

# 2012 ANNUAL REPORT



Working in the *Cold*  
to keep you *Warm.*





**Page 2: East Zion**  
**Page 3: President and CEO Report**  
**Page 4: Year in Review**  
**Page 5: Year in Review cont...**  
**Page 6: Treasurer's Report**  
**Page 7: Historical Growth**  
**Page 8: Board of Directors**  
**Page 9: Management & Employees**

**Page 10: Garkane Propane Inc.**  
**Page 11: Area Projects**  
**Page 12: Customer Survey Results**  
**Page 13: 75th Anniversary Photos**  
**Page 14: Financial Reports**  
**Page 15: Financial Reports**  
**Page 16: Mission Statement**



# BOARD PRESIDENT & CEO REPORT

The Board of Directors and Management of Garkane Energy Cooperative are pleased to present this 2012 Annual Report to our membership. In this report you will see the financial performance of the Cooperative, you'll enjoy a review of the past year, discussion on important topics, and results from the recent customer satisfaction survey.

Garkane Energy continues to be a significant player in the regional economy. Each year, Garkane reaches new milestones in its financial performance. This year's Net Margins of \$2,778,618 were almost \$500,000 better than last year's margins which is why Garkane was able to refund a half a million dollars in capital credits to its members. Keeping costs down while maintaining high expectations of quality service is one way we are able to give back to Garkane members.

The summer of 2013 will find Garkane crews very busy with new construction projects. The Tropic to Hatch transmission line will finally get started. After seven years of environmental studies and permitting, this project will commence June 1st. A new underground line to Zion View Estates on Cedar Mountain will be started approximately June 1st as well. A new three-phase line up Johnson Canyon will also be initiated. Other projects include construction being started on the new Torrey Substation.

Garkane recently commissioned a member satisfaction survey. We are pleased to report that results were very positive. We still have work to do, but members graded us 77% or higher in every category, with most all results 80% positive or higher. We will work on our weaknesses and try to improve all of our member relationships. We are happy to say that the Garkane Employees received some of the highest scores on the survey for professionalism, courtesy, and helpfulness. Garkane's greatest asset is, its dedicated, and professional workforce. Next month in April our safety record will reflect 7 years with no LTA's (Loss Time Accidents). This is a huge accomplishment in the electrical co-op industry and we attribute this success to the many employees who make safety their number one priority.

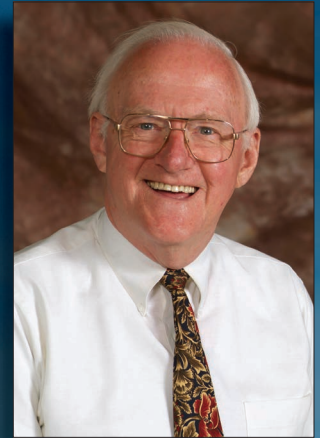
We are proud of our accomplishments during 2012. We commit to you that Garkane will continue to provide quality energy services at competitive prices. As a member owner, you have unique opportunities to have a say in the decision making process of Garkane Energy. We urge you to get involved and share your thoughts and concerns with the Board and its management. Thank you for the opportunity to serve you.

