



701 West Eighth Avenue
Suite 600
Anchorage, AK 99501

July 12, 2002

The 401(k) Plan Committee
Chugach Electric Association, Inc.
Employees 401(k) Plan

Dear Members:

We have performed a Department of Labor (DOL) limited scope audit of the financial statements and schedule of the Chugach Electric Association, Inc. 401(k) Plan (Plan) for the year ended December 31, 2001, and have issued our report thereon dated July 12, 2002. Under auditing standards generally accepted in the United States of America, we are providing you with the following information related to the conduct of our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

Our responsibility under auditing standards generally accepted in the United States of America is to express an opinion on the financial statements of the Plan based on our audit. In carrying out this responsibility, we assessed the risk that the financial statements may contain a material misstatement, either intentional or unintentional, and designed and conducted our audit to provide reasonable, not absolute, assurance of detecting misstatements that are material to the financial statements. In addition, we considered internal control of the Plan to gain a basic understanding of the internal control activities in order to design an effective and efficient audit approach, not for the purpose of providing assurance on internal control.

However, as directed by management and as permitted by Regulation 2510.103-8 of the DOL's Rules and Regulations, we did not perform any auditing procedures with respect to information certified by the custodian of the Plan, except for comparing such information to the related information included in the financial statements and supplemental schedule.

Significant Accounting Policies

The significant accounting policies used by the Plan are described in note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2001.

Significant Transactions

We noted no transactions entered into by the Plan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We evaluated the key factors





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and assumptions used to develop management's judgments and estimates in determining that amounts recorded were reasonable in relation to the financial statements of the Plan taken as a whole.

Significant Audit Adjustments

We proposed no corrections to the financial statements that could in our judgment, either individually or in the aggregate, have a significant effect on the Plan's financial reporting process. There were no proposed corrections to the financial statements not recorded by management.

Responsibility for Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Plan's financial statements and our report thereon does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We have, however, read the other information included in the Plan's Form 5500, and no matters came to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements. This procedure is not sufficient nor intended to ensure that the Form 5500 is completely and accurately prepared.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our report on the Plan's 2001 financial statements.

Consultation with Other Accountants

To the best of our knowledge management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year that were subject to the requirements of Statement on Auditing Standards No. 50, *Reports on the Application of Accounting Principles*.

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

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This report is intended solely for the information and use of the Plan Administrator, the 401(k) Plan Committee and Chugach Electric Association, Inc.'s management, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP