



ANNUAL REPORT
2019

FINANCIAL STRENGTH

DISCIPLINED PERFORMANCE

PURPOSEFUL PLANNING



INDEX

Page 3	Board President & CEO report
Page 4	Board of Directors
Page 5	Garkane Employee List
Page 6	Community Report
Page 7	Financials
Page 8	By the numbers
Page 9	Secretary Treasurer Report
Page 10	Cooperative Statistics
Page 11	Boulder Hydro
Page 12	Engineering & Operations Report
Page 13	Energy Efficiency
Page 14	Energy Efficiency Program Report



Board President and CEO Report

The Board President & CEO report is offered to the membership each year as a review of Garkane's operations, but also highlights the efforts taken by your cooperative to provide reliable service while staying financially strong.

With a focus on financial strength and stability, disciplined performance, purposeful planning, we offer all of our members powerful peace of mind right now, and into the future.

Delivering affordable and reliable electricity requires the foundation of financial strength and stability to meet our member's needs. 2019 marked a good year for the cooperative financially, which allowed the Board to authorize the largest capital credit refund in Garkane's history of 1.1 million dollars. Prudent cost management has kept our rates unchanged in 2019, and our financial forecasts indicate stability over the next few years. A sound financial foundation provides peace of mind that our co-op members have come to rely on.

Disciplined performance starts with disciplined employees. The operation crews were awarded a first-place safety award for having over 70,000 hours without a Lost-Time Accident. Crews are dedicated to the commitment of providing safe electricity while maintaining zero contacts. Disciplined performance also starts with a commitment to excellence in our member service. Our billing and member service departments handle numerous account and billing requests on a weekly basis, and on top of handling accounts with near error-proof precision, they do it with a smile and cheerful countenance. With a focus on disciplined performance, we will be able to provide the commitment to excellence our members have come to expect.

The cooperative has grown to serve over 13,800 members and we expect our growth to continue. To properly manage the growth, we have invested in costly transmission lines. We celebrated the energizing of the Tropic-To-Hatch 138kV transmission line in 2019, by holding a flip-the-switch ceremony. Representatives of Utah's Governor's Office of Energy participated in this celebration. The new line will be an important addition to serve the growth needs on Cedar Mountain and surrounding areas. In addition to the Tropic-To-Hatch line, we also celebrated the energizing of the Fremont Hydro project. This 2 MW water hydro project is owned by the Fremont Irrigation Company and will serve a portion of the energy needs in Wayne County. Construction has begun on the Buckskin to Fredonia transmission upgrade. This project will upgrade the existing 69kV line to a 138kV line and will support growth in the Kanab area. Although these infrastructure projects are costly investments, they represent purposeful planning by our engineering department to be prepared to distribute reliable and safe electricity to all our members well into the future.

The Board and Management are dedicated to keeping the co-op financially strong. Disciplined performance and purposeful planning are critically important for the future of the Garkane membership. After all, it's our members, our employees, and the communities we serve that give life to Garkane Energy Cooperative. As we continue this year, we want to ensure our members have the powerful peace of mind that comes when their energy needs are met at a reasonable cost and in a safe, reliable way.

Board President,
William Hammon



CEO/General Manager,
Dan McClendon



BOARD OF DIRECTORS & CEO



LaDon Torgersen
District 1



Chad Williams
District 2



Tracy Potter
District 3



Reed Munson
District 4



Terry Griffiths
District 5



Carl Boyd Jr.
District 6



Andy Gant
District 7



Rod Ence
District 8



William Hammon
District 9



Nanell Robinson
District 10



Guy Timpson
District 11



Dan McClendon
CEO/General Mgr.