Respectfully Submitted,

Carl B. Boyd Jr. - Board President  
Carl R. Albrecht - CEO

Carl B.  
Boyd, Jr

Board  
President



Carl R.  
Albrecht

CEO



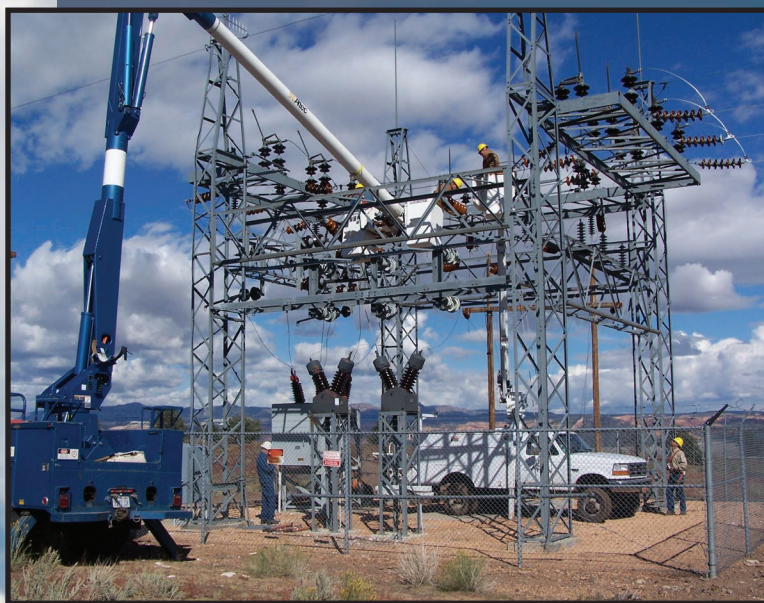
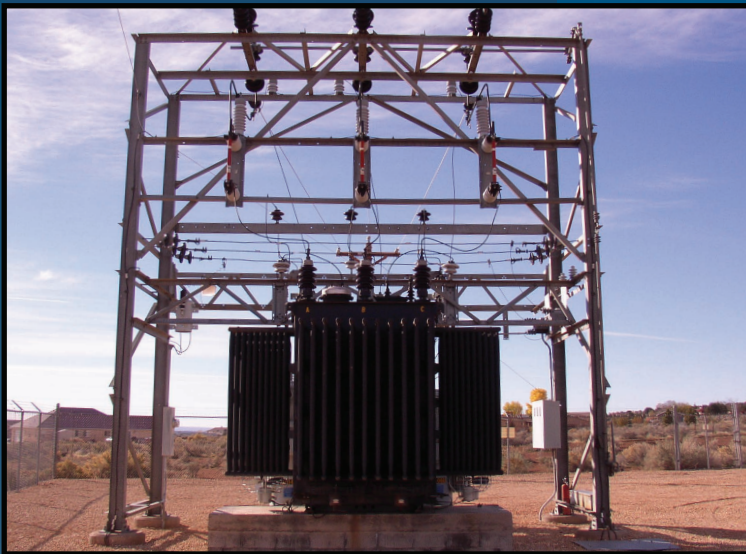


# 2012 Year in Review

Garkane Energy Cooperative enjoyed another fantastic year in 2012. Financial performance was strong, and we continue to improve the system to enhance the reliability of our service.

The cooperative has a firm financial foundation which allows us to routinely provide refunds to the members as capital credits. Giving back is the hallmark of the cooperative way of doing business.

The Total System electrical load in 1993 was 30,000 kW and in 2011 it was 58,504 kW. The peak load on the Garkane system has almost doubled in 18 years. This kind of growth requires constant main-



tenance and upgrades to the system to handle the demand. 2012 provided opportunities to upgrade the system to prepare for future growth in all the areas we serve. Installation of a transformer at the Twin Cities Substation will allow us to feed the Centennial Park and Cane Beds areas from the Hurricane transmission line.

Peak summer loads have outgrown the existing transformer for the Twin Cities area and needed to be upgraded. Growing loads in the Orderville area have required we upgrade the transformer in the Orderville Substation. The replacement of the Kanab Creek Ranchos Substation was also completed. This multiyear project allows for continued load growth and serves as a backup for Kanab City. Design and preliminary work



has been done in preparation for the new Zion View Estates line, and construction will begin in 2013. Permitting of the Tropic to Hatch line is about to come to a conclusion and we plan to begin construction this summer. Right of way clearing was started in 2012 to prepare for the construction work to begin.

In 2012, our power supplier Deseret Power increased its wholesale rates for the first time since 1996. Significant cost increases occurred to satisfy increased regulations from the EPA. We understand this rate



increase affected you on a personal level and we want you to know that it is of our utmost concern. It is our desire to keep our power rates as low as possible while maintaining a high level of quality service. We are fortunate to have Deseret Power as our long-term, stable power supplier. They are on firm financial ground, and have ample capacity to help us provide the quality power supply expected of us.

2012 provided many opportunities for Garkane to give back to the communities we serve. The UREA Youth Leadership Challenge is one way we enjoy giving back. The Youth Leadership Challenge is available for all Junior high school students whose parents have a Garkane Energy account. It is a week long course held at Snow College, providing many fun, team building, and leadership opportunities for the students.

Scholarships are available to those students who attend, and also graduating seniors who apply. We continue to sponsor many athletic, and community events throughout our service area.



2012 was a great year, providing many learning and growth opportunities in all aspects of the Cooperative. We feel 2013 will be even better.



# Treasurer's Report

Terry Griffiths

Board Treasure



I'm pleased to report the financial condition for Garkane Energy Cooperative.

Net margins for 2012 were approximately \$2.7 million. Almost a half a million dollars better than 2011. This increase enabled the cooperative to make a general patronage capital credit refund to its members in December. The cooperative has now returned over 8 million dollars to its members. Revenues totaled over \$24 million and total investment in plant and equipment now totals over \$95 million, compared to last year's total of \$92.6 million. Patronage capital, your ownership equity in the Cooperative, is now valued at over \$32 million. This number continues to rise each year, as Garkane continues to grow.

During 2012, Residential and Small Commercial Customers sales accounted for close to 82% of Garkane's electrical sales. Large Commercial Customers sales went down to 6.5% from 7.2% from last year. This shows that small commercial and residential customers make up the majority of Garkane's revenues and that is where we see future growth opportunities.

Included in this report, are the audited 2012 and 2011 Consolidated Operating Statements and Consolidated Balance Sheets. Please compare the historical trends and feel free to ask questions. A detailed audit is also available for inspection.

The Board of Directors is continually looking at ways to provide the most reliable service, at the lowest possible cost. We do this by regularly checking financial statements, budgets, and cost structures to ensure Garkane Energy is using your capital wisely.

It's important to get involved with the cooperative and understand how it operates so you can take an active role in making sure you are getting the service you need at the lowest cost possible. There are many government regulations that effect the operations of Garkane Energy and we encourage you to be informed on the issues. We welcome your comments, suggestions, and questions.

Respectfully Submitted,

Terry Griffiths,  
Board Treasurer



# GARKANE'S HISTORICAL GROWTH

The Cooperative has experienced growth in a variety of ways since its incorporation in 1938. Presented below are selected key statistical figures covering the general growth of the electrical operations of Garkane over the past five decades, along with annual comparative data for the most recent decade. Steady, manageable growth has been the hallmark of Garkane Energy throughout its history.

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
1995	6,778	8,244,604	102.3	36.70	2,247,045	1,695	4.00
1996	7,013	8,657,998	105.2	38.60	2,262,103	1,721	4.07
1997	7,180	8,735,100	109.2	40.10	2,438,116	1,748	4.11
1998	7,423	8,428,292	111.5	41.40	2,263,190	1,771	4.19
1999	7,723	8,834,954	116.1	42.60	2,514,420	1,792	4.31
2000	7,964	9,372,769	120.8	44.40	2,221,999	1,826	4.36
2001	8,199	9,499,502	120.2	46.90	2,027,329	1,862	4.40
2002	8,385	9,610,177	122.2	48.80	2,285,646	1,901	4.41
2003	8,636	9,897,151	124.9	48.60	2,467,326	1,924	4.49
*2004	10,318	10,992,825	138.8	53.35	3,061,284	1,979	5.21
2005	10,604	12,574,720	158.3	55.46	3,964,615	2,017	5.26
2006	11,012	13,683,381	171.1	59.97	4,034,067	2,042	5.39
2007	11,357	14,677,458	182.8	68.90	4,662,426	2,102	5.40
2008	11,495	15,837,717	194.1	75.79	4,832,114	2,135	5.38
**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

## CUSTOMER MIX: ELECTRICITY SALES

	2012	2011
Residential	51.5%	51.4%
Small Commercial	30.4%	30.1%
Large Commercial	6.5%	7.2%
Street Lights/Public Facilities	9.7%	9.7%
Irrigation	1.9%	1.6%

