



ANNUAL REPORT

2022

PERFORMING WHILE TRANSFORMING





G1-38

Garkane
energy

USDOT 239345
GVW 54,000

First Aid Kit
Inside

Atec



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REPORT OF

BOARD PRESIDENT AND CEO

The electric industry is constantly transforming, and Garkane keeps performing by delivering electricity to our ever changing 15,217 members. This was no different in 2022, as the co-op faced multiple obstacles in achieving its goal of delivering safe, affordable and reliable electricity. Some of those obstacles included supply chain shortages, wholesale power cost increases and dramatic weather occurrences, which made it challenging to deliver results. Garkane employees shined bright in 2022 and were able to overcome the operational obstacles. They performed at a high level and kept their promise to the co-op members. Garkane continues not only to provide reliable electricity at a lower cost, but we also work hard to build strong relationships and enhance the member experience. A Garkane member gets a lot more than just affordable power...they get the benefit of a being a member of a cooperative family.

Extreme weather conditions have provided challenges for our crews this year. They work hard to provide safe, reliable power to our members. Due to extreme conditions in 2022, Garkane issued a "high-five" alert last summer due to electric shortages on the western electric grid. A "high five" alert asked all members to turn their thermostat up five degrees to reduce peak demand. We thank our members for voluntarily participating in this program. In peak-demand times, electricity costs can skyrocket, which can lead to rolling blackouts, and Garkane is determined to do all we can to prevent this. Wintertime also brought heavy snowstorms throughout our territory causing several outages. Tree trimming efforts in the off-season has been critical in reducing these winter outages.

Supply chain shortages also presented challenges for Garkane this year. Some new construction and maintenance jobs were delayed because of our inability to acquire materials and equipment. Shortages on 3-phase transformers continue to be a major issue. Garkane administrators planned and ordered materials in advance as much as possible and stocked inventory accordingly to provide the best service possible.

Member rate increases are never welcome but sometimes necessary. Unfortunately, In 2022 Garkane had to adjust retail rates due to an increase in wholesale power costs. Correspondingly, a minor retail increase was added to the kWh charge and an additional \$5 was added to the base rate. Whenever rates need to increase, the Board and Management look closely at all changes to ensure rate increases are absolutely necessary. Inflation was one of the major reasons for rate increases in 2022. Because materials and supplies costs increased so dramatically, Garkane's staff had to meticulously plan for increases to help keep operating margins within a satisfactory level. Even with these increases, Garkane was able to refund 1.5 million in capital credits and is in a strong financial position moving forward into 2023.

Behind all the operating structure of poles and wires, you'll find the great Garkane employees who serve the members. We believe our employees perform at a superior level and they promote accountability. They are expected to make good decisions and provide service in a way that demonstrates and supports cooperative principles and values.

In 2022, crews worked diligently on finishing and energizing the 13 miles of the Buckskin-to-Kanab transmission line to provide adequate resources to Kane County for future growth in the area. Substation Technicians rebuilt and upgraded the Fredonia and Sigurd Substations.

Also, crews continued to replace and upgrade poles throughout the service territory that are aged and/or need to be replaced. Crews continue to focus on tree-trimming to help reduce outage possibilities. As member growth continues, so does new construction projects. The Staking (Planning) Department staked over 700 projects in 2022, ranging from residential to larger 3-phase services. The employees at Garkane stay dedicated to keeping the lights on, performing their duties at the highest level in the ever-transforming electric world.

As your energy provider, Garkane's mission is to ensure that every interaction with our members is positive as well as fostering positive communities. Garkane has always been very active in the communities we serve, whether it's through providing scholarships to help fund educational opportunities for your students, community event sponsorships, or funding charitable projects with the Operation Round-up program. Community engagement continues to be a priority for Garkane's Board and Management. We've seen tremendous growth in our Operation Roundup program. Contributions almost doubled the previous year's contributions as more members become aware of the program benefits. By joining the program, members donate just small amounts every month, and those proceeds go towards charitable and community outreach. When combined with additional small donations of more than 15,000 members, we can make a huge difference in our communities. We hope all our members participate and get the sense of joy that comes from donating to a bigger cause. Please join the Roundup program if you are not already participating. Small change from us equates to big change for others. The seventh cooperative principle—Concern for Community is alive and well at Garkane.

