



701 West Eighth Avenue
Suite 600
Anchorage, AK 99501

Telephone 907 265 1200
Fax 907 265 1295

April 14, 2003

PRIVATE

Ms. Mary Tesch
Chugach Electric Association, Inc.
5601 Minnesota Drive
Anchorage, Alaska 99503

RECEIVED

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HUMAN
RESOURCES

Dear Mary:

This letter will confirm our understanding of our engagement to report upon our audit of the financial statements and supplemental schedules of Chugach Electric Association, Inc. Employee Profit Sharing 401(k) Plan and Trust (the Plan) as of December 31, 2002 and 2001, and for the years ended, all of which are to be included in the Plan's Form 5500 filing with the Department of Labor (DOL).

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America except that, as permitted by Regulation 2520.103-8 of the DOL's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA) and as instructed by you, we will not perform any auditing procedures with respect to investment information prepared and certified to by The Vanguard Group, Inc., the trustee, other than comparing that information with the related information included in the financial statements and supplemental schedules. Because of the significance of the information that we will not audit, we will not express an opinion on the financial statements and supplemental schedules taken as a whole. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified to by the trustee (custodian), will be audited by us in accordance with auditing standards generally accepted in the United States of America, and will be subjected to tests of your accounting records and such other procedures as we consider necessary in the circumstances to enable us to express an opinion as to whether they are presented in compliance with the DOL Rules and Regulations for Reporting and Disclosure under ERISA.

Our report will be addressed to the Plan's Administrative Committee. We cannot provide assurance that a limited scope opinion will be rendered. Circumstances may arise in which it is necessary for us to modify our report or withdraw from the engagement. In such circumstances, our findings or reasons for withdrawal will be communicated to Plan's Administrative Committee.





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The Plan and Chugach Electric Association, Inc. (the Plan Sponsor) agree that all records, documentation, and information we request in connection with our audit will be made available to us, that all material information will be disclosed to us, and that we will have the full cooperation of Plan's and Plan Sponsor's personnel. We will request written confirmation(s) from the Plan's attorney(s) as part of this engagement, which may result in the Plan incurring costs for the attorney's response. As required by auditing standards generally accepted in the United States of America, we will make specific inquiries of management about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming an opinion on the financial statements.

The Plan Administrator has responsibility for the financial statements and all representations contained therein. The Plan Administrator also is responsible for identifying and ensuring that the Plan complies with laws and regulations applicable to its activities, for accepting the actuarial methods and assumptions, and maintaining effective internal control over financial reporting to maintain the reliability of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements.

An audit is planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Therefore, there is a risk that material errors, defalcations or fraud (including fraud that may be an illegal act), prohibited transactions with parties in interest, other violations of ERISA rules and regulations, and other illegal acts may exist and not be detected by an audit performed in accordance with auditing standards generally accepted in the United States of America. Also, an audit is not designed to detect matters that are immaterial to the financial statements.

To the extent that they come to our attention, we will inform management about any material errors and any instances of fraud or illegal acts, and we will assess whether all identified prohibited party-in-interest transactions are included in the supplemental schedule of nonexempt transactions. Further, to the extent that they come to our attention, we will inform Plan's Administrative Committee about fraud and illegal acts that involve senior management, fraud that in our judgment causes a material misstatement of the financial statements of the Plan, and illegal acts, unless clearly inconsequential, that have not otherwise been communicated to the Committee.

The Plan administrator is responsible for adjusting the financial statements to correct material misstatements and for affirming to the auditor in the representation letter that the effects of any uncorrected misstatements aggregated by the auditor during the current engagement and



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pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In planning and performing our audit, we will consider the Plan's internal control in order to determine the nature, timing and extent of our audit procedures for the purpose of expressing an opinion on the financial statements, not to provide assurance on internal control.

While we are not being engaged to report on the Plan's internal control, and are not obligated to search for reportable conditions, we will communicate reportable conditions to you to the extent they come to our attention. Reportable conditions are significant deficiencies in the design or operation of internal control which could adversely affect the Plan's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The definition of "reportable conditions" does not include potential future internal control problems, in other words, control problems coming to our attention that do not affect the preparation of financial statements for the period under audit.

