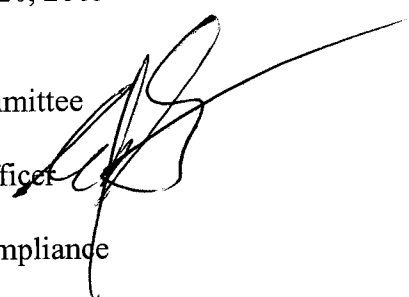


**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

April 20, 2005

**TO:** Board of Directors Finance Committee  
**FROM:** Joe Griffith, Chief Executive Officer  
**SUBJECT:** Sarbanes Oxley Section 404 Compliance



In early 2005, Chugach engaged Crowe Chizek and Company LLC (Crowe) to assist with our Sarbanes Oxley Section 404 (SOX) compliance effort and in February 2005, Crowe was onsite to complete a "pilot" project including documentation of a financial sub process and review of our entity level controls. Subsequently, on March 2, 2005, the Securities & Exchange Commission (SEC) announced an extension for non-accelerated filers for compliance with SOX Section 404 to fiscal years ending after July 31, 2006.

As a result of the completion of a successful pilot project and the extension of our compliance date, we requested that Crowe prepare a proposal to complete all required documentation for SOX Section 404 compliance, facilitate necessary educational sessions with management and the Board of Directors and assist in implementation of a software program to manage our ongoing compliance with SOX Section 404.

The updated scope of work for Crowe anticipates a revised cost of approximately \$175,000. This project would be completed mid-year 2006 with the cost of these services expended in 2005 and 2006. The amount included in the approved 2005 budget for this project is \$100,000.

I recommend moving forward with this engagement with additional funding to be requested in the 2006 budget season.