And lastly, another major benefit of the cooperative structure is the way members help fund cooperative operations, helping keep rates as low as possible. At the end of every year, Garkane uses the margin, and invests it back into poles and wires. The value of this investment is credited to the members who used electricity that year by purchasing power. That cred-

it, which in co-op terms is referred to capital credits is eventually returned to the members when the board approves a retirement of such credits. In 2022, the Garkane Board approved a retirement of \$1.5 million in refunds, which proved to be a huge financial boost for our communities. Capital structure "sharing" is just one of the major benefits of being a cooperative member, rather than just being a customer of a "for-profit" utility. In a co-op, all money collected that exceeds costs, eventually goes back to the members.

As your co-op leaders, we understand the importance of making sound business decisions. We constantly work to make sure the decisions we make will have a positive impact on the future. Every decision we make requires careful consideration and collaboration in order to benefit our entire membership. Looking back, 2022 was a challenging year, but a great year...now, we look forward to an even brighter and better 2023 as we keep performing while the industry keeps transforming.

Respectfully,



William Hammon
Board President



Dan McClendon
CEO / General Manager



DISTRICT 1

Ron Cazier

Koosharem, UT



DISTRICT 2

Chad Williams

Teasdale, UT



DISTRICT 3

Tracy Potter

Torrey, UT



DISTRICT 4

Reed Munson

Escalante UT



DISTRICT 5

Terry Griffiths

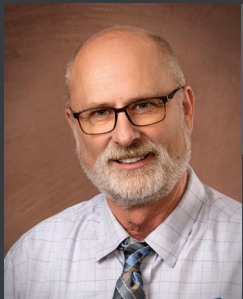
Orderville, UT



DISTRICT 6

George Thompson

Tropic UT



DISTRICT 7

Andy Gant

Kanab, UT



DISTRICT 8

Rod Ence

Duck Creek, UT



DISTRICT 9

William Hammon

Centennial Park, AZ



DISTRICT 10

Ray Clark

Kanab, UT



DISTRICT 11

Guy Timpson

Colorado City, AZ

2022
BOARD OF DIRECTORS

2022

FINANCIAL SNAPSHOT

33.9%
OPERATIONAL
EXPENSE

\$10,108,462

42.3%
WHOLESALE
POWER EXPENSE

\$12,619,062

18.2%
DEPRECIATION
EXPENSE

\$5,425,974

3.25%
NET MARGINS

\$1,726,876

*Consolidated Net Margin

2.33%
TAXES

\$697,043

54.3%
RESIDENTIAL
SALES

\$15,609,235

30.2%
SMALL
COMMERCIAL SALES

\$8,686,379

5%
LARGE
COMMERCIAL

\$1,436,802

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

	2022	2021
Operating Revenue		
Revenues	\$36,234,706	\$32,206,584
Expenses & Deductions		
Cost of Sales	17,180,404	14,559,122
Transmission Expense	721,414	698,229
Distribution Expense	3,512,727	3,193,795
Consumer Accounts Expense	831,055	786,172
Customer Service Expense	515,962	324,065
Administrative & General Expense	6,213,523	5,126,333
Depreciation & Amortization Expense	4,359,108	4,239,461
Tax Expense	697,043	684,080
Interest Expense	1,299,227	1,296,934
Other Deductions	<u>37,837</u>	<u>25,433</u>
TOTAL COST OF SERVICE	\$35,368,300	\$30,933,624
OPERATING MARGINS	\$866,406	\$1,272,960
Non-Operating Margins & Other Credits		
Interest Earnings	45,582	27,766
Other Capital Credits & Allocations	526,135	458,204
Misc. Non-Operating Income	96,129	51,168
Gain/Loss on Disposition of Property	131,122	398,238
Other (Including Extraordinary Items)	61,502	1,424,716
Provision for Income Taxes		
NET MARGINS	1,726,876	3,633,052
Patronage Capital - Beginning of Year	54,600,371	52,544,459
Prior Period Adjustment		
Refund of Patronage Capital Credits	<u>(1,542,855)</u>	<u>(1,577,140)</u>
PATRONAGE CAPITAL - END OF YEAR	<u>\$54,784,392</u>	<u>\$54,600,371</u>



