CHUGACH ELECTRIC ASSOCIATION, INC.

Financial Statements

December 31, 2023 and 2022

(With Report of Independent Registered Accounting Firm Thereon)

KPMG LLP
Suite 200
3800 Centerpoint Drive
Anchorage, AK 99503

Independent Auditors' Report

The Board of Directors
Chugach Electric Association, Inc.:

Opinion

We have audited the consolidated financial statements of Chugach Electric Association, Inc. and its subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in equities and margins, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023 in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Anchorage, Alaska
April 5, 2024

Chugach Electric Association, Inc.
Consolidated Balance Sheets
As of December 31, 2023 and 2022

Assets	December 31, 2023	December 31, 2022
Utility plant:		
Electric plant in service	$ 2,138,053,513	$ 2,109,990,748
Construction work in progress	106,643,658	52,721,736
Total utility plant	2,244,697,171	2,162,712,484
Less accumulated depreciation	(759,799,995)	(702,820,630)
Net utility plant	1,484,897,176	1,459,891,854
Other property and investments, at cost:		
Nonutility property	76,889	76,889
Operating lease right-of-use assets	3,582,805	3,831,720
Financing lease right-of-use assets	204,525	217,069
Investments in associated organizations	6,635,234	6,993,487
Special funds	29,275,168	26,275,805
Restricted cash equivalents	30,000	30,000
Long-term prepayments	110,308	305,854
Total other property and investments	39,914,929	37,730,824
Current assets:		
Cash and cash equivalents	4,935,690	3,178,673
Special deposits	56,800	58,300
Restricted cash equivalents	450,000	12,676,066
Fuel cost / other under-recovery	8,447,415	1,579,375
BRU capital surcharge under-recovery	33,062,308	18,845,238
Accounts receivable, less provision for doubtful accounts of $767,999 in 2023 and $983,450 in 2022	62,436,741	50,243,472
Materials and supplies	53,672,215	49,979,660
Fuel stock	10,149,976	18,220,114
Prepayments	5,559,353	6,239,353
Other current assets	1,363,234	379,412
Total current assets	180,133,732	161,399,663
Other non-current assets:		
Deferred charges, net	102,973,793	108,557,249
Total other non-current assets	102,973,793	108,557,249
Total assets	$ 1,807,919,630	$ 1,767,579,590

(Continued)

Chugach Electric Association, Inc.
Consolidated Balance Sheets
As of December 31, 2023 and 2022

Liabilities, Equities and Margins	December 31, 2023	December 31, 2022
Equities and margins:		
Memberships	$ 2,019,553	$ 1,986,171
Patronage capital	199,208,815	194,755,133
Other	16,832,685	15,594,172
Total equities and margins	218,061,053	212,335,476
Long-term obligations, excluding current installments:		
Bonds payable	1,083,733,329	1,128,549,996
Notes payable	14,820,000	18,924,000
Less unamortized debt issuance costs	(5,763,629)	(5,960,113)
Operating lease liabilities	3,545,670	3,583,801
Financing lease liabilities	193,192	203,786
Total long-term obligations	1,096,528,562	1,145,301,470
Current liabilities:		
Current installments of long-term obligations	48,968,978	49,178,851
Commercial paper	138,000,000	45,000,000
Accounts payable	34,146,210	26,356,140
Consumer deposits	4,198,551	4,874,798
Accrued interest	8,058,734	8,454,148
Salaries, wages, and benefits	12,015,865	12,103,644
Fuel	5,754,117	6,933,243
Undergrounding ordinance liability	9,385,101	11,894,343
Settlement obligation	0	12,181,556
Other current liabilities	2,511,439	1,705,080
Total current liabilities	263,038,995	178,681,803
Other non-current liabilities:		
Deferred compensation	1,817,393	1,387,476
Other liabilities, non-current	728,963	658,627
Deferred liabilities	14,783,832	9,639,703
BRU regulatory liability	84,019,067	96,612,203
Cost of removal obligation / asset retirement obligation	128,941,765	122,962,832
Total other non-current liabilities	230,291,020	231,260,841
Total liabilities, equities, and margins	$ 1,807,919,630	$ 1,767,579,590

See accompanying notes to consolidated financial statements.

Chugach Electric Association, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2023, 2022, and 2021

	2023	2022	2021
Operating revenues	$ 362,719,790	$ 354,418,746	$ 354,458,456
Operating expenses:			
Fuel	81,591,442	83,474,943	86,561,826
Production	40,744,453	37,961,076	36,640,560
Purchased power	31,643,099	23,268,040	23,129,060
Transmission	8,713,758	9,690,024	9,313,578
Distribution	27,150,488	26,319,170	26,798,579
Consumer accounts	10,590,900	10,298,655	10,554,469
Administrative, general, and other	52,317,820	52,203,530	51,871,897
Depreciation and amortization	62,721,621	64,660,942	60,465,653
Total operating expenses	$ 315,473,581	$ 307,876,380	$ 305,335,622
Interest expense:			
Long-term debt and other	44,310,173	41,607,914	42,625,653
Charged to construction	(2,711,529)	(2,521,899)	(2,641,159)
Interest expense, net	$ 41,598,644	$ 39,086,015	$ 39,984,494
Net operating margins	$ 5,647,565	$ 7,456,351	$ 9,138,340
Nonoperating margins:			
Interest income	1,885,161	639,406	294,670
Allowance for funds used during construction	243,706	96,433	112,157
Capital credits, patronage dividends and other	323,349	(68,453)	33,312
Total nonoperating margins	$ 2,452,216	$ 667,386	$ 440,139
Assignable margins	$ 8,099,781	$ 8,123,737	$ 9,578,479

See accompanying notes to consolidated financial statements.

Chugach Electric Association, Inc.
Consolidated Statements of Changes in Equities and Margins
Years Ended December 31, 2023, 2022, and 2021

	2023	2022	2021
Memberships:			
Balance at beginning of period	$ 1,986,171	$ 1,949,262	$ 1,908,432
Memberships and donations received	33,382	36,909	40,830
Balance at end of period	$ 2,019,553	$ 1,986,171	$ 1,949,262
Other equities and margins:			
Balance at beginning of period	15,594,172	15,477,923	15,376,562
Unclaimed capital credits retired	1,087,783	(19,685)	(25,706)
Memberships and donations received	150,730	135,934	127,067
Balance at end of period	$ 16,832,685	$ 15,594,172	$ 15,477,923
Patronage capital:			
Balance at beginning of period	194,755,133	188,573,753	181,564,419
Assignable margins	8,099,781	8,123,737	9,578,479
Retirement/net transfer of capital credits	(3,646,099)	(1,942,357)	(2,569,145)
Balance at end of period	$ 199,208,815	$ 194,755,133	$ 188,573,753
Total equities and margins	$ 218,061,053	$ 212,335,476	$ 206,000,938

See accompanying notes to consolidated financial statements.

Chugach Electric Association, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2023, 2022, and 2021

	2023	2022	2021
Cash flows from operating activities:			
Assignable margins	$ 8,099,781	$ 8,123,737	$ 9,578,479
Adjustments to reconcile assignable margins to net cash provided by operating activities:			
Depreciation and amortization	62,721,621	64,660,942	60,465,653
Amortization and depreciation cleared to operating expenses	13,029,130	12,657,577	13,232,954
Allowance for funds used during construction	(243,706)	(96,433)	(112,157)
Write off of inventory, deferred charges and projects	888,501	1,599,280	246,258
Other	(1,538,654)	(48,315)	304,438
(Increase) decrease in assets:			
Accounts receivable, net	(12,136,257)	(3,138,384)	6,728,760
Fuel cost under-recovery	(6,953,672)	(1,579,375)	0
Materials and supplies	(3,775,749)	(5,155,732)	708,802
Fuel stock	8,282,360	(4,132,265)	2,311,843
Prepayments	875,546	(1,342,531)	(113,048)
Other assets	(385,095)	(28,625)	487,473
Deferred charges	(6,800,754)	(6,607,593)	(12,455,252)
Increase (decrease) in liabilities:			
Accounts payable	8,447,779	8,070	(5,332,594)
Consumer deposits	(676,247)	(788,269)	413,795
Fuel cost over-recovery	0	(1,281,307)	231,685
Accrued interest	(395,414)	(297,873)	(396,669)
Salaries, wages and benefits	(77,402)	(937,893)	(1,393,218)
Fuel	(1,085,859)	673,326	697,961
Other current liabilities	56,490	(115,126)	749,134
Deferred liabilities	(8,247,368)	(18,333,080)	(10,578,181)
Net cash provided by operating activities	60,085,031	43,840,131	65,776,116
Cash flows from investing activities:			
Return of capital from investment in associated organizations	359,834	288,329	316,274
Investment in special funds	(4,606,433)	(1,411,673)	(22,860,509)
Proceeds from capital grants	0	238,604	2,773,224
Proceeds from sale of property and equipment	0	(390,946)	51,885
Extension and replacement of plant	(132,882,823)	(56,854,713)	(43,929,316)
Net cash used in investing activities	(137,129,422)	(58,130,399)	(63,648,442)
Cash flows from financing activities:			
Payments for debt issue costs	0	0	(136,354)
Net increase in short-term obligations	93,000,000	23,000,000	12,000,000
Repayments of long-term obligations	(48,920,667)	(42,192,667)	(41,964,667)
Memberships and donations received	1,271,895	153,158	142,191
Retirement of patronage capital and estate payments	(2,683,126)	(1,859,857)	(2,569,145)
Proceeds from consumer advances for construction	23,982,503	13,419,340	7,598,916
Repayments of consumer advances for construction	(75,263)	0	0
Net cash (used in) provided by financing activities	66,575,342	(7,480,026)	(24,929,059)
Net change in cash, cash equivalents, and restricted cash equivalents	(10,469,049)	(21,770,294)	(22,801,385)
Cash, cash equivalents, and restricted cash equivalents at beginning of period	$ 15,884,739	$ 37,655,033	$ 60,456,418
Cash, cash equivalents, and restricted cash equivalents at end of period	$ 5,415,690	$ 15,884,739	$ 37,655,033
Supplemental disclosure of non-cash investing and financing activities:			
Cost of removal obligation / ARO	$ 5,978,933	$ (1,031,160)	$ 6,885,808
Extension and replacement of plant included in accounts payable	$ 12,887,541	$ 13,545,751	$ 2,172,436
Patronage capital retired/net transferred and included in other current liabilities	$ 1,045,473	$ 82,500	$ 0
Supplemental disclosure of cash flow information - interest expense paid, net of amounts capitalized	$ 40,607,064	$ 38,235,264	$ 39,104,950

See accompanying notes to consolidated financial statements.

(1) Description of Business and Presentation of Financial Information

Description of Business

Chugach Electric Association, Inc. ("Chugach") is the largest electric utility in Alaska engaged in the generation, transmission, and distribution of electricity in Anchorage and the upper Kenai Peninsula area. Chugach is on an interconnected regional electrical system referred to as the Alaska Railbelt, a 400-mile-long area stretching from the coastline of the southern Kenai Peninsula to the interior of the state, including Alaska's largest cities, Anchorage and Fairbanks.

Chugach's retail and wholesale members are the consumers of the electricity sold. Chugach supplies much of the power requirements to the City of Seward ("Seward"), as a wholesale customer. Occasionally, Chugach sells available generation, in excess of its own needs, to Matanuska Electric Association, Inc. ("MEA"), Homer Electric Association, Inc. ("HEA"), and Golden Valley Electric Association, Inc. ("GVEA"). Power pool sales to MEA began in April 2021.

Chugach was organized as an Alaska electric cooperative in 1948 and operates on a not-for-profit basis and, accordingly, seeks only to generate revenues sufficient to pay operating and maintenance costs, the cost of purchased power, capital expenditures, depreciation, and principal and interest on all indebtedness and to provide for reserves. Chugach is subject to the authority of the Regulatory Commission of Alaska ("RCA").

The consolidated financial statements include the activity of Chugach and the activity of the Beluga River Unit ("BRU"). Chugach accounts for its share of BRU activity using proportional consolidation (see "*Note 15 – Beluga River Unit*"). Intracompany activity has been eliminated for presentation of the consolidated financial statements.

