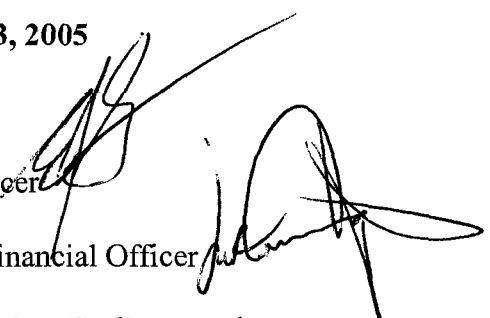


CHUGACH ELECTRIC ASSOCIATION, INC.

Anchorage, Alaska

July 13, 2005

TO: Board of Directors
THRU: Joe Griffith, Chief Executive Officer
FROM: Michael R. Cunningham, Chief Financial Officer
SUBJECT: Securities and Exchange Commission (SEC) Reporting



Securities and Exchange Commission (SEC) reporting by Chugach has been the subject of discussion on several occasions. Also, the issue of the cost of “getting out” of doing this periodic reporting has been broached at times.

Some background on how Chugach came to become a SEC reporting entity may be helpful. Following is a discussion of the advent and continuation of our reporting requirement.

In 1991, during the time Chugach was refinancing its then Rural Electrification Administration (REA) debt under Section 311 of the REA Act (allowing an electric cooperative to refinance or “buy its’ way out of REA with no penalties), the potential bond holders, principal underwriter and underwriter’s counsel all confided that a greater level of investor confidence would be attained if we agreed in our Indenture of Trust to file the required SEC periodic reports such as the quarterly SEC Form 10Q, annual Form 10K and Form 8K’s as necessary (under existing SEC reporting requirements, a securities registrant with less than 300 holders of the securities is not bound to the reporting rules of the SEC. Chugach likely has less than 300 bondholders).

This reporting requirement was placed in the Indenture and took effect immediately after Chugach issued the 1991 Series A and B bonds.

In 2001 and 2002, the 1991 Series A bonds were refinanced at their first available call dates. A new “Amended and Restated Indenture” was set in place that contained the SEC reporting requirement – again to sustain the level of investor confidence in Chugach.

The pertinent section of the Indenture reads as follows:

Section 8.4 Reports by Company

The Company shall:

- (a) file with the Trustee, within fifteen (15) days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the

foregoing as the Commission may from time-to-time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities and Exchange Act of 1934; or if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it will file with the Trustee and Commission, in accordance with rules and regulations prescribed by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities and Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed in such rules and regulations;

- (b) file with the Trustee and Commission, in accordance with rules and regulations prescribed by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required by such rules and regulations; and
- (c) transmit to the Holders of the Obligations, within thirty (30) days after the filing thereof with the Trustee, in a manner and to the extent provided in Section 8.3(c) with respect to reports pursuant to Section 8.3(a), such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (a) and (b) above as may be required by the rules and regulations of the Commission.

The upshot of this section is that Chugach is required to file such reports as are defined by the Securities and Exchange Act of 1934. We have complied with this requirement since our debt has been on the public market.

In terms of cost to do the reporting, there is little incremental cost associated with preparing and filing the reports. Corporate Finance and Planning Division coordinates the basic preparation, input from other sections of the company, review of the draft document and electronic filing of the final document. This is part of the position description of the Senior Financial Analyst.

Periodically, as reporting requirements change, the Senior Financial Analyst attends update seminars to insure we are abiding by the current disclosure rules for the reports.

We file the reports, in accordance with SEC rules and regulations, electronically through a software program named "EDGAR" – Electronic Data Gathering And Retrieval. There are, as with any software program, periodic updates issued that Chugach must purchase. The cost of these upgrades is minimal.

Under our agreement with MBIA (the bond insurer) we have certain reporting requirements in terms of providing financial statements and maintenance of financial ratios above minimum levels. We test and report the results on an annual basis. Their basic assumption and a condition of issuing insurance was that SEC reporting would happen as per the indenture.

Under our Master Loan Agreement with CoBank, we are required, since we file with the SEC, to submit audited financial statements in addition to those periodic SEC reports.

Other Considerations

In discussions with our private lender, CoBank, there are indications that should the publicly traded debt be placed in the private market at the maturity dates of the Series A and B bonds in 2011 and 2012, the reporting requirements could be less restrictive. The recently renewed Line of Credit Master Loan Agreement (MLA) contains less comprehensive reporting requirements yet still provides CoBank with sufficient financial data on Chugach to adequately assess our creditworthiness.

In the case of refinancing long-term debt into the private market, we may pay somewhat higher interest rate in exchange for relaxed reporting requirements.

Private placement of our debt may also eliminate the necessity for our debt to be rated.

We are currently inquiring of our 2001 and 2002 underwriter, J.P. Morgan, regarding their thoughts on the “cost” of changing the Indenture to eliminate the SEC Section 13 reporting requirement.

We will keep you apprised of the progress.