CONSOLIDATED BALANCE SHEET, AS OF DEC. 31

	2022	2021
ASSETS		
Long-Term Assets		
Plant	\$147,384,040	\$141,789,686
Less: Depreciation	<u>(67,279,368)</u>	<u>(63,397,808)</u>
NET PLANT	80,104,672	78,391,878
Non-Utility Property	3,063,362	3,077,287
Investments in Assoc. Organizations	2,135,350	2,117,885
Other Investments	<u>971,465</u>	<u>472,412</u>
TOTAL LONG-TERM ASSETS	\$86,274,849	\$84,059,462
Current Assets		
Cash	3,668,083	2,327,454
Accounts Receivable - Net	6,590,295	5,237,248
Materials & Supplies	5,134,808	5,295,527
Prepayments & Other Accrued Assets	243,517	808,126
Total Current Assets	<u>15,636,703</u>	<u>13,668,355</u>
TOTAL ASSETS	<u>\$101,911,552</u>	<u>\$97,727,817</u>
LIABILITIES & PATRONAGE		
Patronage Capital	\$54,784,392	\$54,600,371
LONG-TERM DEBT		
Deferred Income Tax Liability - NET	418,810	454,493
Accumulated Operating Provisions	10,637	4,380
Other Long-Term Debt	427,461	442,943
CFC Mortgage Notes	<u>29,658,953</u>	<u>31,299,546</u>
TOTAL LONG TERM DEBT	<u>\$30,515,861</u>	<u>\$32,201,362</u>
CURRENT LIABILITIES		
Accounts Payable	4,256,826	2,980,368
Consumer Deposits	588,448	505,355
Other Current Liabilities	<u>10,162,508</u>	<u>5,797,883</u>
TOTAL CURRENT LIABILITIES	<u>\$15,007,782</u>	<u>\$9,283,606</u>
Deferred Credits	<u>1,603,517</u>	<u>1,642,478</u>
TOTAL LIABILITIES & PATRONAGE	<u>\$101,911,552</u>	<u>\$97,727,817</u>



REPORT OF THE SECRETARY / TREASURER

We are happy to report that Garkane Energy experienced another good year, ending 2022 in a strong financial position with a Net Margin of \$1,726,876.

Residential consumers make up 54% of Garkane’s consumer mix, increasing by 3% over the last ten years. Small commercial growth stayed relatively flat, representing 30% of the consumer mix, similar to ten years ago, followed by large commercial at 5%, which was 2% over the same time period. Garkane staff was able to decrease Operational Expenses slightly over the last ten years from 34% to 33%, while the cost of wholesale power increased dramatically from 34% in 2012 to 42% in 2022.

As a cooperative, rates are determined locally by the Board of Directors, elected by the members. The financial condition of the cooperative allowed the board to refund \$1,500,000 in capital credits.

