



2020

# THE ANNUAL REPORT

[WWW.GARKANEENERGY.COM](http://WWW.GARKANEENERGY.COM)



Garkane is a member owned cooperative, owned by those we serve.

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## Board President & CEO Report



The Board President and CEO Report is offered to the membership each year as a review of the operations of Garkane Energy Cooperative. It also highlights the efforts taken by our cooperative to remain financially strong, while maintaining reliable electric service to all of our members.

### Financial Stability

2020 was an interesting year for the cooperative. With the pandemic starting in the first quarter, growth projections, as well as revenue and expense forecasts were adjusted to meet the expected fallout. Surprisingly, we ended the year with more kWh sold than the previous year, with year-over-growth in residential kWh sold, compared to a decrease in year-over-year growth in small commercial kWh sold. As expected during the pandemic, many businesses slowed down and used less electricity...some even shut down permanently. On the other hand, residential electricity use increased significantly. We ended the year with a net margin of \$2,069,598 compared to a net margin of \$1,521,312 the previous year. Our membership has also grown and Garkane now serves 14,263 members throughout Southern Utah and Northern Arizona. We expect this growth to continue. We have a highly trained and educated workforce who is well equipped to manage the future growth.

### Operational Excellence

Our powerline crews continue to work on the Buckskin-to-Fredonia transmission line. This line is being upgraded from a 69-kV to a 138-kV line and it will support future growth in the Kanab and Fredonia area. We expect the major part of this new line to be completed in 2021. Also, as a part of the normal operations, our crews continue regular line maintenance and substation upgrades to ensure our members have reliable electricity, and state-of-the-art communications. This effort provides reductions in outages and improves system power reliability. Another major area of focus in 2020 has been tree-trimming and right of way clearing. Because we have recent-



A Garkane pole charred from the Mangum fire in 2020

ly experienced severe dry weather conditions, wildfires continue to threaten our power lines in many areas. The Mangum fire on Kaibab Mountain burned over 70,000 acres, and destroyed hundreds of power poles and miles of line that feed Jacob Lake and the North Rim of the Grand Canyon. Crews worked day and night for more than two weeks to repair the damage and to get power safely restored to those areas. Garkane continues to make tree-trimming a high priority to maintain safe and reliable electricity.

## Consumer Experience

In 2020, we received notice from Deseret Power (our wholesale power supplier) that they would be implementing a 9% rate increase to Garkane Energy beginning January 2022. Deseret Power attributes their increase to operation inflation and added costs required to generate electricity, mortgage requirements from their banker, impacts of environmental regulations, and much needed investments to reliably gen-

erate and deliver power in this uncertain electric industry landscape. With a focus on cost cutting, internal efficiencies and growth in sales, Garkane will be able to absorb a portion of the total increase. Management expects Garkane members will only see a rate increase in the neighborhood of 5% instead of 9%. Gratefully, Garkane has not had to increase rates for almost six years. Of course, we realize any rate increase, no matter how small still affects our members financially, so we take it very seriously. We work hard to operate efficiently so when we do have to have a rate increase, it will be as minimal as possible. Your consumer experience with Garkane is always on our mind.

The Board and Management are dedicated to keeping the cooperative financially strong, while maintaining reliable electric service for all of its members. We thank you for the opportunity to manage and serve on the cooperative board and look forward to continuing the high standards of service that our members have come to expect over our eighty three-year history.