(2) Significant Accounting Policies

a. Management Estimates

In preparing the financial statements in conformity with United States generally accepted accounting principles ("GAAP"), the management of Chugach is required to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the balance sheet and revenues and expenses for the reporting period. Estimates include the allowance for credit losses, workers' compensation liability, deferred charges and liabilities, unbilled revenue, estimated useful life of utility plant, cost of removal and asset retirement obligation ("ARO"), and remaining proved BRU reserves. Actual results could differ from those estimates.

b. Regulation

The accounting records of Chugach conform to the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission ("FERC"). Chugach meets the criteria, and accordingly, follows the accounting and reporting requirements of Financial Accounting Standards Board ("FASB") ASC 980, "Topic 980 – Regulated Operations." FASB ASC 980 provides for the recognition of regulatory assets and liabilities as allowed by regulators for costs or credits that are reflected in current rates or are considered probable of being included in future rates. Our regulated rates are established to recover all our specific costs of providing electric service. In each rate filing, rates are set at levels to recover all our specific allowable costs and those rates are then collected from our retail and wholesale customers. The regulatory assets or liabilities are then reduced as the cost or credit is reflected in earnings and our rates, see "*Note (2n) – Deferred Charges and Liabilities*."

c. Utility Plant and Depreciation

Utility plant is stated at original cost when first placed in service. Such cost includes contract work, direct labor and materials, allocable overhead, and capitalized interest less contributions in aid of construction ("CIAC"). Upon the partial sale or retirement of plant assets, the original cost and current disposal costs less sale proceeds, if any, are charged or credited to accumulated depreciation. In accordance with industry practice, no profit or loss is recognized in connection with normal sales and retirements of property units.

Maintenance and repairs costs are expensed as incurred. Replacements and renewals of items considered to be units of property are capitalized to the property accounts.

Chugach uses the group method of depreciation and periodically conducts depreciation studies and updates rates, if necessary.

During 2022 a depreciation rate study was completed on the combined plant of both Chugach and assets acquired from Municipal Light & Power ("ML&P"). This was the first depreciation study completed since the acquisition. Acquired ML&P assets were depreciated at rates effective at acquisition. As a result of the 2022 study, Chugach filed a petition with the RCA to combine the depreciation rates of Chugach and ML&P plant based on asset group. On December 29, 2022, the RCA approved the combined depreciations rates effective January 1, 2023. As with Chugach's legacy depreciation rates, the combined depreciation rates include a provision for cost of removal. Chugach records a separate liability for the estimated obligation related to the cost of removal. Other plant consists of intangibles, which were omitted from the depreciation study. The assets in this group continue to depreciate using legacy rates, which were 2.75% for Chugach assets and 3.33% for acquired ML&P assets.

Depreciation and amortization rates at December 31, 2023 are as follows:

Annual Depreciation Rate Ranges

	Combined Depreciation Rates		
Steam production plant	3.10%	-	3.52%
Hydroelectric production plant	1.26%	-	2.66%
Other production plant	2.52%	-	3.24%
Transmission plant	0.74%	-	5.81%
Distribution plant	1.69%	-	5.99%
General plant	1.82%	-	33.33%
Other	2.75%		3.33%

Depreciation and amortization rates at December 31, 2022 were as follows:

Annual Depreciation Rate Ranges

	Legacy Chugach			Legacy ML&P		
Steam production plant	3.03%	-	3.26%	2.70%	-	11.97%
Hydroelectric production plant	0.88%	-	2.71%	2.09%	-	2.79%
Other production plant	2.18%	-	3.46%	2.90%	-	4.52%
Transmission plant	1.01%	-	10.50%	1.68%	-	2.45%
Distribution plant	1.40%	-	10.00%	1.61%	-	5.09%
General plant	1.95%	-	33.33%	1.66%	-	14.87%
Other	2.75%	-	2.75%	3.33%		18.54%

Chugach records Depreciation, Depletion and Amortization ("DD&A") expense on the BRU assets based on units of production using the following formula: 67% of the total production from the BRU as provided by the operator divided by 67% of the estimated remaining proved reserves (in thousand cubic feet (Mcf)) in the field multiplied by Chugach's total assets in the BRU.

d. Full Cost Method

Chugach has elected the Full Cost method to account for exploration and development costs of gas reserves.

e. Asset Retirement Obligation

Chugach calculates and records ARO associated with the BRU. Prior to October 2022, Chugach used certain financing rates as its credit adjusted risk free rate and the expected cash flow approach to calculate the fair value of the ARO liability. After the completion of the ARO study in October 2022, the expiration of the ARO changed from 2037 to 2034. The ARO asset is depreciated using the DD&A formula previously discussed. The ARO liability is accreted using the interest method of allocation.

Effective January 1, 2023, BRU ARO Surcharge revenue, accretion and deprecation is recognized on the statement of operations with differences in related revenue and expense reclassified to either regulatory assets or liabilities. Prior to this change, all BRU ARO revenue and expenses were reclassified from the statement of operations to the ARO surcharge deferred charges account. This change had no impact to margins.

f. Investments in Associated Organizations

The loan agreement with National Rural Utilities Cooperative Finance Corporation ("NRUCFC") requires as a condition of the extension of credit, that an equity ownership position be established by all borrowers. Chugach's equity ownership in this organization is less than one percent. Chugach also has an equity ownership in CoBank, ACB ("CoBank") acquired in connection with prior loan agreements, which have since been repaid. Although we no longer have a patronage-earning loan with CoBank, there remains an existing equity investment balance in this organization.

These equity investments do not have readily determinable fair values and are accounted for at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. No impairment or observable price changes were recorded during 2023, 2022, or 2021.

g. Special Funds

Special funds include deposits associated with the deferred compensation plan and investments associated with the BRU. Once the BRU becomes no longer economically feasible to produce hydrocarbons, the BRU owners will cease operations and remove facilities and abandon the field based on estimates prepared by an engineering team. Chugach collects and restricts funds for this liability. The BRU ARO investment fund was established pursuant to an agreement with the State of Alaska.

The BRU ARO investment fund is a separately managed investment portfolio specifically for the purpose of dismantling the field. These funds are not expected to be used until the BRU owners retire the BRU gas field. Therefore, the portfolio of funds benefit from being in a separate investment portfolio with separate, distinct, and broad investment criteria that is consistent with the timing of when the funds are expected to be utilized. The investment portfolio is managed to maximize capital appreciation with a long-term rate of return. The portfolio has specific investment guidelines approved by the Board of Directors ("Board") to accomplish the purpose of the ARO fund.

The investment allocations are detailed below:

	Investment Allocations			
Investment Type	Target	Min	Max	At December 31, 2023
Equity	47%			47%
U.S. Large-Cap Equity	22%	12%	32%	22%
U.S. Mid-Cap Equity	10%	5%	15%	10%
U.S. Small-Cap Equity	5%	0%	10%	5%
International Developed Equity	6%	0%	12%	6%
Emerging Markets Equity	4%	0%	8%	4%
Alternatives	21%			20%
Real Estate	3%	0%	6%	3%
Alternative Beta	10%	0%	15%	9%
Infrastructure	5%	0%	10%	5%
Commodities	3%	0%	6%	3%
Fixed Income	32%			33%
U.S. Fixed Income	18%	8%	28%	18%
U.S. High Yield Fixed Income	5%	0%	10%	5%
TIPS	2%	0%	10%	2%
International Fixed Income	5%	0%	10%	5%
Cash	2%	0%	10%	3%

The BRU ARO investment fund was $27.5 million and $20.1 million as of December 31, 2023 and December 31, 2022, respectively.

Additional funds associated with the BRU for which the RCA has specified the use were $0 and $4.8 million at December 31, 2023 and December 31, 2022, respectively. Currently, its use is for fuel price volatility in future periods. On May 16, 2022, Chugach received approval to adopt a forward-funding recovery structure for BRU capital expenditures through a BRU Capital Reserve Surcharge on an interim, non-refundable basis, and received final approval on December 23, 2022. This account is being used to fund current and future years BRU capital requirements. The BRU Capital Reserve Surcharge provides for the exact recovery of BRU capital requirements through a balancing account.

h. Cash, Cash Equivalents, and Restricted Cash Equivalents

The following table provides a reconciliation of cash, cash equivalents, and restricted cash equivalents reported within the Consolidated Balance Sheet that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows.

	December 31, 2023	December 31, 2022
Cash and cash equivalents	$ 4,935,690	$ 3,178,673
Restricted cash equivalents	450,000	12,676,066
Restricted cash equivalents included in other property and investments	30,000	30,000
Total cash, cash equivalents and restricted cash equivalents shown in the consolidated statements of cash flows	$ 5,415,690	$ 15,884,739

Restricted assets, including cash equivalents, are recognized on Chugach's Consolidated Balance Sheet when they are restricted as to withdrawal or usage. Restricted cash equivalents include funds on deposit for future workers' compensation claims and funds from the Municipality of Anchorage ("MOA") to be used for a rate reduction refund to the North District members as ordered by the RCA, which was $0 and $12,174,066 at December 31, 2023 and 2022, respectively.

i. Gas Transfer Price ("GTP")

The BRU GTP functions as an intercompany pricing mechanism for the purchase of BRU gas from Chugach's Working Interest Ownership ("WIO") in BRU. The cost of BRU gas, gas purchased from other sources, and purchased power are all recovered through rates approved by the RCA.

The GTP is comprised of three rate-factor components: operating expenses ("Opex"), ARO surcharge, and capital reserve surcharge. The full BRU GTP is used to recognize the expense of gas purchased from Chugach's WIO. BRU GTP is not a rate factor on member bills, instead it is included in the cost of power adjustment ("COPA") as a fuel expense.

j. Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount. Prior to January 1, 2023, accounts receivable are recorded net of an allowance for doubtful accounts estimated by management based on historical experience. Effective January 1, 2023, accounts receivable are recorded net of an allowance for credit losses which is management's best estimate. based on its historical write-off experience and current and forecasted economic conditions. Chugach reviews its allowance for doubtful accounts monthly. Past due balances over 90 days in a specified amount are reviewed individually for collectability. All other balances are reviewed in aggregate. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The estimate of expected credit losses includes expected recoveries of amounts previously written off as well as amounts expected to be written off. Chugach does not have any off–balance-sheet credit exposure related to its customers.

k. Materials and Supplies

Materials and supplies are stated at average cost.

l. Fuel Stock

Fuel Stock is the weighted average cost of fuel injected into Cook Inlet Natural Gas Storage Alaska ("CINGSA"). Chugach's fuel balance in storage for the years ended December 31, 2023 and 2022 amounted to $10.1 million and $18.2 million, respectively.

m. Fuel and Purchased Power Cost Recovery

Expenses associated with electric services include fuel purchased from others and produced from Chugach's interest in the BRU, both of which are used to generate electricity, as well as power purchased from others. Chugach is authorized by the RCA to recover fuel and purchased power costs, excluding costs associated with the Eklutna Purchased Power Agreement ("PPA"), through the fuel and purchased power adjustment process, which is adjusted quarterly to reflect increases and decreases of such costs. We recognize differences between projected recoverable fuel and purchased power costs and amounts recovered through rates. The fuel cost under/over recovery on our balance sheet represents the net accumulation of any under- or over-collection of fuel and purchased power costs. Fuel cost under-recovery will appear as an asset on our balance sheet and will be collected from our members in subsequent periods. Conversely, fuel cost over-recovery will appear as a liability on our balance sheet and will be refunded to our members in subsequent periods.

n. Deferred Charges and Liabilities

Included in deferred charges and liabilities on Chugach's financial statements are regulatory assets and liabilities recorded in accordance with FASB ASC 980. See Note 8 – "Deferred Charges and Liabilities." Continued accounting under FASB ASC 980 requires that certain criteria be met. We capitalize all or part of costs that would otherwise be charged to expense if it is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for ratemaking purposes and future revenue will be provided to permit recovery of the previously incurred cost. Management believes Chugach's operations currently satisfy these criteria.

