



*2009
Annual
Report*

Recently purchased Power System
-Twin Cities Area



- New Hatch Substation -

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BOARD PRESIDENT & CEO REPORTS

The Board of Directors and Management of Garkane Energy Cooperative are pleased to present this 2009 Annual Report to our membership. In addition to the financial performance of the Cooperative, you'll enjoy a review of the past year, discussion on important topics affecting Garkane, and steps we are taking to ensure a bright future to South Central Utah and Northern Arizona.

Garkane continues to be a significant player in the regional economy. Each year, Garkane reaches new milestones in its financial performance. This year's revenues of \$20.7 Million and your equity in the Cooperative of \$25.7 Million are both record highs.

While we have significant financial assets, Garkane's beginnings were very humble and included the small town philosophy. We care about the people we serve. These principles of caring, quality, and service have become part of our fabric in the ever-changing utility industry. We believe very strongly in quality service, and our employees and board members take ownership of the challenges we face.

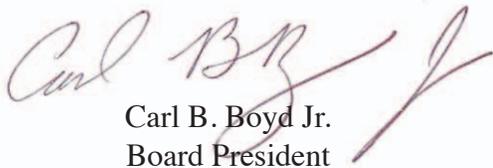
Garkane's greatest asset is, and always has been, its dedicated, professional workforce. Many of our employees and directors are recognized leaders in their professions, and are consistently recognized on regional and national levels for their accomplishments. This excellence extends beyond the workplace, as they serve our communities as elected officials, church and civic leaders, and volunteers in worthwhile activities, which improve quality of life. We applaud and salute their efforts.

So what is Garkane's philosophy in serving our members? It's not in slogans or mission statements, a clearly defined strategy, or the best newsletter. The difference at our Cooperative is in the hearts of the employees and directors and what we believe. From our office staff, to our technicians, to our journeymen linemen, each know the importance of you, the member.

We're proud of our accomplishments during 2009. We commit to you that Garkane will continue to provide quality energy services at fair, reasonable, and competitive rates. We urge you to be involved in your Cooperative. You have the unique opportunity to have a say in Garkane's decision-making process through the election of Board Members and by sharing your thoughts and concerns with the Board and Management.

Thank you for giving us 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



2009 IN REVIEW

Garkane Energy Cooperative enjoyed a great year in 2009 and began many new projects, upgrading infrastructure to handle the growth we have and will receive. Because of the additional costs being allocated to upgrading our system, a capital credit refund was not issued this past December. The past year resulted in significant investments in new facilities, which required new borrowing from our banker, which increased our interest costs.

Our Propane Subsidiary enjoyed another year of moderate growth and modest financial success, as a wholly owned for-profit subsidiary.

Garkane has a very difficult and complex system to operate and maintain. With all the elements of the electric industry, including generation, transmission, and distribution, Garkane is unlike most rural electric cooperatives. Most electric cooperatives are distribution only, without any generation or transmission facilities. Garkane now serves over 12,700 members, over 2,168 miles of line, so there is a small membership base over which to spread costs. Garkane's power lines traverse many public lands (i.e., Parks, Monuments, National Forests, BLM lands, etc.). Rights-of-Way are very difficult and extremely costly to obtain. Many environmental studies have to be completed and maintenance work in these pristine areas is often completed by helicopter rather than by normal access and procedures.

As the Board looked towards 2010, and our budget projections, we have cut expenses in many areas. As we all experience the effects of this economic downturn, the loss of jobs, and tighter credit for economic expansion, we are all affected. We have cut many of our distribution and transmission costs. As we did in 2009, we plan to construct all of the upcoming summer projects and new facilities with existing personnel rather than hiring outside contractors.