William Hammon  
Board President



Dan McClendon  
CEO/General Manager



Board Meeting in 2020, socially distanced and masked up

# Board of Directors



Ladon Torgorsen

District 1, Koosharem, Antimony, Burrville



Chad Williams

District 2, Loa, Lyman, Teasdale



Tracy Potter

District 3, Bicknell, Torrey, Hanksville



Reed Munson

District 4, Escalante, Boulder



Terry Griffiths

District 5, Orderville, Glendale, Mt. Carmel



George Thompson

District 6, Tropic, Hatch, Henrieville



Andy Gant

District 7, Kanab Creek Ranchos, E. of Kanab



Rod Ence

District 8, Duck Creek Village



William Hammon

District 9, Big Water, Centennial Park



Ray Clark

District 10, Kanab City



Guy Timpson

District 11, Colorado City, Hildale



Dan McClendon

General Manager / CEO

Garkane Energy is a member-owned cooperative, which provides oversight by a group of Board of Directors, voted on and elected members of the cooperative. They serve to help shape policy and procedure for the cooperative and act as a representation for their respective districts.



# Secretary / Treasury Report

We are happy to report that Garkane Energy experienced a great year financially, despite the national pandemic. We ended the year with a net margin of \$2,069,598. Ahead of the 2022 proposed rate increase, we were able to decrease operational costs from 33.6% in 2019 to 31.88%. Wholesale power costs also decreased year-over-year from 41.09% to 40.27%. We were able to cut costs amidst growing our membership base by almost 3%. We went from 13,874 members in 2019 to 14,263 in 2020. The financial strength of the co-op allowed the Board to authorize a capital credit refund of \$1.1 million dollars. I invite you to review the Financial Statements and encourage you to stay informed and involved in the issues facing your Cooperative.



**Ray Clark**  
Secretary / Treasurer



Year	Members	Revenues	kWh sold (millions)	Plant (millions)	Wholesale Power Costs	Miles of Line
2011	12,798	21,925,338	231.5	92.7	7,369,190	2,202
2012	12,842	21,187,447	229.8	95.7	7,171,567	2,212
2013	12,825	22,746,974	248.4	102.4	7,974,991	2,225
2014	12,922	22,184,562	239.8	108.4	7,378,971	2,245
2015	13,079	23,102,962	240.5	113.0	8,380,091	2,294
2016	13,293	25,182,149	255.9	117.6	8,804,659	2,310
2017	13,320	23,817,430	241.5	122.5	9,190,139	2,393
2018	13,606	24,248,291	242.6	126.4	9,366,594	2,527
2019	13,874	24,615,222	249.9	132.5	10,058,600	2,546
2020	14,263	25,012,375	259.3	138.2	9,980,114	2,595

# Kanab Employees (Alphabetical by last name)

\*Active Employees  
as of May 20, 2021



Tony Baird  
Journeyman Lineman



Tom Barton  
Safety Manager



Neal Brown  
Member Srv. Manager



Brett Bunting  
Meter Reader



Leon Christensen  
Mapping



James Clegg  
Energy Advisor



Scott Colson  
Meter Technician



Todd Crowther  
Journeyman Lineman



Talmage Daley  
Engineer



Kaber Esplin  
IT Database Admin.



Josh Ferrin  
Journeyman Lineman



Travis Fox  
Staking Technician



Casey Glover  
Operations Manager



Kit Goulding  
Journeyman Lineman



Jeff Hafen  
Maintenance Foreman



Gerry Hoyt  
Journeyman Lineman



Wes Hoyt  
Substation Technician



Tyson Hutchings  
Apprentice Lineman



April Johnson  
Mapping Technician



Mark Kabonic  
Journeyman Lineman



Jason Kirby  
IT Manager



Kim Lathim  
Right-of-Way Maint.



Trevor Lathim  
Apprentice Lineman



Lexie Little  
HR Director



Nate Lyman  
Journeyman Lineman



Dan McClendon  
CEO/ General Manager



Mark Palmer  
GIS Mapping Cord.



Jake Sawyer  
Right-of-Way Maint.



Bryant Shakespear  
COO/ Engineer



Charles Steed  
Substation Technician



## Kanab Employees cont...



Rick Stewart

Substation Technician



Alivia Swapp

Member Service Rep.



Daniel Thompson

Substation Supervisor



Wes Troy

Journeyman Lineman



Jeff Vaughn

Kanab Area Manager



Taleana Virostko

Staking/GIS Coord.