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,



Ray Clark
District 10
Secretary Treasurer

HISTORIC GROWTH STATISTICS

Electric only numbers (does not include Propane)

Year	No. of Members	Annual Electric Revenues	KWHs Sold (Millions)	Plant (Millions)	Wholesale Power Costs	Miles of Line	Members/per Line Mile
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
2017	13,320	23,818,704	241.5	122.5	9,190,139	2,393	5.57
2018	13,606	24,248,291	242.6	126.4	9,366,594	2,527	5.38
2019	13,874	24,615,222	249.9	132.5	10,058,600	2,546	5.45
2020	14,263	25,012,376	259.3	138.2	9,890,114	2,595	5.50
2021	14,696	26,238,298	268.4	141.8	10,586,489	2,628	5.59
2022	15,217	28,730,445	287.3	147.4	12,244,382	2,671	5.70

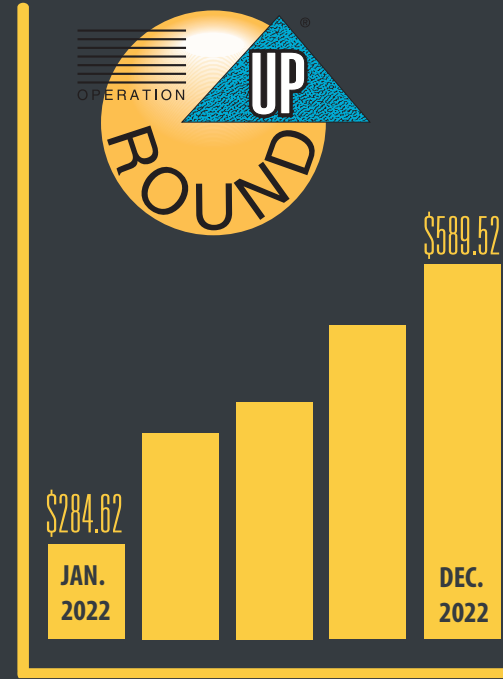
MARKETING & MEMBER SERVICE REPORT



ROPES COURSE TEAM BUILDING EXERCISE



SCHOLARSHIP BANQUET



2022 MONTHLY CONTRIBUTIONS

25 STUDENTS
COMPLETED THE MICHAEL
F. PETERSON YOUTH
LEADERSHIP CAMP

\$22,000
AWARDED FOR
SCHOLARSHIPS FOR
CONTINUING EDUCATION

52%
INCREASE FROM THE
PREVIOUS YEAR IN OPERATION
ROUND-UP PARTICIPANTS

OPERATIONS & ENGINEERING REPORT



CREWS ON THE KAIBAB MTN.



REMOVING A DOWNED TREE ON A LINE



REPAIRING A LINE

13 MILES

COMPLETED & ENERGIZED
BUCKSKIN TO FREDONIA
TRANSMISSION LINE

700 PROJECTS

PROJECTS STAKED FOR
NEW CONSTRUCTION

2 SUBSTATIONS

UPGRADED THE FREDONIA
AND SIGURD SUBSTATIONS

RENEWABLE GENERATION REPORT



ESCALANTE SOLAR PAVILION



BOULDER HYDRO FACILITY

3.25 MW

GENERATED FROM THREE
SOLAR ARRAYS IN KANAB,
ESCALANTE, & TORREY IN
2022

20,123 MW

GENERATED FROM THE BOULDER
HYDRO FACILITY IN 2022

GARKANE PROPANE

2022 was a great year for the Propane division. This winter has been one to remember, and price volatility in the overall industry has shaken things up, but our dedicated team continue to provide the best service possible. We have now grown to nearly 5,000 customers, and continue to see sustainable growth.

In 2022, we saw record snowfall in the higher elevations, making it difficult to deliver propane in some areas, but team members worked extremely hard to meet our customers needs.

The Propane division has seen steady growth and improvements in 2022, especially in the quality customer service it seeks to provide. A new billing management software program was implemented to provide better account access and easier ways to view and pay your bills. We will continue to find ways to build on these improvements.

Where technology can't always offer a friendly smile and a helping hand, our team always will. That's the cooperative way.