Even with the elimination of these activities, Garkane increased rates modestly in 2009. The amount of electricity Garkane customers are using has grown tremendously. New homes are larger, have central air-conditioning, electric furnaces, multiple T.V.'s, computers, and other high-use products. Coupled with unprecedented growth in recent years in new customers, demand for electricity has increased dramatically, and Garkane must invest millions in new facilities to ensure sufficient electricity to satisfy this growth. Garkane has invested over \$10 Million in the past three years in new facilities and expects to invest another \$4 Million this year. Going forward, Garkane will require another \$7-8 Million in new facilities to ensure sufficient infrastructure to satisfy growth demands.

We are committed to deliver this electricity as efficiently and safely as possible. Our rates are very competitive when compared to other electric utilities and other energy sources. In fact, the price you are paying now, is less than in the early 1990's (based on the Consumer Price Index).

We are fortunate to have a long-term, stable power supply contract. Deseret Power, our power supplier, is a cooperative which was formed by Garkane and five other Utah co-ops in 1978.

Deseret owns its own coal mine, railroad and plant. This vertical integration has saved millions of dollars in coal costs and shipping charges. Deseret is financially strong and has ample capacity to handle Garkane's growth well into the future. Deseret has not increased our basic power supply costs since 1996. However, they have adopted a growth rate, which increases the cost of our wholesale power for acquisitions and special large power contracts. Garkane is very blessed to have such a low-cost power supply.

Improving system reliability and capacity continues to be a top priority for Garkane's Board of Directors and Management. We continue to have an aggressive construction and maintenance program.

In 2009 Garkane crews, began the Hatch to Tod's Transmission Line upgrade and completed the 8 Mile Gap Substation, began work on the new URD



- 8 Mile Gap Substation -



- Work in the Fishlake Basin -

2009 IN REVIEW - CONTINUED

Line in the Fishlake Basin, and finalized upgrades to the Boulder Hydro – called for in the Re-Licensing Agreement with the Federal Energy Regulatory Commission (FERC), which included painting the penstock and reconstruction of the West and East Fork Spillways. We are working on completing the environmental studies on the Right-of-Way for the new transmission line from Tropic to Hatch in Garfield County, and we expect to receive a permit in 2010. We are also constructing new lines within Kanab City, both distribution and transmission voltages.

Cedar Mountain, Kanab City, and Kane County have experienced substantial growth over the past several years. There are new subdivisions at East Zion and Kanab City. A new Five-Star Destination Resort has been constructed just south of Big Water in Eastern Kane County near Lake Powell. Sustained growth continues in the Torrey, Teasdale, and Grover areas in Wayne County, and throughout Garfield County. It seems our service area has been discovered by the rest of the world and people want to live here. The current economic recession has slowed growth in most areas and Garkane's system during the last half of 2008 and through 2009, but there are signs of a slow recovery.

Along with the modest residential, seasonal, and small commercial growth, it appears some industrial growth may impact our area. There is considerable uranium exploration along the Arizona Strip. Mines that were served by Garkane in the 1980's are being opened again if all environmental concerns are met and approvals granted.

We will watch these developments with interest. Nuclear Power will have to be a part of the equation in solving the nation's energy crisis and providing energy independence for the U.S. in the future.

On July 1, 2009, Garkane Energy completed the purchase of the Twin Cities Power System (which includes the towns of Colorado City, AZ and Hildale, UT). The acquisition included approximately 1,100 retail electric customers.

Garkane purchased the distribution facilities of each community, as well as a 69 kV transmission line from Hurricane, Utah to Hildale, Utah from Wells Fargo Bank, the trustee for the bondholders, who held the bonds for the Twin Cities System.

The purchase price was \$3,000,000. Garkane Energy subsequently sold the 69 kV transmission line to Rocky Mountain Power on September 23, 2009. As part of the agreement with Rocky Mountain Power, Garkane received a delivery point just west of Hildale for our power supplied by Deseret Power. Garkane will also receive future load growth capacity in the transmission line. The transaction resulted in a gain of \$1,672,000; since only a portion of the total assets acquired were sold.

Approvals for the purchase were received from the Arizona Corporation Commission (ACC), and the Utah Public Service Commission (Utah PSC), along with all other appropriate regulatory authorities.