Birkette Willis

Member Service Rep.



# Hatch Employees

\*Active Employees  
as of May 20, 2021



Susie Anderson  
Member Service Rep.



Kay Brooks  
Journeyman Lineman



Josh Chappell  
Journeyman Lineman



Flint Chynoweth  
Journeyman Lineman



Justin Cooper  
Journeyman Lineman



Nikki Dinges  
Metering Supervisor



Clayton Johnson  
Meter Technician



Justin Miller  
Staking Technician



Guy Renzello  
Journeyman Lineman



Adam Sawyer  
Apprentice Lineman



Justin Spencer  
Warehouseman



Cole Twitchell  
Substation Technician



Ralph Wilcock  
Meter Reader



Rob Wolfley  
Hatch Area Manager



Derek Woolsey  
Apprentice Lineman



# Loa Employees

\*Active Employees  
as of May 20, 2021



Taylor Albrecht  
Meter Technician



Mindi Brian  
Member Service Rep



Phillip Burr  
Area Manager



Courtney Cropper  
Journeyman Lineman



Saige Edwards  
Accounting Supervisor



Scott Grundy  
Lineman Crew Foreman



Marcus Lewis  
CFO/Accounting Mgr.



Denise Macklin  
Accounting Clerk



Trace Miller  
Journeyman Lineman



Cary Simmons  
Accounting Clerk



Dan Taylor  
Line Inspection



Paige Tomlinson  
Accounting Clerk



Heather Torgerson  
Accountant



Brad Webb  
Journeyman Lineman

# Propane Division

\*Active Employees  
as of May 20, 2021



Dan Hatch  
Delivery Driver



James Hoyt  
Propane Manager



Rob Matthews  
Delivery Driver



Eric McCormick  
Delivery Driver



Bobby Owens  
Service Technician



Doug Owens  
Delivery Driver



Derrick Pollock  
Service Technician



Dustin Riddle  
Service Technician



## Propane Division

Garkane's Propane division is witnessing significant customer growth throughout its service territory. The Propane division ended 2020 with before tax net income of \$85,573 compared to \$25,409 in 2019. Total customers have increased to 4,703 compared to 4,324 in 2019, a year-over-year increase of 379 customers. James Hoyt was hired to take over duties as the new Propane Manager, and is doing a fantastic job managing the growth. We appreciate your support, and please know your comments are always welcome.



James Hoyt  
Propane Manager

4,703

Total Customers

\$85,573

Net Profit

\$3,761,278

2020 Sales

### TESTIMONIALS

“ Switching to Garkane Propane was the best decision I have made.

“ We switched to Garkane Propane last year, it was a big improvement and cheaper.

“ Garkane Propane is far more responsive, and far less expensive.

# SAFETY IS THE NUMBER #1 PRIORITY

In 2020 Garkane was awarded with a 1st place safety award for having over 135,000 hours without a Lost-Time Accident (LTA). The Intermountain Power Superintendents Association (IPSA) presented Garkane's Safety Director Tom Barton with the award with Operations Superintendent Casey Glover and Journeyman Lineman Josh Chapell also in attendance at the banquet. When people make a voluntary commitment to consistently apply lifesaving rules, they begin to take personal ownership. When employees talk about safety on the job, at home, and in life, that means the message is getting through.



135,000 Hours without a lost-time Accident

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Commitment to Zero Contacts

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Crews have adopted NRECA's commitment to zero contacts. This initiative is designed to provide cooperative CEO's, senior management and field personnel with the ideas and resources they need to help eliminate serious injuries and fatalities due to electrical contact.



## S.A.F.E

SAFE is an acronym that means Stop And Focus Every Day. Crews have an app that walks them through job site briefings and safety reporting.