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

	2012	2011
Operational Expenses	34.7%	34.5%
Cost of Wholesale Power	34.2%	37.2%
Depreciation & Interest	18.8%	18.8%
Taxes	2.8%	2.3%
Margin	9.5%	7.2%

\* Kanab City Acquisition

\*\* Twin Cities Acquisition





M. LaDon Torgersen, Koosharem District No. 1  
2012 National Rural Electric Cooperative Association (NRECA) Board Member



Trent B. Hunt, Loa District No. 2  
Board Vice President



Michael Blackburn, Bicknell District No. 3 Deseret Power - Trustee  
Utah Rural Electric Association (UREA) Board President



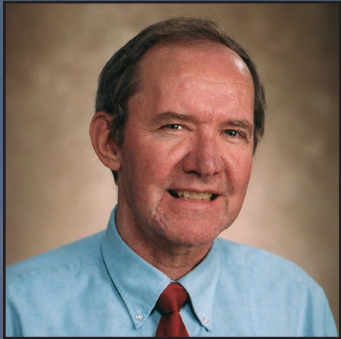
Reed L. Munson, Escalante District No. 4  
Propane Subsidiary Vice President



Terry Griffiths, Orderville District No. 5  
Board Sec./Treasurer



Carl B. Boyd, Jr., Tropic District No. 6  
Board President & Deseret Power Trustee



Randall V. Brown, Kanab District No. 7  
2012 Deseret Power Trustee



Rodney R. Ence, Duck Creek District No. 8



Boudicca Joseph, Big Water District No. 9

# BOARD OF DIRECTORS



Wayne H. Robinson, Kanab District No. 10  
Propane Subsidiary President



Tyler B. Barlow, Hildale District No. 11  
Propane Subsidiary Sec./Treasurer



# GARKANE ENERGY MANAGEMENT

## Top Row, Left to right:

Carl Albrecht, General Manager/CEO  
 Stan T. Chappell, CFO  
 Marcus V. Lewis, CFO (in training)  
 Ira M. Avant, Engineering Manager  
 Neal R. Brown, Manager of Member Services & Marketing



## Second Row, Left to right:

Marion G. Chappell, Safety & Loss Control Director  
 Robert C. Wolfley, Garfield Area Manager & Propane COO  
 Phillip K. Burr, Loa Area Manager  
 Jeffrey J. Vaughn, Kanab Area Manager