As you read Garkane's 2009 Annual Report, you will notice we're getting a little older, and a little younger. A list of tenure is provided on Page 9 of the Annual Report. We currently have 18 employees who have 20 years of experience or more.



- Hildale Substation -



- East Fork Spillway -

We also have 20 new employees with three years or less experience. As Garkane employees retire, doors are opened to many who are looking to return to the area. If you have children or grandchildren who have made mention of wanting to return to this area, let them know of future career opportunities with Garkane. Working for the Cooperative allows you to work for your neighbors and friends.

We hope you enjoy learning more about your cooperative as you read Garkane's 2009 Annual Report.

TREASURER'S REPORT

It is my pleasure to report the financial condition for Garkane Energy Cooperative. 2009 was a good year financially for Garkane.

Net Operating Margins for 2009 were nearly \$1.8 Million. Total Margins for the year totaled \$3.9 Million. Garkane's total revenues for the year were \$20.7 Million, up from last year's total of \$18.5 Million. Total investment in plant and equipment now totals \$84.6 Million, compared to last year's total of \$75.8 Million; and patronage capital, your ownership equity in the Cooperative, is now valued at over \$25.6 Million, compared to last year's total of \$21.7 Million.

During 2009, Residential and Small Commercial Customers sales accounted for 80.1% of Garkane's electricity sales. Purchases by Large Commercial Customers were also a significant revenue source, accounting

for 8.5% of sales. Governmental, street lighting, and irrigation classifications complete the balance of sales figures.

Included with this report, are the audited 2009 and 2008 Consolidated Operating Statements and Consolidated Balance Sheets. Historical trends are also provided for a comparative analysis. Please review these figures at your leisure and feel free to ask questions or comment. A detailed audit is also available for inspection.

The Board of Directors is continually looking at all aspects of our operation and striving to make Garkane as efficient as possible, rendering the most reliable service we can, at the lowest possible cost, consistent with sound business practices.

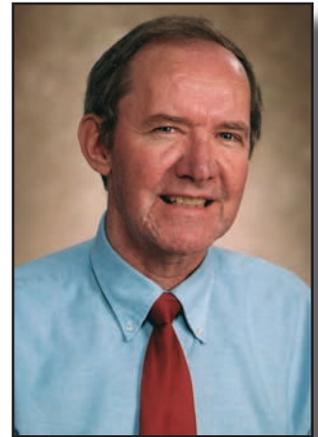
It's important that you take an active role in your cooperative. We encourage you to become well informed on issues affecting Garkane. We welcome your comments, suggestions and questions.

Respectfully submitted,



Randall V. Brown
Board Treasurer

Randall V.
Brown
Board
Treasurer



Garkane Energy Board Presidency L-R: Randall V. Brown-Board Secretary/Treasurer, Carl B. Boyd, Jr.-Board President, Rodney R. Ence-Board Vice President

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 four and a half 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

CUSTOMER MIX: ELECTRICITY SALES

EXPENDITURE MIX: COST OF SERVICE AS A % OF REVENUE

	2009	2008		2009	2008
Residential	50.5%	47.2%	Operational Expenses	33.2%	37.2%
Small Commercial	29.6%	31.0%	Cost of Wholesale Power	33.5%	39.1%
Large Commercial	8.5%	12.2%	Depreciation & Interest	22.1%	24.3%
Street Lights/Public Facilities	9.2%	7.4%	Taxes	2.3%	2.3%
Irrigation	2.2%	2.2%	Margin	8.9%	-2.9%

