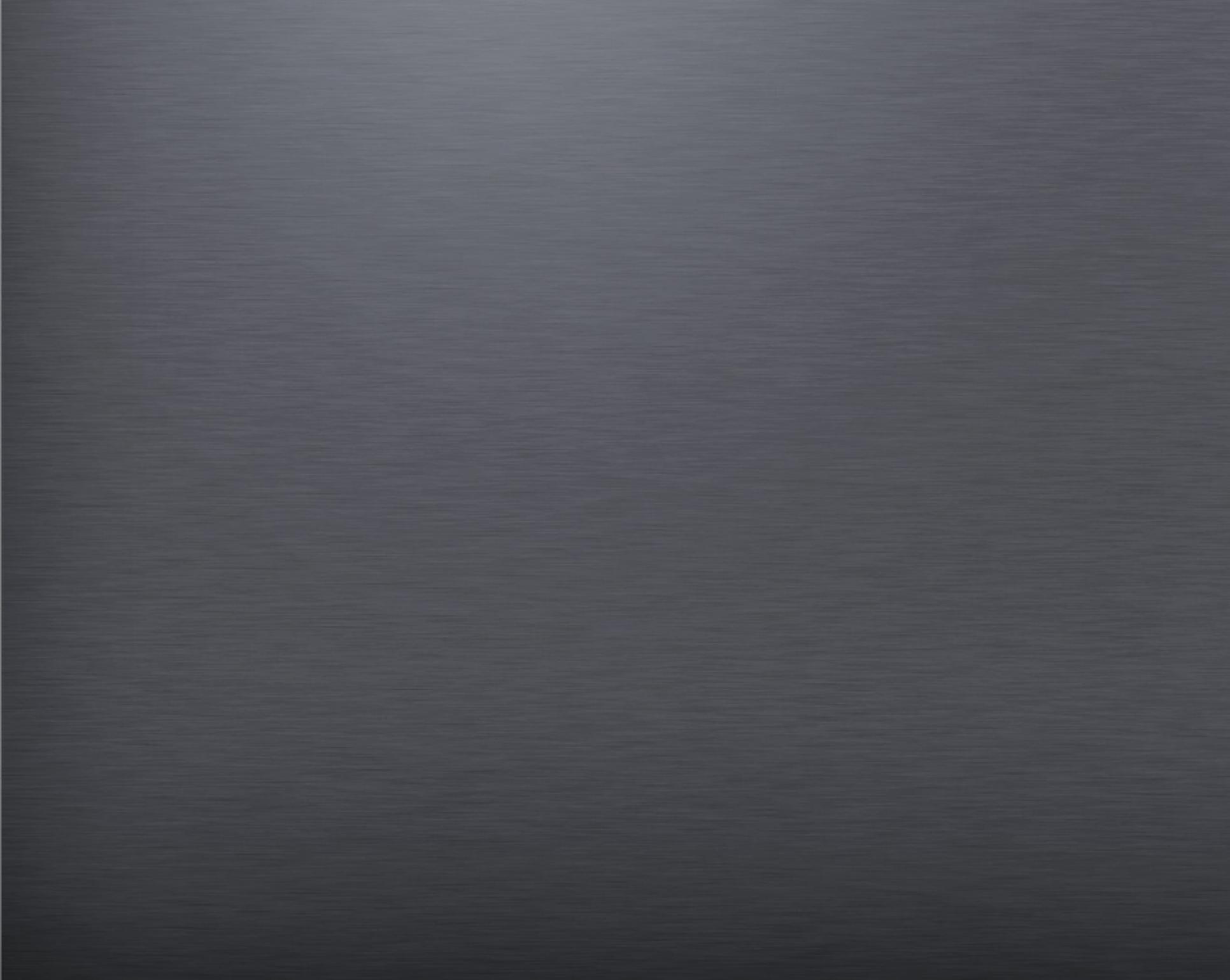
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Left - Tropic-to-Hatch Helicopter work

Bottom Left - Dan Taylor and Clayton Cox working on the Tropic-to-Hatch Transmission project

Bottom Right - Bennett Brooks and Nate Lyman installing a transformer in Johnson Canyon near Kanab





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.



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