

**CHUGACH ELECTRIC ASSOCIATION, INC.  
EMPLOYEES 401(k) PLAN**

Financial Statements and Schedule

December 31, 2001 and 2000

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## Independent Auditors' Report

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

We were engaged to audit the financial statements and supplemental schedule of the Chugach Electric Association, Inc. Employees 401(k) Plan (Plan) as of December 31, 2001 and 2000 for the years then ended as listed in the accompanying table of contents. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan Administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information in note 3 which was certified by the custodians of the Plan, except for comparing such information to the related information included in the financial statements and supplemental schedule. We have been informed by the Plan Administrator that the custodian holds the Plan's investment assets and execute investment transactions. The Plan Administrator has obtained certifications from the custodian as of December 31, 2001 and 2000 that the information provided to the Plan Administrator by the custodian is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the custodians, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

**KPMG LLP**

July 12, 2002



**CHUGACH ELECTRIC ASSOCIATION, INC.  
EMPLOYEES 401(k) PLAN**

Statements of Net Assets Available for Plan Benefits

December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Assets:		
Investments, at fair value:		
Mutual funds	\$ 15,951,046	16,500,267
Common/collective trusts	5,798,265	5,478,873
Participant loans	<u>1,011,913</u>	<u>1,381,918</u>
	22,761,224	23,361,058
Participant contributions receivable	<u>68,752</u>	<u>22,031</u>
Net assets available for Plan benefits	<u>\$ 22,829,976</u>	<u>23,383,089</u>

See accompanying notes to financial statements.

**CHUGACH ELECTRIC ASSOCIATION, INC.  
EMPLOYEES 401(k) PLAN**

Statements of Changes in Net  
Assets Available for Plan Benefits

Years ended December 31, 2001 and 2000

	<b>2001</b>	<b>2000</b>
Assets:		
Additions to net assets attributed to:		
Participant contributions	\$ 2,187,752	1,929,096
Dividend income	313,199	1,409,471
Interest income	430,824	506,394
Other additions	—	(79,426)
Total additions	2,931,775	3,765,535
Deductions from net assets attributed to:		
Net depreciation in fair value of investments	1,859,314	2,422,004
Payments to participants	1,623,954	1,972,302
Administrative fees	1,620	45
Total deductions	3,484,888	4,394,351
Net decrease	(553,113)	(628,816)
Net assets available for Plan benefits:		
Beginning of year	23,383,089	24,011,905
End of year	\$ 22,829,976	23,383,089

See accompanying notes to financial statements.

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**EMPLOYEES 401(k) PLAN**

Notes to Financial Statements

December 31, 2001 and 2000

**(1) Description of the Plan**

The following description of the Chugach Electric Association, Inc. Employees 401(k) Plan (Plan) provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions. The Plan is a defined contribution plan covering substantially all employees of Chugach Electric Association, Inc. (Association), who have completed three months of service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Each active participant may elect to make tax deferred employee contributions to the Plan, not to exceed the lesser of an amount equal to 15% of an employee's earnings for the pay period or \$10,500 in 2001 and 2000. Each participant's account is credited with the participant's contributions and investment earnings (losses). A participant's right to employee contributions is nonforfeitable at all times.

The Plan allows participants to borrow the lesser of 50% of their vested account balance or \$50,000. All loans bear interest and are to be repaid within five years unless they are used to purchase a participant's principal residence.

Upon termination of service, a participant may elect to receive an annuity or a lump-sum cash payment.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The financial statements of the Plan have been prepared on the accrual basis of accounting.

**(b) Management Estimates**

In preparing the financial statements, the Plan Administrator is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and additions and deductions to (from) net assets for the reporting periods. Actual results could differ from those estimates and assumptions.

**(c) Investments**

The Plan's investments are stated at fair value. Mutual funds are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end. Units of the Common/Collective Trust are valued at net asset value at year-end. Participant loans are valued at cost, which approximates fair value.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is accrued when earned. Dividend income is recorded on the ex-dividend date. Capital gain distributions are included in dividend income.

**(d) Benefits**

Benefits are recorded when paid.

**CHUGACH ELECTRIC ASSOCIATION, INC.  
EMPLOYEES 401(k) PLAN**

Notes to Financial Statements

December 31, 2001 and 2000

**(e) Expenses**

The Plan is charged administrative fees, which are paid by either the Plan or Plan Sponsor. Expenses paid by the Plan are recognized on the accrual basis and consist of investment-related fees and loan fees. All other administrative expenses are paid by the Plan Sponsor.