BOARD OF DIRECTORS



M. LaDon Torgersen, Koosharem
District No. 1
and NRECA Board Member



Trenton B. Hunt, Loa
District No. 2
Propane Sec./Treasurer



Michael Blackburn, Bicknell
District No. 3
Utah REA Representative



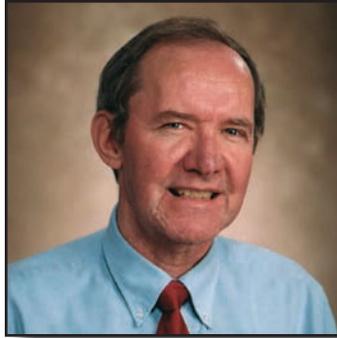
Reed L. Munson, Escalante
District No. 4
Propane Subsidiary President



Terry J. Griffiths, Orderville
District No. 5
Deseret Power - Trustee



Carl B. Boyd, Jr., Tropic
District No. 6
Board President



Randall V. Brown, Kanab
District No. 7
Board Sec./Treasurer



Rodney R. Ence, Duck Creek
District No. 8
Board Vice President



Boudicca Joseph, Big Water
District No. 9
Propane Subsidiary V.P.
Deseret Power - Trustee



Wayne H. Robinson, Kanab
District No. 10

GARKANE ENERGY MANAGEMENT

Top row, left to right:

Carl R. Albrecht, CEO
 Stan T. Chappell, Finance Manager
 Propane Subsidiary CFO
 Marcus V. Lewis, Staff Assistant
 Ira M. Avant, Engineering Manager



Second row, left to right:

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



GARKANE ENERGY EMPLOYEES

Tenure as of December 31, 2009

Scott Blackburn	38 years	(Metering Technician)	Nichole Dinges	8 years	(Metering Technician)
Carl R. Albrecht	36 years	(General Manager/CEO)	Clayton Johnson	8 years	(Journeyman Lineman)
Stan T. Chappell	34 years	(Finance Manager)	Marcus V. Lewis	6 years	(Staff Assistant)
Marion G. Chappell	34 years	(Safety & Loss Ctrl. Director)	Robert C. Wolfley	6 years	(Garfield Area Manager & Propane COO)
Carlos Peterson	31 years	(Engineering Assistant)	Robin Campbell	5 years	(Billing Secretary/Kanab)
Sherolyn Langston	30 years	(Executive Assistant)	Mark Kabonic	4 years	(Journeyman Lineman)
Phillip K. Burr	30 years	(Loa Area Manager)	Brad Webb	4 years	(Journeyman Lineman)
Dan K. Taylor	30 years	(Journeyman Lineman)	Klint Chynoweth	4 years	(Warehouseman)
Jeffery J. Vaughn	26 years	(Kanab Area Manager)	Wes Troy	4 years	(Journeyman Lineman)
Wesley H. Hoyt	26 years	(Engineering Technician)	Ed Marshall	4 years	(Engineering Assistant)
Fayon Hunt	24 years	(Billing Secretary/Kanab)	Bryant Shakespear	3 years	(Planning Engineer)
Stacey M. Blackburn	24 years	(Billing Clerk/IT)	Cole Twitchell	3 years	(Apprentice Engineering Tech.)
Troy W. Johnson	24 years	(Journeyman Lineman)	Mindi Brian	3 years	(Billing Clerk/Receptionist)
Jeffrey A. Hafen	22 years	(Maint. Crew Foreman)	Flint Chynoweth	3 years	(Apprentice Lineman)
A. Kay Brooks	22 years	(Journeyman Lineman)	Heath Hatch	3 years	(Journeyman Lineman)
Ronald A. Rees	21 years	(Meter Reader)	Bennett Brooks	2 years	(Apprentice Lineman)
Thomas J. Barton	21 years	(Engineering Technician)	Voi Barton	2 years	(Apprentice Lineman)
Ira M. Avant	20 years	(Engineering Manager)	Kit Goulding	2 years	(Apprentice Lineman)
Craig M. Twitchell	19 years	(Metering Technician)	Guy Renzello	2 years	(Journeyman Lineman)
Rick Enslie	16 years	(Engineering Asst. / IT)	Gerry Hoyt	2 years	(Apprentice Lineman)
Richard D. Stewart	15 years	(Journeyman Lineman)	Anthony Baird	2 years	(Apprentice Lineman)
Scott L. Grundy	13 years	(Journeyman Lineman)	Scott Colson	2 years	(Apprentice Lineman)
Casey J. Glover	13 years	(Journeyman Lineman)	Nathan Lyman	2 years	(Apprentice Lineman)
Keri L. Ramsay	13 years	(Billing Clerk)	Lisa Crane	1 year	(Apprentice Meter Tech.)
David Orton	11 years	(Meter Reader)	Travis Fox	1 year	(Engineering Assistant)
Justin Miller	11 years	(Journeyman Lineman)	Taylor Albrecht	1 year	(Apprentice Meter Tech./CIS)
Courtney Cropper	10 years	(Journeyman Lineman)	Mark Palmer	1 year	(Mapping Technician)
Brett Bunting	10 years	(Meter Reader)	Susanne Anderson	months	(Billing Secretary/Hatch)
Cory Anderson	9 years	(Purchase Agent/Cost Acct.)	Charles Steed	months	(Journeyman Lineman)
Joshua Chappell	9 years	(Journeyman Lineman)	Joseph Ream	months	(Apprentice Substation Tech.)
Austin Owens	9 years	(Journeyman Lineman)			