# Our Financials

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

	2020	2019
<b>Operating Revenue</b>		
Revenues	\$29,254,427	\$29,286,857
<b>Expenses &amp; Deductions</b>		
Cost of Sales	12,565,013	12,985,846
Transmission Expense	522,554	561,858
Distribution Expense	2,809,007	2,953,156
Consumer Accounts Expense	761,352	738,832
Customer Service Expense	313,729	294,171
Administrative & General Expense	4,837,451	5,095,438
Depreciation & Amortization Expense	4,032,606	3,751,776
Tax Expense	749,394	760,062
Interest Expense	1,316,611	1,238,600
Other Deductions	16,404	36,610
<b>TOTAL COST OF SERVICE</b>	<b>\$27,924,121</b>	<b>\$28,416,349</b>
<b>OPERATING MARGINS</b>	<b>\$1,330,306</b>	<b>\$870,508</b>
<b>Non-Operating Margins &amp; Other Credits</b>		
Interest Earnings	53,940	40,968
Other Capital Credits & Allocations	447,063	476,067
Misc. Non-Operating Income	64,418	8,238
Gain/Loss on Disposition of Property	162,051	115,175
Other (Including Extraordinary Items)	11,820	10,356
Provision for Income Taxes	-	-
<b>NET MARGINS</b>	<b>\$2,069,598</b>	<b>\$1,521,312</b>
Patronage Capital - Beginning of Year	51,630,084	51,312,610
Refund of Patronage Capital Credits	(1,155,223)	(1,203,838)
<b>PATRONAGE CAPITAL - END OF YEAR</b>	<b>\$52,544,459</b>	<b>\$51,630,084</b>

40.27%

Wholesale Power

31.88%

Operational Expense

19.77%

Depreciation & Interest

5.19%

Margins

2.89%

Taxes

# Our Financials

## CONSOLIDATED BALANCE SHEET, AS OF DEC. 31

	2020	2019
<b>ASSETS</b>		
<i>Long Term Assets</i>		
Plant	\$138,168,735	\$132,499,311
Less: Depreciation	(59,270,341)	(55,823,430)
NET PLANT	78,898,394	76,675,881
Non-Utility Property	3,082,146	3,123,585
Investments in Assoc. Organizations	2,079,986	2,040,385
Other Investments	96,049	75,763
<b>Total Long-Term Assets</b>	<b>\$84,156,575</b>	<b>\$81,915,614</b>
<i>Current Assets</i>		
Cash	4,566,989	3,378,061
Account Receivables - Net	4,725,936	4,624,373
Materials & Supplies	4,400,574	4,110,259
Prepayments & Other Accrued Assets	875,085	796,538
Total Current Assets	14,568,584	12,909,231
<b>TOTAL ASSETS</b>	<b>\$98,725,159</b>	<b>\$94,824,845</b>
<b>LIABILITIES &amp; PATRONAGE</b>		
<b>Patronage Capital</b>	<b>\$52,544,459</b>	<b>\$51,630,084</b>
<i>Long-Term Debt</i>		
Deferred Income Tax Liability - Net	459,567	446,267
Accumulated Operating Provisions	-	54,024
Other Long-Term Debt	1,853,931	473,032
CFC Mortgage Notes	33,178,617	27,665,563
<b>TOTAL LONG-TERM DEBT</b>	<b>\$35,492,115</b>	<b>\$28,638,886</b>
<i>Current Liabilities</i>		
Accounts Payable	\$2,943,764	\$2,623,961
Consumer Deposits	506,088	560,068
Other Current Liabilities	5,553,980	9,418,842
<b>TOTAL CURRENT LIABILITIES</b>	<b>9,003,832</b>	<b>12,602,871</b>
Deferred Credits	1,684,753	1,953,004
<b>TOTAL LIABILITIES &amp; PATRONAGE</b>	<b>\$98,725,159</b>	<b>\$94,824,845</b>

55.45%

Residential

29.03%

Small Commercial

4.24%

Large Commercial

8.55%

Street Lights/Public  
Facilities

2.73%

Irrigation



A Touchstone Energy Cooperative  
The power of human connections®

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