Board of Director Service Districts

District 1
Koosharem, Grass Valley, Antimony

District 2
Loa, Lyman, Teasdale, Grover

District 3
Bicknell, Hanksville, Fruita, Torrey

District 4
Escalante, Boulder

District 5
Orderville, Glendale, Mt. Carmel, Alton

District 6
Tropic, Hatch, Henrieville, Cannonville

District 7
Kanab Creek Ranchos, Johnson Canyon

District 8
Duck Creek Village, Strawberry

District 9
Big Water, Centennial Park, Cane Beds

District 10
Kanab City

District 11
Hildale, Colorado City

EMPLOYEES

KANAB

Tony Baird - Journeyman Lineman
Tom Barton - Safety Manager
Don Behunin - Substation Tech
Neal Brown - Marketing & Member Service Mgr.
Brett Bunting - Meter Reader
Leon Christensen - Mapping
James Clegg - Energy Advisor
Scott Colson - Meter Technician
Lisa Crane - Meter Technician
Todd Crowther - Apprentice Lineman
Talmage Daley - Engineer
Kaber Esplin - IT Systems Analyst
Josh Ferrin - Journeyman Lineman
Travis Fox - Staking Technician
Casey Glover - Operations Superintendent
Kit Goulding - Journeyman Lineman
Jeff Hafen - Maintenance Foreman
Gerry Hoyt - Journeyman Lineman
Wes Hoyt - Substation Tech. Foreman
Tyson Hutchings - Apprentice Lineman
April Johnson - GIS Mapping
Mark Kabonic - Journeyman Lineman
Jason Kirby - IT Supervisor
Kim Lathim - Boring Crew
Trevor Lathim - Boring Crew
Lexie Little - Human Resource Specialist
Nate Lyman - Journeyman Lineman
Dan McClendon - General Manager/CEO
Mark Palmer - Mapping Technician
Bryant Shakespear - COO
Charles Steed - Journeyman Lineman
Rick Stewart - Substation Technician
Alivia Swapp - Member Service Rep.
Daniel Thompson - Engineer Supervisor
Wes Troy - Journeyman Lineman
Jeff Vaughn - Kanab Operations Manager
Taleana Virostko - Staking/GIS Coordinator
Birkette Willis - Member Service Rep

HATCH

Susie Anderson - Member Service Rep
Kay Brooks - Journeyman Lineman
Josh Chappell - Journeyman Lineman
Flint Chynoweth - Journeyman Lineman
Klint Chynoweth - Assistant GM
Justin Cooper - Journeyman Lineman
Nikki Dinges - Meter Tech Supervisor
Clayton Johnson - Meter Technician Apprentice
Justin Miller - Staking Technician
Trace Miller - Journeyman Lineman
Justin Spencer - Warehouseman
Guy Renzello - Journeyman Lineman
Sheri Revels - Member Service Rep.
Cole Twitchell - Substation Technician
Ralph Wilcok - Meter Reader Tech
Rob Wolfley - Hatch Operations Manager
Derek Woolsey - Apprentice Lineman

LOA

Taylor Albrecht - Meter Technician
Cory Anderson - Accountant
Miindi Brian - Member Service Rep
Phillip Burr - Loa Operations Manager
Courtney Cropper - Journeyman Lineman
Saige Edwards - Accounting Supervisor
Scott Grundy - Journeyman Lineman
Marcus Lewis - Finance Manager / CFO
Denise Macklin - Accountant
Cary Simmons - Capital Credit Clerk
Dan Taylor - Line Compliance
Heather Torgerson - Accountant
Brad Webb - Journeyman Lineman

PROPANE

Dan Hatch - Propane Delivery
Robert Matthews - Propane Supervisor
Eric McCormick - Propane Delivery
Doug Owens - Propane Delivery
Derrick Pollock - Propane Delivery
Dustin Riddle - Service Technician



DISCIPLINED



PERFORMANCE



COMMUNITY

Garkane is more than just a utility, we are a community. Community is a reflection of the values that represent everyone that lives within our service territory. It represents those values that drive us to find new ways to serve. Community means the Michael F. Peterson Youth leadership camp, scholarship programs, Operation Round-up, and donations to community outreach like Toys-for-Tots, Sub-for-Santa, education foundations, and community recreation. Concern for Community is one of the seven cooperative principles that guides Garkane Energy. When we are able to go out into our communities, we get to focus on what really matters: people. We are here to serve, and that's what inspires us.

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

	<u>2019</u>	<u>2018</u>
Operating Revenue		
Revenues	\$29,286,857	\$28,515,817
Expenses & Deductions		
Cost of Sales	12,985,846	12,185,169
Transmission Expense	561,858	569,751
Distribution Expense	2,953,156	2,811,283
Consumer Accounts Expense	738,832	815,057
Customer Service Expense	294,171	292,671
Administrative & General Expense	5,095,438	4,719,034
Depreciation & Amortization Expense	3,751,776	3,438,764
Tax Expense	760,062	735,347
Interest Expense	1,238,600	1,153,602
Other Deductions	36,610	45,675
TOTAL COST OF SERVICE	28,416,349	\$26,766,353
OPERATING MARGINS	\$870,508	\$1,749,464
Non-Operating Margins & Other Credits		
Interest Earnings	40,968	21,706
Other Capital Credits & Allocations	476,067	452,898
Misc. Non-Operating Income	8,238	13,350
Gain/Loss on Disposition of Property	115,175	131,195
Other (Including Extraordinary Items)	10,356	32,198
Provision for Income Taxes		(13,156)
NET MARGINS	\$1,521,312	\$2,387,655
Patronage Capital - Beginning of Year	51,312,610	49,906,271
Refund of Patronage Capital Credits	(1,203,838)	(981,316)
PATRONAGE CAPITAL - END OF YEAR	\$51,680,084	\$51,312,610