Chugach's regulatory asset recoveries are embedded in base rates approved by the RCA. Specific costs incurred and recorded as regulatory assets, including the amortization period for recovery, are approved by the RCA either in standard Simplified Rate Filings ("SRF"), general rate case filings, or specified independent requests or filings. The rates approved related to the regulatory assets are matched to the amortization of actual expenses recognized. The regulatory assets are amortized and collected through rates over differing periods depending upon the period of benefit as established by the RCA. Deferred liabilities include refundable CIAC, which are credited to the associated cost of construction of property units. Refundable CIAC are held in deferred liabilities pending their return or other disposition. If events or circumstances should change so the criteria are not met, the write off of regulatory assets and liabilities could have a material effect on Chugach's financial position, results of operations or cash flows.

o. Patronage Capital

Revenues in excess of current period costs (net operating margins and nonoperating margins) in any year are designated on Chugach's statement of operations as assignable margins. These excess amounts (i.e. assignable margins) are considered capital furnished by the members and are credited to their accounts and held by Chugach until such future time as they are retired and returned without interest at the discretion of the Board. Retained assignable margins are designated on Chugach's balance sheet as patronage capital. This patronage capital constitutes the principal equity of Chugach. The Board may also approve the return of capital to former members and estates who request early retirements at discounted rates under a discounted capital credits retirement plan, which was authorized by the Board in September of 2002.

p. Consumer Deposits

Consumer deposits include amounts certain customers are required to deposit to receive electric service. Consumer deposits at December 31, 2023 and 2022, totaled $1.8 million and $2.0 million, respectively. Consumer deposits also represent customer credit balances from prepaid accounts. Credit balances at December 31, 2023 and 2022, totaled $2.4 million and $2.9 million, respectively.

q. Fair Value of Financial Instruments

FASB ASC 825, "Topic 825 – Financial Instruments," provides for the disclosure of the fair value of certain on and off-balance sheet financial instruments for which it is practicable to estimate that value. The following methods are used to estimate the fair value of financial instruments:

Cash, cash equivalents, and restricted cash equivalents – the carrying amount approximates fair value because of the short maturity of those instruments.

Long-term obligations – the fair value estimate is based on the quoted market price for same or similar issues (see "*Note 11 – Debt*").

Consumer deposits – the carrying amount approximates fair value because of the short refunding term.

The fair value of accounts receivable and payable, and other short-term monetary assets and liabilities approximate carrying value due to their short-term nature.

r. Operating Revenues

Revenues are recognized upon delivery of electricity and services. Energy sales revenues are Chugach's primary source of revenue and are recognized upon delivery of electricity. Wheeling revenue is recognized when energy is wheeled across Chugach's transmission lines. Other miscellaneous services are billed monthly as provided. Operating revenues are based on billing rates authorized by the RCA, which are applied to customers' usage of electricity. Chugach's rates are established, in part, on test period sales levels that reflect actual operating results. Chugach's tariffs include provisions for the recovery of fuel costs according to fuel supply contracts, as well as certain purchased power costs. For more information, see "*Note 16 – Revenue From Contracts with Customers*."

s. Capitalized Interest

Allowance for funds used during construction ("AFUDC") and interest charged to construction - credit ("IDC") are the estimated costs of the funds used during the period of construction from both equity and borrowed funds. AFUDC and IDC are applied to specific projects during construction. AFUDC and IDC calculations use the net cost of borrowed funds when used and is recovered through RCA approved rates as utility plant is depreciated. For all projects Chugach capitalized such funds at the weighted average rate of 3.4%, 3.3%, and 4.2% during 2023, 2022, and 2021, respectively.

t. Environmental Remediation Costs

Chugach accrues for losses and establishes a liability associated with environmental remediation obligations when such losses are probable and can be reasonably estimated. Such accruals are adjusted as further information develops or circumstances change. Estimates of future costs for environmental remediation obligations are not discounted to their present value. However, various remediation costs may be recoverable through rates and accounted for as a regulatory asset.

u. Income Taxes

Chugach is exempt from federal income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code and for the years ended December 31, 2023, 2022, and 2021 was in compliance with that provision. In addition, as described in Note 18 – "*Commitments and Contingencies*," Chugach collects sales tax and is assessed gross revenue and excise taxes which are presented on a net basis in accordance with FASB ASC 606-10-65, "Topic 606 - Revenue from Contracts with Customers."

Chugach applies a more-likely-than-not recognition threshold for all tax uncertainties. FASB ASC 740, "Topic 740 – Income Taxes," only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities. Chugach's management reviewed Chugach's tax positions and determined there were no outstanding or retroactive tax positions that were not highly certain of being sustained upon examination by the taxing authorities.

Management has concluded that there are no significant tax positions requiring recognition in its financial statements for all periods presented. Chugach's evaluation was performed for the tax periods ended December 31, 2021 through December 31, 2023 for United States Federal Income Tax, the tax years which remain subject to examination by major tax jurisdictions as of December 31, 2023.

(3) Accounting Pronouncements

Issued, and adopted:

ASC Topic 326, *"Financial Instruments – Credit Losses"*

On January 1, 2023 Chugach adopted FASB ASC Topic 326, Financial Instruments – Credit Losses (Topic 326). Topic 326 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. Under Topic 326, lifetime expected credit losses are recognized immediately when a financial asset is originated or purchased, as compared to the previous incurred loss model, which required credit loss recognition when a probable threshold was met. Topic 326 is intended to improve financial reporting by requiring earlier recognition of credit losses.

Chugach adopted Topic 326 using a modified retrospective transition approach. As a result, Chugach was not required to adjust its comparative period financial information for effects of the standard or make the new required credit loss allowance disclosures for periods before the date of adoption. Chugach evaluated its accounts and notes receivable and determined adoption of Topic 326 did not require any additional allowance for credit losses to be recorded. The adoption of Topic 326 also had no effect on the consolidated statements of income or cash flows.

ASC Update 2021-05 "*Leases (Topic 842) – Lessors - Certain Leases with Variable Lease Payments"*

In July 2021, the FASB issued ASU 2021-05 "Leases (Topic 842) – Lessors – Certain Leases with Variable Lease Payments". ASU 2021-05 requires a lessor to classify a lease with variable lease payments that do not depend on an index or rate (hereafter referred to as "variable payments") as an operating lease on the commencement date of the lease if specified criteria are met.

Chugach began application of ASU 2021-05 on January 1, 2022. Adoption did not have a material effect on our results of operations, financial position, and cash flows.

ASC Update 2021-09 "*Leases (Topic 842)—Discount Rate for Lessees That Are Not Public Business Entities"*

In November 2021, the FASB issued ASU 2021-09 "Leases (Topic 842)—Discount Rate for Lessees That Are Not Public Business Entities." ASU 2021-09 allows lessee's that are not a public business entity to use a risk-free rate as its discount rate by class of underlying asset rather than an entity-wide level. The amendments in this update also require that when the rate implicit in the lease is readily determinable for any individual lease, the lessee would use that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election.

Chugach began application of ASU 2021-09 on January 1, 2022. Adoption did not have a material effect on our results of operations, financial position, and cash flows.

ASC Update 2021-10 "*Government Assistance (Topic 832)—Disclosures by Business Entities about Government Assistance"*

The amendments in this update require disclosures about transactions with a government that have been accounted for by analogizing to a grant or contribution accounting model to increase transparency about (1) the types of transactions, (2) the accounting for the transactions, and (3) the effect of the transactions on an entity's financial statements.

Chugach began application of ASU 2021-10 on January 1, 2022. Adoption did not have a material effect on our disclosures.

Issued, not yet adopted:

18 Code of Federal Regulations ("CFR") Part 101 update "Accounting and Reporting Treatment of Certain Renewable Energy Assets".

On June 29, 2023, the FERC issued docket No. RM21-11-000 amending the Uniform System of Accounts ("USofA") for public utilities. This amendment creates new accounts for wind, solar and other renewable generating assets, codifies the accounting treatment of certain renewable energy assets, as well as requires relevant FERC forms to be amended to accommodate these changes.

This amendment is effective January 1, 2025, and will require Chugach to adjust its current chart of accounts. Adoption is not expected to have a material effect on our results of operations, financial position or cash flows.

(4) Fair Value of Assets and Liabilities

Fair Value Hierarchy

In accordance with FASB ASC 820, Chugach groups its financial assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect Chugach's estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The tables below present the balances of Chugach's investment accounts associated with the BRU ARO and other obligations, which are comprised of bond and equity securities. Chugach had no other assets or liabilities measured at fair value on a recurring basis at December 31, 2023, or December 31, 2022.

December 31, 2023	Total	Level 1	Level 2	Level 3
BRU ARO Fund	$ 27,457,229	$ 24,717,543	$ 2,739,686	$ 0
Future Natural Gas Purchases Fund	$ 545	$ 545	$ 0	$ 0

December 31, 2022	Total	Level 1	Level 2	Level 3
BRU ARO Fund	$ 20,114,870	$ 18,004,464	$ 2,110,406	$ 0
RRR Fund	$ 12,174,066	$ 12,174,066	$ 0	$ 0
Future Natural Gas Purchases Fund	$ 4,773,459	$ 4,773,459	$ 0	$ 0

Fair Value of Financial Instruments

Fair value estimates are dependent upon subjective assumptions and involve significant uncertainties resulting in variability in estimates with changes in assumptions. The fair value of cash, cash equivalents, restricted cash equivalents, accounts receivable and payable, and other short-term monetary assets and liabilities approximate carrying value due to their short-term nature.

The estimated fair values of long-term obligations included in the financial statements at December 31, 2023, are as follows (dollars in thousands):

	Carrying Value	Fair Value Level 2
Long-term obligations (including current installments)	$ 1,147,474	$ 961,441

(5) Regulatory Matters

BRU Surcharge and Rebate Petition

On January 17, 2024, Chugach filed a petition to modify the BRU Contributed Capital Surcharge and Rebate required by the RCA's final order approving Chugach's acquisition of most of the assets of ML&P. The BRU Surcharge and Rebate requires Chugach to collect $17.6 million per year from South District members and correspondingly credit that same amount to North District members. The RCA intended that this adjustment mechanism would reconcile a perceived mismatch between historical BRU capital contributions from legacy ML&P customers and future benefits received from BRU by the combined Chugach membership post-acquisition. Chugach's petition points out that despite the RCA's intent, the BRU Surcharge and Rebate has resulted in discriminatory, unjust and unreasonable, preferential rate treatment in favor of Chugach's North District members. Chugach's petition proposes a methodology change that would remedy the situation and more equitably spread the costs and benefits of BRU between Chugach's North and South District members. The RCA has opened a docket to investigate Chugach's petition, granted intervention by several interested parties including the Attorney General, Department of Regulatory Affairs and Public Advocacy ("RAPA"), and scheduled a pre-hearing conference for April 12, 2024, to discuss and establish a procedural schedule to guide adjudication of Chugach's petition.

General Rate Case Filing

On June 30, 2023, Chugach submitted a general rate case filing to the RCA. The filing included a revenue requirement study, a cost of service study, a cost of capital study, and a proposed rate design to unify the rates for Chugach's North and South Districts. Chugach's North District refers to the ML&P legacy service area, while the South District refers to Chugach's service area pre-acquisition. Chugach requested approval to increase its system authorized Times Interest Earned Ratio ("TIER") from 1.55 to 1.75, and to eliminate the current differentiated TIER levels between Chugach's Generation and Transmission ("G&T") and Distribution functions. The filing presents an alternative rate design that mitigates some of the rate impacts resulting from consolidating two different rate structures.

On August 17, 2023, the RCA suspended Chugach's tariff filing into a docket, and approved across-the-board interim and refundable rate increases of 5.54% for retail customers and 10.55% for its wholesale class of service to Seward. The interim rate increase will provide additional revenue of approximately $12.7 million annually.

Operation and Regulation of the Alaska Railbelt Electric and Transmission System

In 2020 the Alaska Legislature enacted Senate Bill ("SB") 123, requiring an Electric Reliability Organization ("ERO") to be formed for the Railbelt electric grid. The ERO's primary tasks are to develop and enforce reliability standards, develop transmission and interconnection standards, and conduct integrated resource planning for the Railbelt. On March 25, 2022, the Railbelt Reliability Council ("RRC") formally submitted its application for certification as the ERO. The RRC is structured as a combination independent and balanced stakeholder board, which means that consumers, providers, and non-consumer/provider interests are all represented on the RRC board. The RCA opened a docket to investigate the RRC's application, received testimony, and held a hearing on the matter. Comments related to the RRC's application were primarily focused on potential measures for reducing costs while still allowing the RRC to complete its mission as the ERO. Following the hearing, the RCA issued an order indicating that certain modifications to the RRC's application were required as a condition of certification. The RRC reviewed and accepted the RCA's required changes and submitted its compliance filing demonstrating as much on September 14, 2022. On September 23, 2022, the RCA issued its order approving the RRC's application to be certificated as the ERO.

On March 1, 2023, the RCA approved the RRC 2023 budget on an interim and non-refundable basis effective April 1, 2023. On April 6, 2023, the RRC issued its initial monthly surcharge to Chugach in the amount of $109,278. As permitted by 3 AAC 46.420(e), beginning June 1, 2023, Chugach implemented the ERO surcharge on member bills for recovery of amounts paid to the RRC. The ERO surcharge is applied to member bills based on their monthly energy usage and is treated as a pass-through charge. Chugach collects no more and no less than the amount paid to the RRC and uses a balancing account to record under- and over- recovery amounts to be resolved through periodic rate adjustments.

<u>Railbelt Reliability Standards</u>

In March 2018, the Alaska Intertie Management Committee completed the development of the Railbelt Reliability Standards and submitted them to the RCA on April 5, 2018. These reliability standards are based on North American Electric Reliability Corporation ("NERC") standards, modified to meet the unique circumstances of the relatively small and islanded Railbelt grid. The standards govern the secure operation of the Railbelt electric grid and will be adopted for the further development, administration, and enforcement of the ERO.

In June 2016, in response to RCA Docket I-16-002, a cybersecurity working group began developing Railbelt cybersecurity standards. In July 2019, a status update was provided to the RCA announcing the completion of Alaska Critical Infrastructure Protection Cybersecurity Standards ("AKCIP") and a collective agreement for adoption effective January 1, 2020. Implementation schedules are contained in the specific standards.

<u>Potential Margin Shortfalls Due to Lower Sales</u>

On July 1, 2021, Chugach submitted a petition to the RCA requesting approval to modify the Stipulation Resolving All Issues (as approved in Order No. U-18-102(44)/U-19-020(39)/U-19-021(39)), in response to reductions in sales due, in part, to the COVID-19 pandemic. In the petition, Chugach requested approval to modify the amortization amounts for the Secondary Regulatory Asset and the Eklutna PPA payments, as and if needed, that would allow Chugach to achieve a Margins for Interest ("MFI/I") of 1.20 for 2021, 2022 and 2023. On July 30, 2021, the RCA issued Order No. U-19-020(47)/U-19-021(47) partially denying the petition and opening Docket U-21-059 for investigation of Chugach's projected margin shortfall. On August 10, 2021, Chugach requested expedited consideration requesting that a decision be issued by the RCA by November

12, 2021. A hearing was held on September 23, 2021, to address Chugach's request to modify the Stipulation.

On November 9, 2021, the RCA issued an order authorizing Chugach to modify the amortization of its Secondary Regulatory asset and defer the Eklutna PPA payments, if needed, to achieve a Margins for Interest/Interest ("MFI/I") of not more than 1.20 for 2021. Additionally, the RCA required Chugach to submit a filing to propose an alternative solution for years 2022 and 2023. Chugach submitted the proposed alternative solution; however, in response to issues raised by its members, withdrew this filing on January 20, 2022. On February 28, 2022, Chugach submitted a petition to the RCA requesting approval to defer up to $8.8 million of the Secondary Regulatory asset and Eklutna PPA payments that were approved for deferral in 2021 by the RCA in Order No. U-19-020(47)/U-19-021(47). Since Chugach did not defer any amounts in 2021, the petition requested RCA approval to defer up to the $8.8 million as previously authorized for 2021 in calendar-years 2022 and 2023, if needed.

On October 27, 2022, the RCA issued an order authorizing the deferral of the amortization of the Secondary Regulatory asset if needed to achieve a MFI/I of not more than 1.20 for 2022; however, the petition for deferral in 2023 was denied.

<u>Depreciation Study</u>

On June 29, 2022, Chugach filed a petition to approve depreciation rates recommended in a depreciation study based on Chugach's 2021 plant balances. The RCA opened a docket to investigate Chugach's filing. RAPA intervened in the proceeding. Chugach and RAPA negotiated a stipulation. The stipulation was filed with the RCA and approved on December 29, 2022, with depreciation rates effective January 1, 2023. The annual impact of the new depreciation rates is a decrease of approximately $2.4 to $3.6 million.

<u>Beluga River Unit</u>

The BRU is located on the western side of Cook Inlet, approximately 35 miles from Anchorage, and is an established natural gas field that was originally discovered in 1962. Effective October 30, 2020, Chugach acquired ML&P's 57% ownership share of the BRU, increasing Chugach's ownership share of the BRU to 66.7%. Hilcorp owns the remaining 33.3%. Hilcorp drilled four wells in 2022, five wells in 2023, and plans to drill five wells in 2024.

Chugach records depreciation, depletion, and amortization on BRU assets based on units of production. During 2023, Chugach lifted 8.6 billion cubic feet ("Bcf") resulting in a cumulative lift since purchase of 28.5 Bcf of the approximate 56.4 Bcf in Chugach's proven developed reserves. Chugach and the other owner, Hilcorp, are operating under an existing Joint Operating Agreement. Hilcorp is the operator for BRU. In addition to the operator fees to Hilcorp, other BRU expenses include royalty expense and interest on long-term debt. All expenses other than depreciation, depletion, amortization, and interest on long-term debt are included as fuel expense on Chugach's Consolidated Statement of Operations. Chugach has applied and qualified for a small producer tax credit, provided by the State of Alaska, resulting in an estimate of no liability for production taxes for a period of ten years, through 2026. The revenue in excess of expenses less the allowed TIER from BRU operations is adjusted through Chugach's GTP, which is updated on a semi-annual basis.

Chugach's BRU GTP provides a price mechanism for BRU gas volumes that are used to generate electricity. The BRU GTP is established to collect revenue equal to the field operating expense plus margins, meet the funding requirements for the asset retirement obligation, and to forward-fund the BRU capital costs. On May 16, 2022, Chugach received approval to adopt a forward-funding recovery structure for BRU capital expenditures through a BRU Capital Reserve Surcharge on an interim, non-refundable basis. Revenues received from the surcharge are deposited into the BRU Reserve account to meet BRU capital expenditure requirements over the remaining life of the gas field.

Seward

The 2022 Wholesale Power Contract ("2022 Agreement") between Chugach and Seward provides for an initial three-year term, with two subsequent three-year automatic extensions unless terminated by either party with a one-year advance notice. The 2022 Agreement also provides for the continuation of generation interruptibility if power supplies are not available from the Chugach system in addition to no generation reserve assignment. It also provides significant opportunity for mutual benefit in key areas of operations, including employee training, electric vehicle charging infrastructure, renewable generation, dispatch and engineering services, cyber security, and Advanced Metering Infrastructure ("AMI"). The 2022 Agreement is expected to provide approximately $2.3 million annually in base rate fixed-cost contribution to the Chugach system. In addition to simplifying fuel and purchased power cost recovery, it also provides for the optionality of Seward to purchase natural gas to meet all or portions of the energy requirements and to meet a portion of its power supply needs through economy energy purchases subject to Chugach approval based on operational or economic conditions.

In 2022, the City of Seward announced that it intends to sell the assets of its electric utility to HEA, however, the Seward residents voted against HEA's proposal on May 5, 2023. The Council notified Chugach during December 2023, that it would not extend the 2022 Agreement beyond its initial three-year term ending December 31, 2024.

Power Pooling and Joint Dispatch

The RCA approved the Amended and Restated Operations Agreement for Power Pooling and Joint Dispatch (Pooling Agreement) on November 2, 2020. Pursuant to the Pooling Agreement, Chugach and MEA spent 18 months working to implement the Pooling Agreement. On December 29, 2021, MEA filed its first quarter 2022 cost of power adjustment wherein it alleged that beginning in January 2022 MEA would no longer be purchasing energy from Chugach at the price proposed by Chugach. On March 3, 2022, the RCA opened a docket to investigate the tight power pool energy exchange and settlement practices of Chugach. A hearing was held on the matter in May 2022.

The RCA issued its final order on March 3, 2023, requiring Chugach to issue corrected invoices based on a previously agreed upon settlement process required by the Power Pool Agreement and pay any refunds due to MEA. Credit invoices were issued on April 3, 2023 totaling $0.6 million and the corresponding compliance filing was submitted to the RCA on April 10, 2023.

(6) Utility Plant

Major classes of utility plant, net of contributions in aid of construction, as of December 31 are as follows:

Electric plant in service:	2023	2022
Steam production plant	$ 295,198,697	$ 294,852,984
Hydroelectric production plant	31,019,073	30,851,393
Other production plant	515,872,860	515,208,052
Transmission plant	350,242,798	349,197,248
Distribution plant	521,282,969	515,386,050
General plant	90,382,993	84,395,785
Unclassified electric plant in service[1]	142,318,359	128,778,261
Intangible plant[1]	8,812,908	8,806,840
Beluga River Natural Gas Field (BRU Asset & ARO Asset)	181,388,543	181,030,877
Other[1]	1,534,313	1,483,258
Total electric plant in service	2,138,053,513	2,109,990,748
Construction work in progress	106,643,658	52,721,736
Total electric plant in service and construction work in progress	$ 2,244,697,171	$ 2,162,712,484

[1] Unclassified electric plant in service consists of complete unclassified general plant, generation plant, transmission plant and distribution plant. Depreciation of unclassified electric plant in service has been included in functional plant depreciation accounts in accordance with the anticipated eventual classification of the plant investment. Intangible plant represents Chugach's share of a Bradley Lake transmission line financed internally. Other represents Electric Plant Held for Future Use.

(7) Investments in Associated Organizations

Investments in associated organizations include the following at December 31:

	2023	2022
NRUCFC Capital Term Certificates	$ 5,902,230	$ 5,902,230
CoBank	683,302	1,042,588
Other	49,702	48,669
Total investments in associated organizations	$ 6,635,234	$ 6,993,487

(8) Deferred Charges and Liabilities

Deferred Charges

Regulatory assets and deferred charges, net of amortization, consisted of the following at December 31:

		2023		2022
Short-term debt issuance and reacquisition costs	$	593,438	$	185,959
Refurbishment of transmission equipment		40,124		49,383
Feasibility studies		545,724		360,376
Cooper Lake relicensing / projects		4,369,287		4,499,389
Fuel supply		1,169,474		1,311,972
Other regulatory deferred charges		5,146,396		3,391,818
Bond interest - market risk management		2,521,338		2,856,448
Environmental matters		706,716		752,066
Beluga parts and materials		3,071,731		4,300,423
NRECA pension plan prepayment		2,881,836		3,602,295
ML&P acquisition, integration, & consolidation		47,628,345		46,644,515
ML&P regulatory assets acquired		833,166		1,604,902
ML&P acquisition price premium		27,389,628		27,434,770
ML&P acquisition secondary regulatory asset		0		5,277,778
Incremental COVID-19 costs		6,076,594		6,285,155
Total regulatory assets and deferred charges	$	102,973,793	$	108,557,249

Regulatory assets and deferred charges, not currently being recovered in rates charged to consumers, consisted of the following at December 31:

		2023		2022
Regulatory studies and other	$	4,668,785	$	3,420,091
ML&P acquisition, integration, and consolidation		0		46,644,515
ML&P acquisition price premium		0		27,434,770
Incremental COVID-19 costs		0		6,285,155
2023 General Rate Case		718,741		0
Total regulatory assets and deferred charges	$	5,387,526	$	83,784,531

We believe all regulatory assets and deferred charges not currently being recovered in rates charged to consumers are probable of recovery in the future based upon prior recovery of similar costs allowed by our regulator or rate orders currently approved by the RCA. The recovery of regulatory assets and deferred charges is approved by the RCA either in standard SRFs, general rate case filings or specified independent requests or filings. In most cases, regulatory assets and deferred charges are recovered over the life of the underlying asset.