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 739 years of experience in serving the residents of South Central Utah and North Central Arizona as of December 31, 2009.

~ Nine ~

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

Garkane Propane was established in 1998 as a non-profit division of Garkane Energy Cooperative. It was established using the same business philosophy as a cooperative. However, due to an IRS ruling involving the relationship of non-profit cooperatives, Garkane Propane was spun-off into an independent, wholly-owned for-profit subsidiary and incorporated on November 8, 2002.

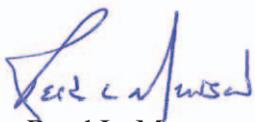
Garkane Propane pledged to its customers that it would run the business similar to the way Garkane Energy has run its electricity business for over 70 years: providing safe, reliable service, at reasonable, stable prices.

Unstable energy prices have caused concern over the past couple of years for many customers. We have witnessed the price of gasoline follow the "roller-coaster" price of oil. Propane prices have been slower to follow the downhill trend. However, according to national projections, we anticipate the price of wholesale propane to be much more affordable than we've seen in recent years. We plan to pass these savings to you.

Garkane presently serves over 2,600 customers and profits for the year were modest. We look forward to another strong year serving you. We also extend an invitation to anyone that does not have LP-Gas service with Garkane Propane to call our office for new service inquiries. Garkane Propane continues to strive to provide low prices and quality customer service to all of our customers.

Thank you for your continued patronage.

Respectfully submitted,



Reed L. Munson
President



Stan T. Chappell
CFO



Robert C. Wolfley
COO



Garkane Propane, Inc. Board Presidency
L-R: Boudicca Joseph - Board Vice President, Reed L. Munson -
Board President, Trenton B. Hunt - Board Secretary/Treasurer



- Hatch Propane Storage Tanks -

WWW.GARKANEENERGY.COM

ON-LINE BILLING



Garkane upgraded its On-Line Bill Payment Option in 2009, which will provide more convenience to members who do most of their business transactions on-line. We invite you to visit our web-site at www.GarkaneEnergy.com and click on the Icon, “Pay Your Bill ONLINE!”

as seen in the photo above.

Members can also access this feature directly at: <http://www.GarkaneEnergy.com/account-pay-bill.cfm>

Members logging in for the first time must have a current bill available for reference while logging in – for verification purposes only.

You can now select the option to have your bill automatically paid each month or pay by check or credit card. You may also access our pay-by-phone feature by calling (866) 734-6071. We hope this gives our members more convenience when paying their monthly bill. We hope this site will be a resource for all who use it.