Consolidated Balance Sheets, as of Dec. 31

	<u>2019</u>	<u>2018</u>
ASSETS		
Long-Term Assets		
Plant	\$132,499,311	\$126,390,252
Less: Depreciation	(55,823,430)	(52,434,940)
<i>NET PLANT</i>	76,675,881	73,955,312
Non-Utility Property	3,123,585	2,953,983
Investments in Assoc. Organizations	2,040,385	2,006,699
Other Investments	75,763	76,675
TOTAL LONG-TERM ASSETS	81,915,614	78,992,669
Current Assets		
Cash	3,378,061	3,265,305
Accounts Receivable - Net	4,624,373	4,838,252
Materials & Supplies	4,110,259	3,575,481
Prepayments & Other Accrued Assets	796,538	1,090,264
Total Current Assets	12,909,231	12,769,302
TOTAL ASSETS	\$94,824,845	\$91,761,971
LIABILITIES & PATRONAGE		
Patronage Capital	\$51,630,084	\$51,312,610
LONG-TERM DEBT		
Deferred Income Tax Liability - NET	446,267	433,261
Accumulated Operating Provisions	54,024	47,737
Other Long-Term Debt	473,032	487,650
CFC Mortgage Notes	27,665,563	29,484,968
<i>TOTAL LONG TERM DEBT</i>	28,638,886	30,453,616
CURRENT LIABILITIES		
Accounts Payable	2,623,961	2,554,423
Consumer Deposits	560,068	564,261
Other Current Liabilities	9,418,842	4,656,422
<i>TOTAL CURRENT LIABILITIES</i>	12,602,871	7,775,106
Deferred Credits	1,953,004	2,220,639
TOTAL LIABILITIES & PATRONAGE	\$94,824,845	\$91,761,971

BY THE NUMBERS

Total Members
13,874

Residential
53.8%

Small Commercial
29.6%

Public Facilities
8.5%

Large Commercial
5.6%

Irrigation
2.5%

Total Assets
\$94,824,845

Patronage Refund
\$1,203,838

Net Margin
\$1,521,312

Wholesale Costs
41%

Operating Expense
33.6%

Depreciation & Interest
18.9%

Margin
3.3%

Taxes
2.9%





FINANCIAL STRENGTH

SECRETARY TREASURER REPORT

We are happy to report that Garkane Energy experienced another good year financially, ending 2019 in a strong financial position with a net margin of \$1,521,312.

Operational expenses make up 33.6% of Garkane's cost with the cost of wholesale power representing 41% of the expenditure mix. Residential consumers make up 53.8% of Garkane's customer mix which represents the largest segment, followed by small commercial customers at 29.6%. At Garkane Energy, rates are determined locally by the Board of Directors, elected by you. Another benefit of being a member/owner of an electrical cooperative is the capital structure, which allows you to earn capital credits and have them refunded. Because the cooperative is financially strong, the board approved a refund of \$1,100,000 in capital credits in 2019, which is the largest amount ever refunded. 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 please know your comments are always welcome.

Respectfully Submitted,

Nanell Robinson, District 10 - Secretary / Treasurer

Garkane Energy Cooperative Statistics Electric only numbers (does not include Propane)

Year	No. of Members	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	51,927	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
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	10,783,600	2,546	5.45

Member Mix by Revenue %

	2019	2018
Residential	53.8%	51.8%
Small Commercial	29.6%	30.2%
Large Commercial	5.6%	6.3%
Street Lights/Public Facilities	8.5%	9.1%
Irrigation	2.5%	2.6%

Cost of Service: % of Revenue

	2019	2018
Operational Expense	33.6%	33.64%
Wholesale Power Cost	41.09%	38.92%
Depreciation & Interest	18.97%	17.66%
Taxes	2.98%	2.92%
Margins	3.32%	6.86%

*Kanab City Acquisition ** Twin Cities Acquisition

Boulder Hydro

Why we love small hydro:

It's local

It's economical

It's environmental



PURPOSEFUL PLANNING



ENGINEERING & OPERATIONS

Chances are you don't think about how we build, repair, and maintain our power lines, you only think about the peace of mind that comes from having power when you need it. A lot goes into making that happen, whether it's load controlling by the engineering department, or repairing a broken line in the middle of a snow-storm. Our Engineering & Operation crews are on call 24/7, 365 days a year to bring you that peace of mind.

2019 Power System Stats

Number of Line Workers.....	23
Work Orders.....	499
Documented Inspections.....	2150
Pole Change Outs.....	67
Total Connects.....	1601
Peak Demand.....	56.7 MW

Energy Saving Programs

Garkane offers a wide variety of programs to help you save energy, but what you may not see behind every program is a real person saving energy and money.

In 2019, 48 members took advantage of our energy saving rebate programs, receiving a total of \$25,805 in rebates.

The Half-Price Power program allows you to save money by reducing electricity during peak demand times. We have 579 members taking advantage of this program.

The moral of the story? Our energy saving programs can help real people and businesses save energy and money while taking advantage of new technologies.



2019 Energy Efficiency Programs

Half-Price Power Accounts.....	579
Community Solar kWh Generated.....	118,800
In Home Energy Audits.....	47
Commercial LED Rebates.....	13
LED Rebates in \$.....	\$14,580
Heat Pump & Water Heater Rebates.....	35
Rebates in \$.....	\$11,225
Net Meter Accounts.....	136





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

www.GarkaneEnergy.com