Respectfully,

JAMES HOYT

Propane Manager



GUY TIMPSON

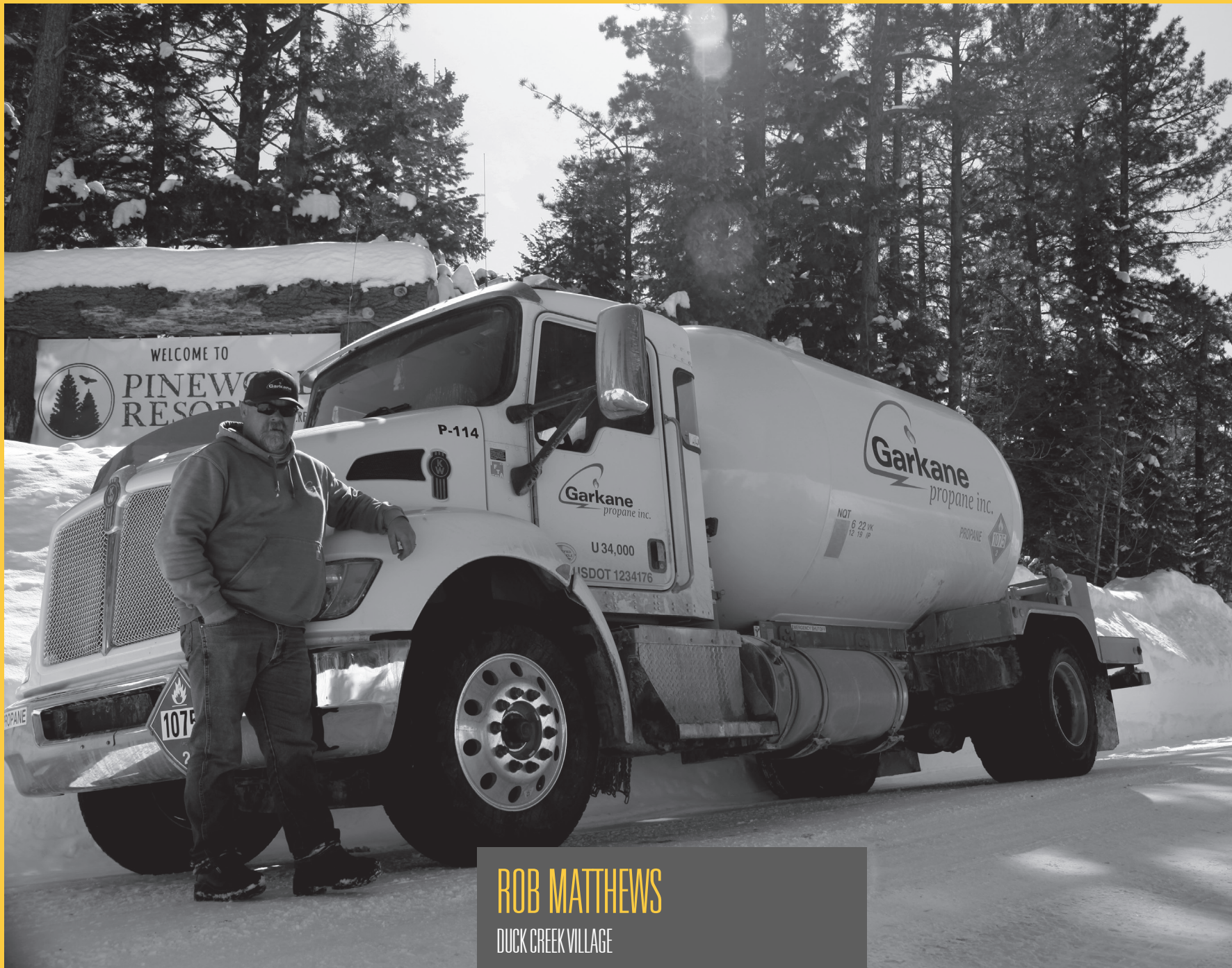
Propane Board President



GARKANE PROPANE EMPLOYEES

- James Hoyt - Propane Manager
- Robert Matthews- Propane Delivery
- Derrick Pollock - Service Technician
- Eric McCormick - Propane Delivery
- Daniel Hatch - Propane Delivery
- Dusty Riddle - Service Technician





ROB MATTHEWS
DUCK CREEK VILLAGE



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