PICTURES OF AREA PROJECTS



- Hatch to Tod's Substation Transmission Line Work -



- Escalante Line Work -



- New Hatch Substation -

~ Eleven ~

FUTURE ENERGY CHALLENGES

There is a “perfect storm” brewing in this country as it relates to the electrical industry. There has been a growing demand, stagnant generation, very few new plants built, and environmental issues precluding new generation.

In the future, states across the west could possibly face energy challenges due to growth and increased demand for power. After this economic slowdown, even with optimistic projections for energy efficiency and increased use of renewable power sources, our nation will eventually deplete its excess generating capacity, if new generation is not built.

Low cost power sources, such as hydro-electric energy and coal fired power plants are becoming a thing of the past, as environmental concerns dictate changes from the status quo.

Today, over 85% of the power generated and used in Utah (and 50% across the U.S.) comes from power plants using coal as the primary fuel source. Environmental groups in Utah and throughout the nation have launched a full scale attack on coal. This movement has essentially halted plans for the building of any new coal-fired power plants at a time when many states and utilities are left wondering where they will fill their need for future power. There has not been a new coal generating station come on line in the US since the 1980’s.



Congress considered proposed climate control legislation in 2008 (titled, the Lieberman-Warner Climate Security Act) to reduce greenhouse gas emissions, especially carbon dioxide, which some feel is responsible for climate change. It resurfaced in 2009 as the Waxman-Markey Bill and was also narrowly passed in the House of Representatives and was sent to the US Senate.

In October of 2009, Garkane mailed out Senate Response Cards to all of its consumer/members (by enclosing them in the 2009 Fall Issue of HIGHLIGHTS). The response cards gave members the opportunity to voice their opinion regarding the impending climate change legislation in the US Senate, and “vote” on how they would like their Senators to represent them.

Garkane Energy’s Staff Assistant, Marcus Lewis hand delivered over 10,000 total Senate Response Cards mailed in by consumers/members from Moon Lake Electric, Dixie Escalante Electric, and Garkane En-



Senator Hatch receives over 5,500 postcards from Utah co-op members re: climate change legislation. Pictured are Mike Peterson - UREA Executive Director, Marcus Lewis - Garkane Staff Assistant, and Utah Senator Orrin Hatch.

CLIMATE CHANGE

ergy, to Senators Orrin Hatch and Robert Bennett in Salt Lake City. Of the more than 10,000 responses, total “NO” votes against the legislation vs. “YES” votes in support of the legislation was about 98% “NO” compared to 2% “YES”

We were overwhelmed by the amazing response from our members and wish to thank each of you that took the time to mail the cards back. It is with your help that we can make a difference. Issues such as these may have enormous economic impacts to Utah and to electric customers across the nation. It’s important that any energy policy discussed in Washington comes with a price tag that won’t leave our member-owners in the dark.

We realize there are differing opinions on climate change. We hope you will study the issues being discussed and make informed decisions. These are truly challenging issues facing America’s energy future as well as Garkane’s. We must find reasonable solutions that will keep costs down and electricity available and reliable. We encourage you to take an active role in state and federal matters as the nation looks into other energy sources such as coal-carbon sequestration, coal gasification, nuclear, natural gas, or renewables such as wind, solar, or biomass. We believe it will take a broad mix of all these resources to solve our nation’s energy problems.

Garkane is presently working with several renewable project entities that will hopefully bring new wind, solar or hydro to Garkane’s service area in the next few years.



Senator Bennett receives over 5,500 postcards from Utah co-op members regarding climate change legislation. Pictured are Mike Peterson - Executive Director of the Utah Rural Electric Association, Grant Earl - Moon Lake Electric General Manger, Doug Holgate - Board President of the Utah Rural Electric Association, Utah Senator - Robert Bennett, and Marcus Lewis - Garkane Energy Staff Assistant.

LET'S KEEP OUR POWER RATES FROM GOING THROUGH THE ROOF

Learn more at www.GarkaneEnergy.com

GARKANE ENERGY COOPERATIVE, INC.