Deferred Liabilities

Deferred liabilities, at December 31 consisted of the following:

	2023	2022
Refundable consumer advances for construction	$ 1,270,764	$ 1,070,739
Post-retirement benefit obligation	414,037	414,037
Regulatory liability – gas sales	86,906	22,833
Future gas purchases	7,753,681	7,715,186
ARO surcharge deferred liability	5,281,464	416,908
Eklutna clearing	(23,020)	0
Total deferred liabilities	$ 14,783,832	$ 9,639,703

Future gas purchases represent funds that ML&P received for BRU underlift for which the RCA has specified the use.

(9) Patronage Capital

Chugach has a Board approved capital credit retirement policy. It establishes, in general, a plan to return the capital credits of wholesale and retail customers based on the members' proportionate contribution to Chugach's assignable margins. At December 31, 2023, Chugach had $199,208,815 of patronage capital (net of capital credits retired), which included $191,109,034 of patronage capital that had been assigned and $8,099,781 of patronage capital to be assigned to its members. At December 31, 2022, Chugach had $194,755,133 of patronage capital (net of capital credits retired in 2022), which included $186,631,396 of patronage capital that had been assigned and $8,123,737 of patronage capital to be assigned to its members. Approval of actual capital credit retirements is at the discretion of the Board. Chugach records a liability when the retirements are approved by the Board.

The Second Amended and Restated Indenture of Trust ("Indenture") and the CoBank Second Amended and Restated Master Loan Agreement, as amended, prohibit Chugach from making any distribution of patronage capital to Chugach's members if an event of default under the Indenture or debt agreements exists. Otherwise, Chugach may make distributions to Chugach's members in each year equal to the lesser of 5% of Chugach's patronage capital or 50% of assignable margins for the prior fiscal year. This restriction does not apply if, after the distribution, Chugach's aggregate equities and margins as of the end of the immediately preceding fiscal quarter are equal to at least 30% of Chugach's total long-term debt and equities and margins. In October 2023, the Board authorized retirement of the remaining balance of 1991 retail capital credits in an amount not to exceed $3.4 million by the end of the year. In November 2022, the Board authorized payments to MEA and Seward of approximately $1.5 million and $90.0 thousand, respectively.

(10) Other Equities

A summary of other equities at December 31 follows:

	2023	2022
Nonoperating margins, prior to 1967	$ 23,625	$ 23,625
Donated capital	3,303,366	3,152,636
Unclaimed capital credit retirement[1]	13,505,694	12,417,911
Total other equities	$ 16,832,685	$ 15,594,172

[1]Represents unclaimed capital credits that have met all requirements of Alaska Statute section 34.45.200 regarding Alaska's unclaimed property law and have therefore reverted to Chugach.

(11) Debt

Long-term obligations at December 31 are as follows:	2023	2022
2011 Series A Bond of 4.20%, maturing in 2031, with interest payable semi-annually March 15 and September 15 and principal due annually beginning in 2012	36,000,000	40,500,000
2011 Series A Bond of 4.75%, maturing in 2041, with interest payable semi-annually March 15 and September 15 and principal due annually beginning in 2012	110,999,996	117,166,663
2012 Series A Bond of 4.01%, maturing in 2032, with interest payable semi-annually March 15 and September 15 and principal due annually beginning in 2013	33,750,000	37,500,000
2012 Series A Bond of 4.41%, maturing in 2042, with interest payable semi-annually March 15 and September 15 and principal due annually between 2013 and 2020 and between 2032 and 2042	67,000,000	67,000,000
2012 Series A Bond of 4.78%, maturing in 2042, with interest payable semi-annually March 15 and September 15 and principal due annually beginning in 2023	47,500,000	50,000,000
2017 Series A Bond of 3.43%, maturing in 2037, with interest payable semi-annually March 15 and September 15 and principal due annually beginning in 2018	28,000,000	30,000,000
2019 Series A Bond of 3.86%, maturing in 2049, with interest payable semi-annually May 15 and November 15 and principal due annually beginning in 2021	63,300,000	67,200,000
2020 Series A Bond of 2.38%, maturing in 2039, with interest payable semi-annually April 30 and October 30 and principal payments beginning in 2025	275,000,000	275,000,000
2020 Series A Bond of 2.91%, maturing in 2050, with interest payable semi-annually April 30 and October 30 and principal payments beginning in 2021	467,000,000	489,000,000
2016 CoBank Note, 2.58% fixed rate note maturing in 2031, with interest and principal due quarterly beginning in 2016	18,924,000	23,028,000
Total long-term obligations	$ 1,147,473,996	$ 1,196,394,663
Less current installments	48,920,667	48,920,667
Less unamortized debt issuance costs	5,763,629	5,960,113
Long-term debt, excluding current installments	$ 1,092,789,700	$ 1,141,513,883

Covenants

Chugach is required to comply with all covenants set forth in the Second Amended and Restated Indenture of trust that secures the 2011, 2012, 2017, 2019 and 2020 Series A Bonds, and the 2016 CoBank Note. The CoBank Note is governed by the Second Amended and Restated Master Loan Agreement, as amended, which is secured by the Indenture dated January 20, 2011.

Chugach is also required to comply with the Amended and Restated Credit Agreement, between Chugach and NRUCFC, Bank of America, N.A. and CoBank, ACB, governing loans and extensions of credit associated with Chugach's commercial paper program. This amendment decreased the maximum allowable amount of outstanding commercial paper principal from $300.0 million to $270.0 million at any one time.

Chugach is also required to comply with other covenants set forth in the Revolving Line of Credit Agreement with NRUCFC.

Security

The Indenture, which became effective on January 20, 2011, imposes a lien on substantially all of Chugach's assets to secure Chugach's long-term debt obligations. On October 30, 2020, a lien was granted on certain ML&P acquired assets to secure the debt associated with the acquisition. Assets that are generally not subject to the lien of the Indenture include cash (other than cash deposited with the indenture trustee); instruments and securities; patents, trademarks, licenses and other intellectual property; vehicles and other movable equipment; inventory and consumable materials and supplies; office furniture, equipment and supplies; computer equipment and software; office leases; other leasehold interests for an original term of less than five years; contracts (other than power sales agreements with members having an original term exceeding three years, certain contracts specifically identified in the indenture, and other contracts relating to the ownership, operation or maintenance of generation, transmission or distribution facilities); non-assignable permits, licenses and other contract rights; timber and minerals separated from land; electricity, gas, steam, water and other products generated, produced or purchased; other property in which a security interest cannot legally be perfected by the filing of a Uniform Commercial Code financing statement, and certain parcels of real property specifically excepted from the lien of the Indenture. The lien of the Indenture may be subject to various permitted encumbrances that include matters existing on the date of the Indenture or the date on which property is later acquired; reservations in United States patents; non-delinquent or contested taxes, assessments and contractors' liens; and various leases, rights-of-way, easements, covenants, conditions, restrictions, reservations, licenses and permits that do not materially impair Chugach's use of the mortgaged property in the conduct of Chugach's business.

Rates

The Indenture also requires Chugach, subject to any necessary regulatory approval, to establish and collect rates reasonably expected to yield margins for interest equal to at least 1.10 times total interest expense. If any material change occurs in the circumstances contemplated at the time rates were most recently reviewed, the Indenture requires Chugach to seek appropriate adjustment to those rates so that they would generate revenues reasonably expected to yield margins for interest equal to at least 1.10 times interest charges, provided, however, upon review of rates based on a material change in circumstances, rates are required to be revised in order to comply and there are less than six calendar months remaining in the current fiscal year, Chugach can revise its rates so as to reasonably expect to meet the covenant for the next succeeding 12-month period after the date of any such revision.

The Second Amended and Restated Master Loan Agreement with CoBank, which became effective on June 30, 2016, as amended November 26, 2019, also requires Chugach to establish and collect rates reasonably expected to yield margins for interest equal to at least 1.10 times interest expense.

The Amended and Restated Credit Agreement governing the unsecured facility providing liquidity for Chugach's commercial paper program requires Chugach to maintain minimum margins for interest of at least 1.10 times interest charges for each fiscal year. Margins for interest generally consist of Chugach's assignable margins plus total interest expense, excluding amounts capitalized. Additionally, Chugach must maintain a minimum Consolidated Margins and Equities balance of $150.0 million, excluding any unrealized gain or loss on any Hedging Agreement, for each fiscal quarter and fiscal year-end.

Distributions to Members

Under the Indenture and debt agreements, Chugach is prohibited from making any distribution of patronage capital to Chugach's members if an event of default under the Indenture or debt agreements exists. Otherwise, Chugach may make distributions to Chugach's members in each year equal to the lesser of 5% of Chugach's patronage capital or 50% of assignable margins for the prior fiscal year. This restriction does not apply if, after the distribution, Chugach's aggregate equities and margins as of the end of the immediately preceding fiscal quarter are equal to at least 30% of Chugach's total long-term debt and equities and margins.

Maturities of Long-term Obligations

Long-term obligations at December 31, 2023, mature as follows (dollars in thousands):

Year ending	2011 Series A Bonds	2012 Series A Bonds	2016 CoBank	2017 Series A Bonds	2019 Series A Bonds	2020 Series A Bonds	Total
2024	10,667	6,250	4,104	2,000	3,900	22,000	48,921
2025	10,667	6,250	3,876	2,000	3,900	22,000	48,693
2026	10,667	6,250	3,192	2,000	3,900	28,000	54,009
2027	10,667	6,250	2,508	2,000	3,900	28,000	53,325
2028	10,667	6,250	2,052	2,000	3,900	28,000	52,869
Thereafter	93,665	117,000	3,192	18,000	43,800	614,00	889,657
	$ 147,000	$ 148,250	$ 18,924	$ 28,000	$ 63,300	$ 742,000	$ 1,147,474

Lines of credit

Chugach maintains a $50.0 million line of credit with NRUCFC. There was no outstanding balance on this line of credit at December 31, 2023. The borrowing rate is calculated using the total rate per annum and may be fixed by NRUCFC. The borrowing rate was 7.25% and 6.25% at December 31, 2023 and 2022, respectively.

The NRUCFC Revolving Line of Credit Agreement requires that Chugach, for each 12-month period, for a period of at least five consecutive days, pay down the entire outstanding principal balance. The NRUCFC line of credit was renewed December 15, 2021 and expires December 21, 2026. This line of credit is immediately available for unconditional borrowing.

Commercial Paper

Chugach had maintained a $300.0 million senior unsecured credit facility, as amended June 2019, ("Credit Agreement"), which is used to back Chugach's commercial paper program. On July 28, 2023, Chugach closed on an Amended and Restated Credit Agreement. The total amount decreased from $300.0 million to $270.0 million. The calculation of the interest on borrowings under the facility is based upon the Secured Overnight Financing Rate ("SOFR"). The Amended and Restated Credit Agreement expires on July 28, 2028. The participating banks include NRUCFC, Bank of America, N.A. and CoBank, ACB.

Our commercial paper can be repriced between one day and 397 days. Chugach is expected to continue to issue commercial paper in 2024, as needed.

Chugach had $138.0 million and $45.0 million of commercial paper outstanding at December 31, 2023 and 2022, respectively.

The following table provides information regarding 2023 monthly average commercial paper balances outstanding (dollars in millions), as well as corresponding weighted average interest rates:

Month	Average Balance	Weighted Average Interest Rate	Month	Average Balance	Weighted Average Interest Rate
January	$ 45.8	4.79%	July	$ 84.1	5.41%
February	$ 47.9	4.86%	August	$ 103.0	5.59%
March	$ 56.4	5.17%	September	$ 106.8	5.53%
April	$ 61.3	5.37%	October	$ 114.6	5.54%
May	$ 75.4	5.32%	November	$ 134.3	5.56%
June	$ 77.8	5.46%	December	$ 138.0	5.58%

Financing

In January 2011, Chugach issued $275.0 million of First Mortgage Bonds, 2011 Series A, in two tranches, Tranche A and Tranche B, for the purpose of refinancing the 2001 and 2002 Series A Bonds in 2011 and 2012, and for general corporate purposes. Interest is paid semi-annually on

March 15 and September 15 commencing on September 15, 2011. Principal on the 2011 Series A Bonds is paid in equal annual installments beginning March 15, 2012.

In January 2012, Chugach issued $250.0 million of First Mortgage Bonds, 2012 Series A, in three tranches, Tranche A, Tranche B and Tranche C, for the purpose of repaying outstanding commercial paper used to finance Southcentral Power Project ("SPP") construction and for general corporate purposes. Interest is paid semi-annually March 15 and September 15 commencing on September 15, 2012. The 2012 Series A Bonds, Tranche A and Tranche C, pay principal in equal installments on an annual basis beginning March 15, 2013, and 2023, respectively. The 2012 Series A Bonds, Tranche B, pay principal beginning March 15, 2013, through 2020, and on March 15, 2032, through 2042.

In June 2016, Chugach entered into a term loan facility with CoBank, evidenced by the 2016 CoBank Note, issued in the amount of $45.6 million, which is governed by the Second Amended and Restated Master Loan Agreement dated June 30, 2016, amended November 26, 2019, and secured by the Indenture.

In March 2017, Chugach issued $40.0 million of First Mortgage Bonds, 2017 Series A for general corporate purposes. Interest is paid semi-annually on March 15 and September 15, commencing on September 15, 2017. The 2017 Series A Bonds pay principal in equal installments on an annual basis beginning March 15, 2018.

In May 2019, Chugach issued $75.0 million of First Mortgage Bonds, 2019 Series A, for the purpose of repaying outstanding commercial paper used to finance Chugach's capital improvement program and for general corporate purposes. Interest is paid semi-annually on May 15 and November 15, commencing on November 15, 2019. The 2019 Series A Bonds pay principal in equal installments on an annual basis beginning on May 15, 2021.

On October 26, 2020, Chugach issued $800.0 million of First Mortgage Bonds, 2020 Series A, in two tranches, Tranche A and Tranche B, for the purpose of funding the acquisition of certain assets of ML&P and related transaction costs. Interest is paid semi-annually April 30 and October 30 commencing April 30, 2021. The 2020 Series A Bonds, Tranche A, pay principal semi-annually beginning April 30, 2025. The 2020 Series A Bonds, Tranche B pay principal beginning April 30, 2021.

The bonds and all other long-term debt obligations are secured by a lien on substantially all of Chugach's assets, pursuant to the Indenture, which became effective on January 20, 2011, as previously amended and supplemented. On October 30, 2020, a lien was granted on certain ML&P acquired assets to secure the debt associated with the acquisition.

The following table provides additional information regarding the bonds and the CoBank note at December 31, 2023 (dollars in thousands):

	Maturing	Average Life (Years)	Interest Rate	Issue Amount	Carrying Value
2011 Series A, Tranche A	2031	3.7	4.20 %	$ 90,000	$ 36,000
2011 Series A, Tranche B	2041	8.7	4.75 %	185,000	111,00
2012 Series A, Tranche A	2032	4.2	4.01 %	75,000	33,750
2012 Series A, Tranche B	2042	13.3	4.41 %	125,000	67,000
2012 Series A, Tranche C	2042	9.2	4.78 %	50,000	47,500
2017 Series A, Tranche A	2037	6.7	3.43 %	40,000	28,000
2019 Series A, Tranche A	2049	9.0	3.86 %	75,000	63,300
2020 Series A, Tranche A	2039	7.5	2.38 %	275,000	275,000
2020 Series A, Tranche B	2050	17.8	2.91 %	525,000	467,000
2016 CoBank Note	2031	2.7	2.58 %	45,600	18,924
Total				$ 1,485,600	$ 1,147,474

(12) Employee Benefit Plans

Pension Plans

Pension benefits for substantially all of Chugach's union employees are provided through the Alaska Electrical Pension Trust Fund and the UNITE HERE National Retirement Fund, multiemployer plans. Chugach pays an hourly amount per eligible union employee pursuant to the collective bargaining unit agreements. In these master, multiemployer plans, the accumulated benefits, and plan assets are not determined or allocated separately to the individual employer.

Pension benefits for non-union employees are provided by the National Rural Electric Cooperative Association ("NRECA") Retirement and Security Plan ("RS Plan"). The RS Plan is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. Under ASC 960, "Topic 960 – Plan Accounting – Defined Benefit Pension Plans," the RS Plan is a multiemployer plan, in which the accumulated benefits and plan assets are not determined or allocated separately to individual employers. Chugach makes annual contributions to the RS Plan equal to the amounts accrued for pension expense.

Chugach made contributions to all significant pension plans for the years ended December 31, 2023, 2022, and 2021 of $11.2 million, $11.0 million, and $11.8 million, respectively.

In December 2012, a committee of the NRECA Board of Directors approved an option to allow participating cooperatives in the RS Plan to make a prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1 of the year in which the amount is paid to the RS Plan. The 25% differential in billing rates is expected to continue for approximately 15 years from January 1, 2013. However unexpected changes in interest rates, asset returns and other plan experience, plan assumption changes, and other factors may have an impact on the differential in billing rates and the 15-year period.

On December 29, 2016, Chugach made a prepayment of $7.9 million to the NRECA RS Plan. Chugach recorded the long-term prepayment in deferred charges and is amortizing the deferred charge to administrative, general, and other expense, over 11 years, which represents the difference between the normal retirement age of 62 and the average age of Chugach's employees in the RS Plan. The balance of the prepayment in deferred charges at December 31, 2023 and 2022 was $2.9 million and $3.6 million, respectively.

The following table provides information regarding pension plans which Chugach considers individually significant:

	Alaska Electrical Pension Plan[3]			NRECA Retirement Security Plan[3]		
Employer Identification Number	92-6005171			53-0116145		
Plan Number	001			333		
Year-end Date	December 31			December 31		
Expiration Date of CBA's	June 30, 2025			N/A[2]		
Subject to Funding Improvement Plan	No			No[4]		
Surcharge Paid	N/A			N/A[4]		
	2023	2022	2021	2023	2022	2021
Zone Status	Green	Green	Green	N/A[1]	N/A[1]	N/A[1]
Required minimum contributions	None	None	None	N/A	N/A	N/A
Contributions (in millions)	$7.1	$6.9	$7.1	$4.1	$4.1	$4.7
Contributions > 5% of total plan contributions	Yes	Yes	Yes	No	No	No

[1] A "zone status" determination is not required, and therefore not determined under the Pension Protection Act (PPA) of 2006.
[2] The CEO is the only participant in the NRECA RS Plan who is subject to employment agreements. The CEO's employment agreement is effective through May 1, 2026.
[3] The Alaska Electrical Pension Plan financial statements are available upon request.
[4] The provisions of the PPA do not apply to the RS Plan, therefore, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the RS Plan and may change as a result of plan experience.

Health and Welfare Plans

Health and welfare benefits for union employees are provided through the Alaska Electrical Health and Welfare Trust and the Alaska Hotel, Restaurant and Camp Employees Health and Welfare and Pension Trust Fund. Chugach participates in multiemployer plans that provide substantially all union workers with health care and other welfare benefits during their employment with Chugach. Chugach pays a defined amount per union employee pursuant to collective bargaining unit agreements. Amounts charged to benefit costs and contributed to the health and welfare plans for these benefits for the years ending December 31, 2023, 2022, and 2021 were $9.1 million, $9.0 million, and $9.3 million, respectively.

Chugach participates in a multiemployer plan through the Group Benefits Program of NRECA for non-union employees. Amounts charged to benefit cost and contributed to this plan for those benefits for the years ended December 31, 2023, 2022, and 2021 totaled $3.6 million, $3.5 million, and $3.7 million, respectively.

Money Purchase Pension Plan

Chugach participates in a multiemployer defined contribution money purchase pension plan covering some employees who are covered by a collective bargaining agreement. Contributions to this plan are made based on a percentage of each employee's compensation. Contributions to the money purchase pension plan for the years ending December 31, 2023, 2022, and 2021 were $266.9 thousand, $269.9 thousand, and $296.0 thousand, respectively. Associated with the ML&P acquisition, money purchase plans for former ML&P employees for the years ending December 31, 2023, 2022 and 2021 were $638.4 thousand, $619.2 thousand, and $637.4 thousand.

401(k) Plan

Chugach has a defined contribution 401(k) retirement plan which covers substantially all employees who, effective January 1, 2008, can participate immediately. Employees who elect to participate may contribute up to the Internal Revenue Service's maximum of $22,500 in 2023, $20,500 in 2022, $19,500 in 2021, and allowed catch-up contributions for those over 50 years of age of $7,500 in 2023, and $6,500 in 2022, and 2021. Chugach does not make contributions to the plan.

Deferred Compensation

Effective January 1, 2011, Chugach participates in Vanguard's unfunded Deferred Compensation Program to allow highly compensated employees who elect to participate in the Program to defer a portion of their current compensation and avoid paying tax on the deferrals until received. The program is a non-qualified plan under Internal Revenue Code 457(b).

Deferred compensation accounts are established for the individual employees; however, they are considered to be owned by Chugach until a distribution is made. The amounts credited to the deferred compensation account, including gains or losses, are retained by Chugach until the entire amount credited to the account has been distributed to the participant or to the participant's beneficiary. The balance of the Program at December 31, 2023, and 2022 was $1.8 million and $1.4 million, respectively.

Potential Termination Payments

Pursuant to a Chugach Operating Policy, non-represented employees, including the executive officers except the Chief Executive Officer, who is are terminated by Chugach for reasons unrelated to employee performance are entitled to severance pay for each year or partial year of service as follows: two weeks for each year of service to a maximum of 26 weeks for 13 years or more of service. If the CEO is terminated by Chugach without cause, he will receive a lump sum payment equal to 100% of his annual base salary payable and the full cost of health and welfare coverage for a period not in excess of twelve months.

(13) Bradley Lake Hydroelectric Project

Chugach is a participant in the Bradley Lake Hydroelectric Project ("Bradley Lake"). Chugach and other participating utilities have entered into take-or-pay power sales agreements under which shares of the project capacity have been purchased and the participants have agreed to pay a like percentage of annual costs of the project (including ownership, operation and maintenance costs, debt service costs and amounts required to maintain established reserves). Under these take-or-pay power sales agreements, the participants have agreed to pay all project costs from the date of commercial operation even if no energy is produced. Chugach has a 56.3% share, or 50.7 megawatts (MW), as currently operated, of the project's capacity.

The Battle Creek Diversion Project ("Project") increased water available for generation by constructing a diversion on the West Fork of Upper Battle Creek to divert flows to Bradley Lake, increasing annual energy output by an estimated 37,000 MWh. All Bradley Lake participants participate in the Project. The share of Battle Creek indebtedness for which we are responsible is 30.4%, or approximately $11.7 million as of June 30, 2023, the most recent information available.

In December 2020, the Alaska Energy Authority ("AEA") purchased the Sterling to Quartz section (SSQ) of the 115kV transmission line from HEA. The transmission line connects the Bradley Lake Project to the customers that are located north of the Kenai Peninsula. The section is approximately 39 miles long. AEA closed on the purchase by issuing bonds in the amount of $17.0 million. After an accelerated payment on this debt in June of 2022, the share of the SSQ line indebtedness for which we are responsible is now approximately $3.3 million as of June 30, 2023, the most recent information available.

On November 30, 2022, AEA closed on a $166.0 million bond financing to pay for transmission line upgrades and battery energy storage systems. Each of the Railbelt utilities share the responsibility for the repayment of the debt. Chugach is responsible for 56.3% of this debt, equal to our share of the Bradley Lake project. The share of Bradley Lake indebtedness is approximately $89.9 million as of June 30, 2023, the most recent information available.

The following represents information with respect to Bradley Lake at June 30, 2023 (the most recent date for which information is available):

(In thousands)	Total	Proportionate Share
Plant in service	$ 179,582	$ 101,105
Long-term debt	204,032	104,901
Interest expense	7,705	4,338

Chugach's share of expenses was $12.7 million in 2023, $8.8 million in 2022, and $8.7 million in 2021, and is included in purchased power in the accompanying financial statements. Chugach's share of a Bradley Lake transmission line financed internally is included in Intangible Electric Plant.

(14) Eklutna Hydroelectric Project

Along with two other utilities, Chugach purchased the Eklutna Hydroelectric Project from the Federal Government in 1997. Ownership was transferred from the United States Department of Energy's Alaska Power Administration jointly to Chugach (30%), MEA (17%), and MOA (53%). As of October 30, 2020, the Eklutna PPA became effective. The Eklutna PPA provides for the purchase of a portion of MOA's share of generation from the Eklutna Project.

Plant in service at December 31, 2023, included $5.3 million, net of accumulated depreciation of $4.5 million, which represents Chugach's share of the Eklutna Hydroelectric Project. At December 31, 2022, plant in service included $5.6 million, net of accumulated depreciation of $4.1 million. Each participant contributes their proportionate share for operation, maintenance, and capital improvement costs to the plant, as well as to the transmission line between Anchorage and the plant. Chugach's share of expenses was $3.8 million, $4.0 million, and $3.4 million in 2023, 2022, and 2021, respectively, and is included in purchased power, power production, and depreciation expense in the accompanying financial statements. Chugach performs the major maintenance, daily operation, and maintenance of the power plant, providing personnel who perform daily plant inspections, meter reading, monthly report preparation, and other activities as required.

(15) Beluga River Unit

Chugach has a 66.7% ownership share of the BRU. Chugach invested in the BRU to reduce the cost of electric service to its retail and wholesale members by securing an additional long-term supply of natural gas to meet on-going generation requirements. The acquisition complemented existing gas supplies and provided greater fuel diversity.

The ownership shares include the attendant rights and privileges of all gas and oil resources, including 15,500 lease acres (8,200 in Unit / Participating Area and 7,300 held by Unit), Sterling and Beluga producing zones, and working interest in deep oil resources. The BRU is located on the western side of Cook Inlet, approximately 35 miles from Anchorage, and is an established natural gas field that was originally discovered in 1962.

Chugach obtained RCA approval to record BRU acquisition costs as deferred charges on our balance sheet and to amortize these costs based on units of BRU production and recognize as depreciation and amortization on Chugach's statement of operations. Chugach was also permitted to recover the deferred costs in the gas transfer price.

Each of the BRU participants has a right to take their interest of the gas produced. Parties that take less than their interest of the field's output may either accept a cash settlement for their underlift or take their underlifted gas in future years. Chugach was in an underlift position of 4 Mcf at December 31, 2023 and an underlift position of 39 Mcf at December 31, 2022. Chugach has opted to take any cumulative underlift in gas in the future and will record the gas as fuel expense on the statement of operations when received.

Chugach records depreciation, depletion, and amortization on BRU assets based on units of production. During 2023, Chugach lifted 8.6 Bcf resulting in a cumulative lift since purchase of

28.5 Bcf. Chugach's 2022 BRU Gas Reserve Study results estimated that there are 69.0 Bcf in proven developed and undeveloped reserves, net of 2023 gas production, there is approximately 52.6 Bcf remaining gas reserves to be produced. Chugach, and the other owner, Hilcorp, are operating under an existing Joint Operating Agreement. Hilcorp is the operator for BRU. In addition to the operator fees to Hilcorp, other BRU expenses include royalty expense and interest on long-term debt. All expenses other than depreciation, depletion and amortization, and interest on long-term debt are included as fuel expense on Chugach's statement of operations. Chugach has applied and qualified for a small producer tax credit, provided by the State of Alaska, resulting in an estimate of no liability for production taxes for a period of ten years, through 2026. The revenue in excess of expenses less the allowed TIER from BRU operations is adjusted through Chugach's fuel and purchased power adjustment process.

(16) Revenue From Contracts With Customers

a. Nature of goods and services

The following is a description of the contracts and customer classes from which Chugach generates revenue.

i. Energy Sales

Energy sales revenues are Chugach's primary source of revenue, representing approximately 98.0%, 97.9%, and 98.5% of total operating revenue during the years ended December 31, 2023, 2022, and 2021, respectively. Energy sales revenues are recognized upon delivery of electricity, based on billing rates authorized by the RCA, which are applied to customers' usage of electricity. Chugach's rates are established, in part, on test period sales levels that reflect actual operating results. Chugach's tariffs include provisions for the recovery of gas costs according to gas supply contracts and costs associated with the BRU operations, as well as purchased power costs.

Expenses associated with electric services include fuel purchased from others and produced from Chugach's interest in the BRU, both of which are used to generate electricity, as well as power purchased from others. Chugach is authorized by the RCA to recover fuel and purchased power costs through the fuel and purchased power adjustment process, which is adjusted quarterly to reflect increases and decreases of such certain costs. The amount of fuel and purchased power revenue recognized is equal to actual fuel and purchased power costs. We recognize differences between projected recoverable fuel and purchased power costs and amounts recovered through rates. The fuel cost under/over recovery on our balance sheet represents the net accumulation of any under- or over-collection of fuel and purchased power costs. Fuel cost under-recovery will appear as an asset on our balance sheet and will be collected from our members in subsequent periods. Conversely, fuel cost over-recovery will appear as a liability on our balance sheet and will be refunded to our members in subsequent periods. Payment on energy sales invoices to all customer classes below are due within 15 to 30 days.

Customer Class	Nature, timing of satisfaction of performance obligations, and significant payment terms
Retail	Retail energy customers can have up to four components of monthly billing included in revenue – energy, fuel and purchased power, demand, and customer charge. The energy rate and fuel and purchased power surcharge are applied by kilowatt hour (kWh) usage. The demand charge is applied by kilowatt (kW). The customer charge is a monthly amount applied by meter.
Wholesale	Classified as firm energy sales. Four components of monthly billing are included in revenue – energy, fuel and purchased power, demand, and customer charge. The energy rate and fuel and purchased power surcharge are applied by kWh usage. The demand charge is applied by kW. The customer charge is a monthly amount applied by meter.
Economy	Classified as non-firm energy sales. Three components of monthly billing are included in revenue – fuel, operations and maintenance, and margin. The actual fuel costs are billed per thousand cubic feet (Mcf) used. The operations and maintenance and margin rates are applied by megawatt hour (MWh) usage.
Power Pool	Power pool transactions are generally firm energy sales that are subject to changes in generation unit availability. The two components of monthly billings included in revenue are fuel and operations and maintenance. Power pool transactions are settled using a split-the-savings principle.

Chugach calculates unbilled revenue, for residential and commercial customers, at the end of each month to ensure the recognition of a full month of revenue. Chugach accrued $15.7 million and $13.5 million of unbilled retail revenue at December 31, 2023 and 2022, respectively, which is included in accounts receivable on the balance sheet. Revenue derived from wholesale and economy customers is recorded from metered locations on a calendar month basis, so no estimation is required.

Power Pool sales began in April of 2021. Power pool revenues are recognized upon delivery of electricity and the transaction is then settled using a split-the-savings principle.

The collectability of our energy sales is very high with typically 0.1% written off as bad debt expense, adjusted annually.

ii. Wheeling

Wheeling represented 1.1%, 1.1%, and 0.5% of our revenue during the years ended December 31, 2023, 2022, and 2021, respectively. Wheeling was recorded through the wheeling of energy across Chugach's transmission lines at rates set by utility tariff and approved by the RCA. The rates are applied to MWh of energy wheeled. The collectability of wheeling is very high, with no adjustment required.

iii. Other Miscellaneous Services

Other miscellaneous services consist of various agreements and gas transfer agreements, pole rentals, and microwave bandwidth. Revenue from these agreements is billed monthly and represented 0.9%, 1.0%, and 1.0% of our total operating revenue during the years ended December 31, 2023, 2022, and 2021, respectively. The revenue recognized from these agreements is recorded as the service is provided over a period of time. The collectability of these agreements is very high, with no adjustment required.

b. Disaggregation of Revenue

The table below details the revenue recognized by customer class and disaggregates base revenue from fuel and purchased power revenue recognized in the Consolidated Statement of Operations for the year ended December 31, 2023 and 2022 (in millions).

	Base Rate Sales			Fuel and Purchased Power			Total Revenue		
	2023	2022	% Variance	2023	2022	% Variance	2023	2022	% Variance
Retail	$ 244.3	$ 242.0	1.0%	$ 88.0	$ 80.1	9.9%	$ 332.3	$ 322.1	3.2%
Wholesale	2.4	2.4	0.0%	3.1	2.7	14.8%	5.5	5.1	7.8%
Economy	2.4	1.9	26.3%	14.0	15.6	(10.3%)	16.4	17.5	(6.3%)
Power Pool	0.7	1.1	(36.4%)	0.7	1.2	(41.7%)	1.4	2.3	(39.1%)
Total Energy Sales	**$ 249.8**	**$ 247.4**	**1.0%**	**$ 105.8**	**$ 99.6**	**6.2%**	**$ 355.6**	**$ 347.0**	**2.5%**
Wheeling	0.0	0.0	0.0%	3.8	3.5	8.6%	3.8	3.5	8.6%
Other	2.1	2.8	(25.0%)	1.2	1.1	9.1%	3.3	3.9	(15.4%)
Total Miscellaneous	**$ 2.1**	**$ 2.8**	**(24.2%)**	**$ 5.0**	**$ 4.6**	**8.7%**	**$ 7.1**	**$ 7.4**	**(3.6%)**
Total Revenue	**$ 251.9**	**$ 250.2**	**0.7%**	**$ 110.8**	**$ 104.2**	**6.3%**	**$ 362.7**	**$ 354.4**	**2.3%**

The table below details the revenue recognized by customer class and disaggregates base revenue from fuel and purchased power revenue recognized in the Consolidated Statement of Operations for the year ended December 31, 2022 and 2021 (in millions).

	Base Rate Sales			Fuel and Purchased Power			Total Revenue		
	2022	2021	% Variance	2022	2021	% Variance	2022	2021	% Variance
Retail	$ 242.0	$ 242.5	(0.2%)	$ 80.1	$ 95.5	(16.1%)	$ 322.1	$ 338.0	(4.7%)
Wholesale	2.4	2.4	0.0%	2.7	2.8	(3.6%)	5.1	5.2	(1.9%)
Economy	1.9	0.6	216.7%	15.6	4.5	246.7%	17.5	5.1	243.1%
Power Pool	1.1	0.5	120.0%	1.2	0.3	300.0%	2.3	0.8	187.5%
Total Energy Sales	**$ 247.4**	**$ 246.0**	**0.6%**	**$ 99.6**	**$ 103.1**	**(3.4%)**	**$ 347.0**	**$ 349.1**	**(0.6%)**
Wheeling	0.0	0.0	0.0%	3.5	1.8	94.4%	3.5	1.8	94.4%
Other	2.8	3.2	(12.5%)	1.1	0.4	175.0%	3.9	3.6	8.3%
Total Miscellaneous	**$ 2.8**	**$ 3.2**	**(12.5%)**	**$ 4.6**	**$ 2.2**	**109.1%**	**$ 7.4**	**$ 5.4**	**37.0%**
Total Revenue	**$ 250.2**	**$ 249.2**	**0.4%**	**$ 104.2**	**$ 105.3**	**(1.0%)**	**$ 354.4**	**$ 354.5**	**(0.0%)**

c. Contract Balances

The table below provides information about contract receivables and contract liabilities.

	December 31, 2023	December 31, 2022
Contract receivables, included in accounts receivable	$ 53,257,341	$ 45,827,873
Contract liabilities	2,434,926	2,836,240

Contract receivables represent amounts receivable from retail, wholesale, economy, and wheeling.

Contract liabilities consist of credit balances. Credit balances are reported as consumer deposits and represent the prepaid accounts of retail customers and are recognized in revenue as the customer uses electric service.