## GARKANE ENERGY EMPLOYEES Tenure as of December 31, 2012

Carl R. Albrecht	39 years	(General Manager/CEO)	Clayton Johnson	11 years	(Journeyman Lineman)
Stan T. Chappell	37 years	(Finance Manager/ Propane CFO)	Marcus V. Lewis	10 years	(CFO/Staff Assistant)
Marion G. Chappell	37 years	(Safety & Loss Ctrl. Director)	Robert Wolfley	9 years	(Garfield Area Manager/ Propane COO)
Carlos Peterson	37 years	(Engineering Assistant)	Robin Campbell	9 years	(Billing Secretary/Kanab)
*Sherolyn Langston	34 years	(Executive Assistant)	Mark Kabonic	8 years	(Journeyman Lineman)
Phillip K. Burr	33 years	(Loa Area Manager)	Brad Webb	8 years	(Journeyman Lineman)
Dan K. Taylor	33 years	(Journeyman Lineman)	Klint Chynoweth	8 years	(Warehouseman)
Jeffery Vaughn	29 years	(Kanab Area Manager)	Wes Troy	8 years	(Apprentice Lineman)
Wesley H. Hoyt	29 years	(Engineering Tech. /Foreman)	Ed Marshall	7 years	(Engineering Assistant)
Fayon Hunt	28 years	(Billing Secretary/Kanab)	Bryant Shakespear	7 years	(Planning Engineer)
Stacee M. Blackburn	27 years	(Billing Clerk)	Cole Twitchell	7 years	(Substation Technician)
Troy W. Johnson	27 years	(Journeyman Lineman/ Warehouseman)	Mindi Brian	7 years	(Billing Clerk/Receptionist)
Jeffrey A. Hafen	26 years	(Maint. Crew Foreman)	Flint Chynoweth	7 years	(Journeyman Lineman)
A. Kay Brooks	25 years	(Journeyman Lineman)	Heath Hatch	7 years	(Journeyman Lineman)
Ronald A. Rees	24 years	(Meter Reader)	Bennet Brooks	6 years	(Journeyman Lineman)
Thomas J. Barton	24 years	(Engineering Technician)	Voi Barton	6 years	(Journeyman Lineman)
Ira M. Avant	23 years	(Engineering Manager)	Kit Goulding	6 years	(Journeyman Lineman)
Craig M. Twitchell	23 years	(Metering Technician)	Guy Renzello	6 years	(Journeyman Lineman)
Rick Ensle	19 years	(Engineering Asst. / IT)	Gerry Hoyt	6 years	(Journeyman Lineman)
Richard D. Stewart	19 years	(Journeyman Lineman)	Anthony Baird	6 years	(Journeyman Lineman)
Scott L. Grundy	16 years	(Journeyman Lineman)	Scott Colson	6 years	(Journeyman Lineman)
Casey J. Glover	16 years	(Journeyman Lineman)	Nathan Lyman	6 years	(Journeyman Lineman)
Keri L. Ramsay	16 years	(Billing Clerk)	Lisa Crane	5 years	(Meter Technician)
David Orton	14 years	(Meter Reader)	Travis Fox	5 years	(Engineering Assistant)
Justin Miller	14 years	(Journeyman Lineman)	Taylor Albrecht	5 years	(Apprentice Meter Tech.)
Courtney Cropper	13 years	(Journeyman Lineman)	Mark Palmer	5 years	(Mapping Technician)
Brett Bunting	13 years	(Meter Reader)	Susanne Anderson	4 year	(Billing Secretary/Hatch)
Cory Anderson	12 years	(Purchase Agent/Cost Acctountant.)	Charles Steed	4 year	(Journeyman Lineman)
Joshua Chappell	12 years	(Journeyman Lineman)	Saige Edwards	2 year	(Billing Clerk/Receptionist)
Austin Owens	12 years	(Journeyman Lineman)	Daniel Thompson	2 year	(Engineering Tech.)
Nichole Dinges	11 years	(Metering Tech./Foreman)	Neal Brown	1 mon	(Manager of Marketing/ Member Services)

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 above list of Garkane's personnel represents a total of 915 years of experience in serving the residents of South Central Utah and North Central Arizona as of December 31, 2012.

\* Retired during the year.

# GARKANE'S WHOLLY-OWNED SUBSIDIARY, GARKANE PROPANE, INC.

We are pleased to report that Garkane Propane continued to grow its customer base in 2012.

Garkane Propane was established in 1998 as a non-profit division of Garkane Energy Cooperative. It was established using the same business structure as a cooperative. Garkane Propane was spun-off into an independent, wholly owned for profit subsidiary and incorporated November 8, 2002.

Garkane Propane is proud to serve its customers in a similar way that Garkane Energy has run its electricity business for over 74 years: providing safe, reliable service, at reasonable, stable pricing.

Unstable energy prices have caused concern over the past couple of years for many of our customers. We have witnessed the price of gasoline follow the "roller-coaster" price of oil.

Garkane Propane had a successful year in 2012 and is now serving over 3,000 customers. We look forward to another strong year. We also extend an invitation to anyone that does not have LP-Gas service with Garkane Propane to call our office with new service inquiries. Garkane Propane continues to strive to provide competitive prices and quality customer service to our customers.

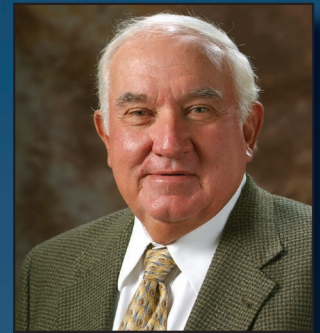
Thank you for your continued business.  
Respectfully submitted,

Wayne Robinson  
Propane Board President

Stan T. Chappell  
Propane CFO

Rob Wolfley  
Propane COO

**Wayne  
Robinson**  
**President**



**Reed  
Munson**  
**Vice President**



**Tyler  
Barlow**  
**Sec./Treasurer**







Garkane Energy Customer Satisfaction Survey Results - Feb 2013

Garkane's communication with its members?