CONSOLIDATED STATEMENTS OF REVENUE AND PATRONAGE CAPITAL

DECEMBER 31, 2009 AND DECEMBER 31, 2008

Operating Revenues	2009	2008
Line		
1 Revenues	\$ 20,688,771	\$ 18,510,527
Expenses and Deductions		
2 Cost of Sales	7,481,539	7,209,743
3 Transmission Expense	183,495	734,739
4 Distribution Expense	1,599,826	2,153,242
5 Consumer Accounts Expense	645,662	633,225
6 Customer Service Expense	116,687	121,133
7 Administrative & General Expense	4,229,967	3,612,279
8 Depreciation & Amortization Expense	2,348,735	2,244,910
9 Tax Expense	384,933	370,397
10 Interest Expense	1,831,442	1,688,618
11 Other Deductions	93,770	39,020
12 TOTAL COST OF SERVICE	<u>18,916,056</u>	<u>18,807,306</u>
13 OPERATING MARGINS	1,772,715	(296,779)
Non-Operating Margins & Other Credits		
14 Interest Earnings	48,290	96,810
15 Capital Credits	190,641	156,872
16 Misc. Non-Operating Income	38,671	5,626
17 Gain/(Loss) on Disposition of Property	1,730,458	89,364
18 Other (Including Extraordinary items)	172,498	186,601
19 Provision for Income Taxes	(31,522)	(63,935)
20 NET MARGINS	\$ 3,921,751	\$ 174,559
21 Patronage Capital - Beginning of Year	<u>21,755,173</u>	<u>21,580,614</u>
22 Patronage Capital - End of Year	<u>\$ 25,676,924</u>	<u>\$ 21,755,173</u>

GARKANE ENERGY COOPERATIVE, INC.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2009 AND DECEMBER 31, 2008

ASSETS

LINE

	<u>2009</u>	<u>2008</u>
Long-Term Assets		
23 Plant	\$ 84,576,061	\$ 75,785,483
24 Less: Depreciation	(29,488,357)	(27,421,432)
25 NET PLANT	<u>55,087,704</u>	<u>48,364,051</u>
26 Non-Utility Property	1,859,736	1,707,645
27 Investments in Assoc. Organizations	1,442,688	1,217,438
28 Other Investments	<u>246,615</u>	<u>194,940</u>
29 TOTAL LONG-TERM ASSETS	58,636,743	51,484,074
Current Assets		
30 Cash	1,308,241	2,811,786
31 Accounts Receivable - Net	3,429,385	2,263,555
32 Materials and Supplies	3,352,913	3,535,442
33 Prepayments & Other Accrued Assets	<u>115,307</u>	<u>82,899</u>
34 TOTAL CURRENT ASSETS	<u>8,205,846</u>	<u>8,693,682</u>
35 TOTAL ASSETS	<u>\$ 66,842,589</u>	<u>\$ 60,177,756</u>
LIABILITIES & PATRONAGE		
36 PATRONAGE CAPITAL	\$ 25,676,924	\$ 21,755,173
Long-Term Debt		
37 Deferred Income Tax Liability - Net	241,963	210,441
38 Accumulated Operating Provisions	1,078,651	478,457
39 RUS and CFC Mortgage Notes	<u>32,483,374</u>	<u>30,773,838</u>
40 TOTAL LONG-TERM DEBT	33,803,988	31,462,736
Current Liabilities		
41 Accounts Payable	1,777,174	1,811,202
42 Consumer Deposits	565,358	385,377
43 Other Current Liabilities	<u>2,800,489</u>	<u>2,632,948</u>
44 TOTAL CURRENT LIABILITIES	5,143,021	4,829,527
45 Deferred Credits	<u>2,218,656</u>	<u>2,130,320</u>
46 TOTAL LIABILITIES AND PATRONAGE	<u>\$ 66,842,589</u>	<u>\$ 60,177,756</u>



a member-owned cooperative

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 Kimball & Roberts, P.C. Certified Public Accountants - Richfield, UT

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