You have not engaged us to prepare or review the Plan's Form 5500 filing with the Internal Revenue Service and Department of Labor; however, the audited financial statements of the Plan are required to be filed with the Form 5500. Professional standards require that we read the Plan's Form 5500 prior to its filing. The purpose of this procedure is to consider whether such information, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, appearing in the financial statements. These procedures are not sufficient to nor intended to ensure that the form is completely and accurately prepared. In the event that our auditors' report is issued prior to our having read the Plan's Form 5500, you agree not to attach such auditors' report to the financial statements included with the Form 5500 filing until we have read the completed Form 5500.

As a part of our audit, we will perform certain procedures, as required by auditing standards generally accepted in the United States of America, directed at considering the Plan's compliance with applicable Internal Revenue Code (IRC) requirements for tax-exempt status, including inspecting the Plan's latest tax determination letter from the Internal Revenue Service (IRS). As we conduct our audit, we will be aware of the possibility that events affecting the Plan's tax status may have occurred. Similarly, we will be aware of the possibility that events affecting the Plan's compliance with the requirements of ERISA may have occurred. We will inform you of any instances of tax or ERISA noncompliance that come to our attention during the course of our audit. You should recognize, however, that our audit is not designed to nor is it intended to determine the Plan's overall compliance with applicable provisions of the IRC or ERISA.



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The work papers for this engagement are the property of KPMG LLP (KPMG). However, we may be required to make certain work papers available to the DOL pursuant to authority given to it by law or regulation. If requested, access to such work papers will be provided under the supervision of KPMG personnel. Furthermore, upon request, we may provide photocopies of selected work papers to the DOL. The DOL may intend to or may decide to distribute the photocopies or information contained therein to others, including other government agencies. In the event KPMG is requested, pursuant to a subpoena or other legal process, to produce its documents relating to this engagement in judicial or administrative proceedings, Chugach Electric Association, Inc. shall reimburse KPMG at standard billing rates for its professional time and expenses, including reasonable attorney's fees, incurred in responding to such requests.

While the audit report may be sent to the Plan electronically by the KPMG engagement partner for the Plan's convenience, only the signed (electronically or manually) report constitutes the Plan's record copy.

We estimate that audit fees will be \$7,850. This estimate is based on the level of expertise of the individuals who will perform your audit. In addition, expenses are billed for reimbursement as incurred. Circumstances encountered during the performance of the audit that warrant additional time or expense could cause us to be unable to complete the audit within the above estimates. We will endeavor to notify you of any such circumstances as they are assessed. This fee estimate does not include reconciling of accounts, accounting assistance, nonrecurring services and special projects. Fees for such services, if any, will be billed at 75% of standard billing rates plus out-of-pocket expenses.

We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign and return it to us.

Very truly yours,

KPMG LLP

Kathleen A. Porterfield
Managing Partner

KAP:ph

Enclosure



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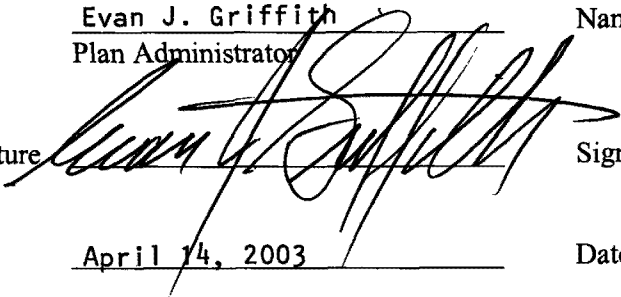
ACCEPTED:

**Chugach Electric Association, Inc.
Employee Profit Sharing 401(k) Plan and Trust:**

Chugach Electric Association, Inc.:

Name Evan J. Griffith
Plan Administrator

Name Mary Tesch

Signature 

Signature 

Date April 14, 2003

Date 4-14-03