Garkane NPI Score - 151  
National Industry Avg - 140

Business office employees: Helpfulness



Garkane NPI Score - 169  
National Industry Avg - 166

Repair & Installation employees: Courtesy



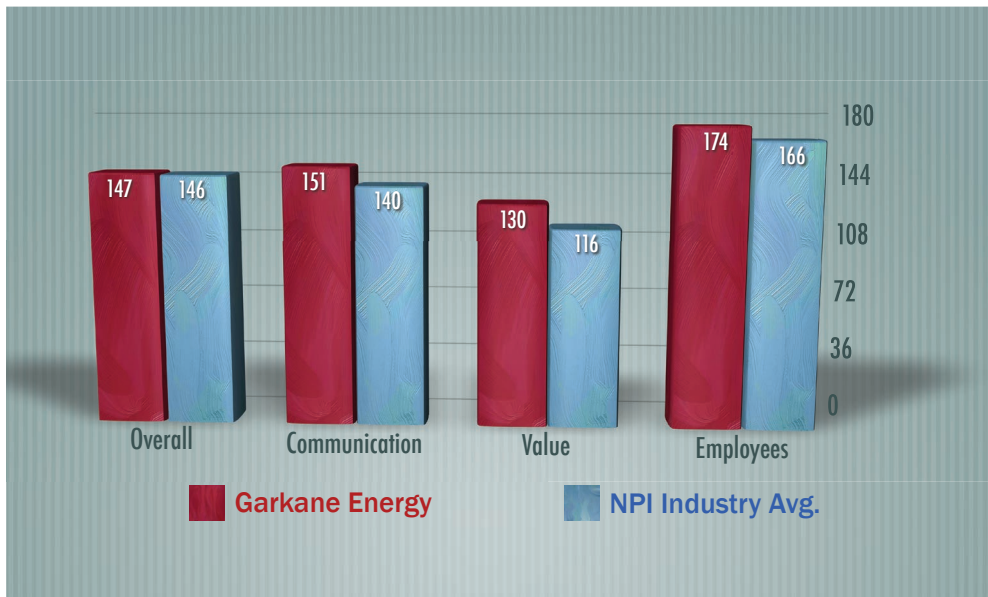
Garkane NPI Score - 181  
National Industry Avg - 166

54% Very Reliable  
33% Reliable  
13% Somewhat Reliable

How reliable is your electric service?

How responsive is Garkane in restoring service during a power outage?

Very Responsive 68%  
Responsive 26%  
Somewhat Responsive 6%



Results from the 2013 Customer Satisfaction survey show Garkane Energy leading the way compared to other National Industry averages. The NPI is a way to compare Garkane Energy to similar cooperatives and utilities around the nation.



All entries will automatically be entered in a drawing to win up to **\$500**



We are looking for old photos or memorabilia of Wayne, Sevier, Piute, Garfield, and Kane Counties.

Please send your photos, old membership cards, old electric bills, or any other memories of Central & Southern Utah & Northern Arizona to:  
Garkane Energy - Attn: 75th Anniversary  
1802 S. HWY 89A - Kanab, UT 84741

In 2014, Garkane will be celebrating its 75th anniversary. We would like to celebrate all of Central & Southern Utah and Northern Arizona and its history over the past 75 years. We will scan your photos and use them during our year-long anniversary celebration.

**PLEASE SUBMIT ITEMS BY JULY 1ST 2013**

(Please indicate whether you are donating your photos or if you would like them returned.)  
For questions please contact Neal Brown at [nbrown@GarkaneEnergy.com](mailto:nbrown@GarkaneEnergy.com) or call 435-899-0283



# GARKANE ENERGY COOPERATIVE, INC.

## CONSOLIDATED STATEMENTS OF REVENUE AND PATRONAGE CAPITAL

DECEMBER 31, 2012 AND DECEMBER 31, 2011

Operating Revenues		<u>2012</u>	<u>2011</u>
<u>Line</u>			
1	Revenues	\$ 24,209,363	\$ 24,533,030
<b>Expenses and Deductions</b>			
2	Cost of Sales	8,960,053	10,044,851
3	Transmission Expense	396,931	200,401
4	Distribution Expense	2,036,850	1,988,159
5	Consumer Accounts Expense	807,052	744,906
6	Customer Service Expense	102,693	104,007
7	Administrative & General Expense	4,661,158	4,865,196
8	Depreciation & Amortization Expense	2,782,004	2,525,836
9	Tax Expense	638,121	528,722
10	Interest Expense	1,413,272	1,652,796
11	Other Deductions	49,395	62,271
12	TOTAL COST OF SERVICE	<u>21,847,529</u>	<u>22,717,145</u>
13	OPERATING MARGINS	2,361,834	1,815,885
<b>Non-Operating Margins &amp; Other Credits</b>			
14	Interest Earnings	40,481	45,706
15	Other Capital Credits & Allocations	401,718	418,977
16	Misc. Non-Operating Income	13,638	6,819
17	Gain/(Loss) on Disposition of Property	83,141	138,754
18	Other (Including Extraordinary items)	15,602	23,844
19	Provision for Income Taxes	<u>(137,796)</u>	<u>(111,701)</u>
20	NET MARGINS	\$ 2,778,618	\$ 2,338,284
21	Patronage Capital - Beginning of Year	30,132,725	28,293,752
22	Refund of Patronage Capital Credits	<u>(495,237)</u>	<u>(499,311)</u>
23	PATRONAGE CAPITAL - END OF YEAR	<u>\$ 32,416,106</u>	<u>\$ 30,132,725</u>



# GARKANE ENERGY COOPERATIVE, INC.

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2012 AND DECEMBER 31, 2011

### ASSETS

LINE		2012	2011
	<b>Long-Term Assets</b>		
24	Plant	\$ 95,739,358	\$ 92,647,646
25	Less: Depreciation	(35,046,296)	(33,077,084)
26	NET PLANT	60,693,062	59,570,562
27	Non-Utility Property	1,951,622	1,894,663
28	Investments in Assoc. Organizations	1,708,044	1,655,726
29	Other Investments	330,873	330,167
30	TOTAL LONG-TERM ASSETS	64,683,601	63,451,118
	<b>Current Assets</b>		
31	Cash	3,422,403	2,008,587
32	Accounts Receivable - Net	2,491,664	3,034,746
33	Materials and Supplies	3,220,908	3,088,451
34	Prepayments & Other Accrued Assets	140,685	114,393
35	TOTAL CURRENT ASSETS	9,275,660	8,246,177
36	TOTAL ASSETS	\$ 73,959,261	\$ 71,697,295
	<b>LIABILITIES &amp; PATRONAGE</b>		
37	PATRONAGE CAPITAL	\$ 32,416,106	\$ 30,132,725
	<b>Long-Term Debt</b>		
38	Deferred Income Tax Liability - Net	412,897	329,111
39	Accumulated Operating Provisions	1,724,788	1,612,045
40	CFC Mortgage Notes	31,331,318	31,819,427
41	TOTAL LONG-TERM DEBT	33,469,003	33,760,583
	<b>Current Liabilities</b>		
42	Accounts Payable	1,868,251	1,803,704
43	Consumer Deposits	683,602	619,630
44	Other Current Liabilities	3,373,433	3,130,229
45	TOTAL CURRENT LIABILITIES	5,925,286	5,553,563
46	Deferred Credits	2,148,866	2,250,424
47	TOTAL LIABILITIES AND PATRONAGE	\$ 73,959,261	\$ 71,697,295





A Touchstone Energy® Cooperative   
The power of human connections®

[www.GarkaneEnergy.com](http://www.GarkaneEnergy.com)



## MISSION STATEMENT

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.

An independent audit of Garkane's financial operations is conducted annually. The financial data contained in this Annual Report is derived from that audit, which was completed by Aycock, Miles, & Associates, CPA's - Roosevelt, UT

## Garkane Energy Business Offices

### 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