**(3) Custodian Certification**

The Plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, as permitted under such election, the Plan Administrator has obtained certifications from the custodian of the Plan that all of the information provided by them is complete and accurate. Vanguard Fiduciary Trust Company (Vanguard) is the custodian. Information included in the accompanying financial statements as to mutual funds, common/collective trusts, net depreciation in the fair value of investments, dividend and interest income, and all information in the supplemental schedule is presented in reliance solely upon those certifications.

**(4) Investments**

Each participant has the right to direct the custodian to invest the participant's account balance in any one or combination of the funds being currently provided by the Plan.

The following is a detail of investments at December 31:

	<u>2001</u>	<u>2000</u>
Vanguard Fiduciary Trust Company:		
500 Index Fund	\$ 475,901	140,616
* Explorer Fund	3,188,386	3,148,316
International Growth Fund	1,067,291	1,360,096
LifeStrategy Conservative Growth	8,801	4,723
LifeStrategy Growth Fund	567,978	550,991
LifeStrategy Income Fund	240,398	209,967
LifeStrategy Moderate Growth Fund	95,198	44,892
Total Bond Market Index Fund	314,749	86,688
* Total Stock Market Index Fund	5,881,645	6,857,636
* U.S. Growth Fund	1,262,625	1,720,727
* Wellington Fund	2,215,497	1,923,172
Windsor II Fund	632,577	452,443
* Retirement Savings Trust	5,798,265	5,478,873
	<u>\$ 21,749,311</u>	<u>21,979,140</u>

\* Represents 5% or more of the Plan's net assets at December 31, 2001.

During 2001 and 2000 the Plan's investments (including investments bought, sold, and held during the year) depreciated in value by \$1,859,314 and \$2,422,004, respectively. Such investments are comprised of mutual funds.

**CHUGACH ELECTRIC ASSOCIATION, INC.  
EMPLOYEES 401(k) PLAN**

Notes to Financial Statements

December 31, 2001 and 2000

**(5) Income Taxes**

The Plan adopted a Prototype Non-Standardized Safe Harbor Profit Sharing Plan with a cash or deferral arrangement which received a favorable opinion letter from the Internal Revenue Service on May 26, 1999, which stated that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan Administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC and, therefore, no provision for income taxes is included in the Plan's financial statements.

**(6) Plan Termination**

The Plan sponsor has no plans or intentions to terminate the Plan. However, the Plan sponsor may at any time amend or terminate the Plan.

**(7) Related Party Transactions**

The Plan invests in shares of mutual funds managed by an affiliate of Vanguard. Vanguard acts as the custodian for only those investments as defined by the Plan. Transactions in such investments qualify as party-in-interest transactions, which are exempt from the prohibited transaction rules.

**CHUGACH ELECTRIC ASSOCIATION, INC.  
EMPLOYEES 401(k) PLAN**

Schedule H, line 4i – Schedule of Assets (Held at End of Year)

December 31, 2001

<b>(a)</b>	<b>(b) Identity of issue</b>	<b>(c) Description of investment</b>	<b>(e) Current value</b>
*	Vanguard 500 Index Fund	Mutual Fund	\$ 475,901
*	Vanguard Explorer Fund	Mutual Fund	3,188,386
*	Vanguard International Growth Fund	Mutual Fund	1,067,291
*	Vanguard LifeStrategy Conservative Growth	Mutual Fund	8,801
*	Vanguard LifeStrategy Growth Fund	Mutual Fund	567,978
*	Vanguard LifeStrategy Income Fund	Mutual Fund	240,398
*	Vanguard LifeStrategy Moderate Growth Fund	Mutual Fund	95,198
*	Vanguard Total Bond Market Index	Mutual Fund	314,749
*	Vanguard Total Stock Market Index	Mutual Fund	5,881,645
*	Vanguard U.S. Growth Fund	Mutual Fund	1,262,625
*	Vanguard Wellington Fund	Mutual Fund	2,215,497
*	Vanguard Windsor II Fund	Mutual Fund	632,577
*	Vanguard Retirement Savings Trust	Common/Collective Trust	5,798,265
			<u>21,749,311</u>
*	Participant loans	6.95% – 11%	1,011,913
			<u>\$ 22,761,224</u>

\* Party in interest

See accompanying independent auditors' report.