Significant changes in the contract liabilities balances are as follows:

	December 31, 2023		December 31, 2022	
Contract liabilities at beginning of period	$	2,836,240	$	4,622,550
Cash received, excluding amounts recognized as revenue during the period		2,412,854		2,658,131
Revenue recognized and transferred from contract liabilities at the beginning of the period		(2,814,168)		(4,444,441)
Contract liabilities at end of period	$	2,434,926	$	2,836,240

d. Transaction Price Allocated to Remaining Performance Obligations

The table below includes estimated revenue to be recognized in 2024 related to performance obligations that are unsatisfied (or partially unsatisfied) at December 31, 2023.

	2023	
Credit balances	$	2,434,926

Credit balances are primarily associated with Chugach's LevelPay program. The program calculates the monthly amount to be collected from customers annually. It is anticipated the balance will be recognized in revenue within the following year as customers consume electricity.

(17) Leases

Chugach had three financing leases and several operating leases, most of which were various land easements. Chugach's five operating leases, recognized as right-of-use assets, consisted of five land leases, with remaining lease terms of one to 47 years and a weighted average lease term of 44 years. Four of the land leases were acquired with the ML&P acquisition. Chugach's operating and financing lease assets are presented as operating or financing right-of-use assets on our Consolidated Balance Sheet. The current portion of lease liabilities is included in current installments of long-term obligations and the long-term portion is presented as operating or financing lease liabilities on our Consolidated Balance Sheet. A weighted discount rate of 3.25% was used in calculating the right-to-use assets and lease liabilities. Chugach's discount rate was calculated using our incremental borrowing rate based on the average borrowing rate of our long-term debt.

Recognition of the right-of-use asset and operating lease liability represents a non-cash investing and financing activity. Chugach entered into a Power Purchase Agreement with Fire Island Wind, LLC, ("FIW") on June 21, 2011. The Fire Island Wind contract contains a lease because the agreement identifies an asset and Chugach controls the use of the asset. The wind farm is explicitly specified in the agreement and FIW does not have substantive substitution rights. Additionally, Chugach takes 100% of the output and, to the extent there is wind, can control how and when the wind farm produces power directly through its supervisory control and data acquisition ("SCADA") system. However, due to the exclusively variable nature of the payments related to Fire Island Wind, no new assets or liabilities have been added to the Consolidated Balance Sheet, no changes were made to the Consolidated Statements of Cash Flow, and the variable payments are still classified as purchased power expense on the Consolidated Statements of Operations. These variable payments, included in purchased power, are reflected in the following table.

Supplemental statement of operations information associated with leases for the year ended December 31:

	2023	2022	2021
Finance lease cost			
Amortization of right-of-use assets	$ 13,014	$ 4,292	$ 3,183
Interest on lease liabilities	7,056	621	553
Operating lease cost	196,794	377,773	419,175
Variable lease cost	4,607,926	5,232,117	4,439,509
Total lease cost	$ 4,824,790	$ 5,614,803	$ 4,862,420

Supplemental cash flow information associated with leases for the year ended December 31:

	2023	2022	2021
Cash paid for amounts included in the measurement of liabilities:			
Operating cash flows from operating leases	$ 199,835	$ 377,773	$ 418,732
Operating cash flows from finance leases	17,841	0	
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	0	0	4,109,694
Financing leases	0	214,486	17,273

Supplemental balance sheet information associated with leases at December 31 were:

	2023	2022
Operating lease right-of-use assets	$ 3,582,805	$ 3,831,720
Financing lease right-of-use assets	204,525	217,069
Total right-of-use assets	$ 3,787,330	$ 4,048,789
Operating lease liabilities	3,545,670	3,583,801
Financing lease liabilities	193,192	203,786
Current installments of lease liabilities	48,311	258,184
Total operating lease liabilities	$ 3,787,173	$ 4,045,771

Maturities associated with lease liabilities at December 31, 2023:

2024	$ 169,345
2025	167,523
2026	166,313
2027	164,504
2028	164,504
Thereafter	6,228,250
Total lease payments	7,060,439
Less imputed interest	3,273,266
Present value of lease liabilities	$ 3,787,173

(18) Commitments and Contingencies

Contingencies

Chugach is a participant in various legal actions, rate disputes, personnel matters and claims both for and against Chugach's interests. Management believes the outcome of any such matters will not materially impact Chugach's financial condition, results of operations or liquidity. Chugach establishes reserves when a particular contingency is probable and calculable. Chugach has not accrued for any contingency at December 31, 2023, as it does not consider any contingency to be probable nor calculable. Chugach faces contingencies that are reasonably possible to occur; however, they cannot currently be estimated.

Concentrations

Approximately 73.5% of our employees are members of the International Brotherhood of Electrical Workers ("IBEW"). Chugach has three Collective Bargaining Unit Agreements ("CBA") with the IBEW effective through June 30, 2025. We also have a CBA with the Hotel Employees and Restaurant Employees ("HERE"), which is effective through June 30, 2025.

Fuel Supply Contracts

Chugach entered into a gas contract with Hilcorp effective January 1, 2015, which, through various amendments, has a term through March 31, 2028. The total amount of gas supplied under this contract is estimated to be 82.1Bcf. All of the gas production is expected to come from Cook Inlet, Alaska. Under the terms of the Hilcorp Agreement, gas is delivered to pipeline custody transfer meters. Chugach is required to manage the gas transportation over the connecting pipeline systems. Chugach has gas transportation agreements with ENSTAR Natural Gas Company ("ENSTAR") and Harvest Alaska.

The AIX Energy ("AIX") gas supply agreement also requires that Chugach manage gas shipments across the pipeline systems. The AIX agreement provides Chugach with the option to purchase supplemental gas to meet firm load requirements, if conditions warrant such purchases. Additionally, the agreement provides Chugach with an additional gas supply option for generation of energy for economy sales, which reduces the underlying cost to provide electric service to members.

Chugach has two active gas storage contracts with CINGSA that conclude on March 31, 2032. The firm storage agreement provides for up to 2.1 Bcf of capacity. The interruptible storage agreement provides for up to 1.0 Bcf of capacity.

Of the total electric energy produced and purchased by Chugach in 2023, 81.5% was generated from natural gas. Of this, 46.6% of the gas-based power was generated at SPP and 45.2% at Sullivan power plants, and the remaining 8.2% being generated at the Beluga, Nikkels, and Eklutna power plants. In 2022, 85.3% of our power was generated from gas, with 55.2% at SPP, 42.3% at Sullivan, and the remaining 2.5% being generated at the Beluga, Nikkels, and Eklutna power plants.

The following represents the cost of fuel purchased, stored, and or transported from various vendors as a percentage of total fuel costs for the years ended December 31:

	2023	2022	2021
Hilcorp	86.8%	74.8%	78.9%
Furie	0.3%	8.1%	5.1%
CINGSA (Storage)	5.2%	6.3%	6.1%
ENSTAR Pipeline	5.9%	8.0%	7.3%
Harvest (Hilcorp) Pipeline	1.9%	2.8%	2.6%
Miscellaneous	0.0%	0.0%	0.0%

Regulatory Cost Charge

In 1992, the State of Alaska Legislature passed legislation authorizing the Department of Revenue to collect a Regulatory Cost Charge from utilities to fund the governing regulatory commission, which is currently the RCA. The tax is assessed on all retail consumers and is based on kWh consumption. The tax is collected monthly and remitted to the State of Alaska quarterly.

Sales Tax

Chugach collects sales tax on retail electricity sold to consumers in Whittier, seasonally (April through September), and in the Kenai Peninsula Borough, monthly. This tax is remitted to the City of Whittier monthly and to the Kenai Peninsula Borough quarterly. These taxes are a direct pass-through to consumer bills and therefore do not impact our margins.

Gross Revenue Tax

Chugach pays to the State of Alaska a gross revenue tax in lieu of state and local ad valorem, income and excise taxes on electricity sold in the retail market. The tax is collected monthly and remitted annually.

Payment in Lieu of Taxes ("PILT")

Chugach entered into a PILT agreement with MOA, with the approval of the RCA, as a result of Chugach's acquisition of substantially all of ML&P's assets in late 2020. Under the PILT agreement Chugach is required to make an annual payment, based on the net book value of legacy ML&P assets, to the MOA.

PILT is collected solely from retail customers in the North District until December 31, 2033. Beginning January 1, 2034, Chugach shall collect from all retail customers. PILT payments began in 2021 and will continue until 2071.

Underground Compliance Charge

In 2005, the Anchorage Municipal Assembly adopted an ordinance to require utilities to convert overhead distribution lines to underground. To comply with the ordinance, Chugach must expend two percent of a three-year average of gross retail revenue within the MOA annually in moving existing distribution overhead lines underground. Consistent with Alaska Statutes regarding undergrounding programs, Chugach is permitted to amend its rates by adding a two percent charge to its retail members' bills to recover the actual costs of the program. The rate amendments are not subject to RCA review or approval. Chugach's liability was $9.4 million and $11.9 million for this charge at December 31, 2023 and 2022, respectively, and is included in other current liabilities. These funds are used to offset the costs of the undergrounding program.

Environmental Matters

Chugach includes costs associated with environmental compliance in both our operating and capital budgets. We accrue for costs associated with environmental remediation obligations when those costs are probable and reasonably estimated. Chugach is subject to numerous environmental statutes including the Clean Air Act, the Clean Water Act, the Emergency Planning and Community Right-to-Know Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Endangered Species Act, and the Comprehensive Environmental Response, Compensation and Liability Act and to the regulations implementing these statutes. Chugach does not believe that compliance with these statutes and regulations to date has had a material impact on its financial condition, results of operation or cash flows. However, the implementation of any additional new law or regulation, or the limitations thereof, or changes in or new interpretations of laws or regulations could result in significant additional capital or operating expenses. Chugach monitors proposed new regulations and existing regulation changes through industry associations and professional organizations.

The Clean Air Act and Environmental Protection Agency ("EPA") regulations under the Clean Air Act establish ambient air quality standards and limit the emission of many air pollutants. In 2022, The Alaska Department of Environmental Conservation ("ADEC") increased all fees associated with Title I and Title V air emissions. These increased fees affect Beluga, Southcentral, Sullivan, and Nikkels power plants on a yearly basis. Chugach has obtained or applied for all Clean Air Act permits currently required for the operation of generating facilities.

Chugach replaced two Underground Storage Tanks ("USTs") in 2022. These tanks were approximately thirty years old. Upon excavation, contamination was discovered under the location of the original fuel dispensing units. Chugach has completed all remediation requirements for the contaminated site, and ADEC issued a Cleanup Complete Determination for UTSs 6 and 7 on September 29, 2023.

The owners of the Eklutna Hydro Project (Chugach, MOA, and MEA) are obligated under the 1991 Fish & Wildlife Agreement (Agreement) to develop and implement measures to protect, mitigate, and enhance (PME) the fish and wildlife impacted by the project (PME program). The program is to be approved by the Governor of Alaska by October 2024 with completion of the approved program no later than October of 2032, 35 years after the Eklutna Hydro Project purchase. The owners initiated a required consultation process with key government agencies and interested parties in March 2019, study planning development in 2020, field data collection in 2021 and 2022, and study reporting and program development in 2023 and 2024. The Agreement requires equal consideration of; 1) efficient and economical power production, 2) energy conservation, 3) protection, mitigation of damage to, and enhancement of fish and wildlife, 4) protection of recreation opportunities, 5) municipal water supplies, 6) preservation of other aspects of environmental quality, 7) other beneficial public uses, and 8) requirements of state law when determining the PME alternatives to be included in the program. Signatories to the Agreement, as well as the Native Village of Eklutna reviewed the Draft Program and provided comments and recommendations. In January of 2024, the utility owners held six public meetings to present their Draft Program and the public had an opportunity to comment on the Draft Program through February 19, 2024. A Final Fish & Wildlife Program is scheduled to go to the governor in April 2024, with his final approval anticipated in October 2024. The program will have additional capital costs not included in the PME Program development and approval. The Eklutna Hydro Project and municipal water system currently utilize 100% of the Eklutna reservoir water inflows.

While Chugach cannot predict the implementation of any additional new law or regulation, or the limitations thereof, it is possible that new laws or regulations could increase capital and operating costs. Chugach does not anticipate that environmental related expenditures will have a material effect on our results of operations or financial condition. We cannot, however, predict the nature, extent or cost of new laws or regulations relating to environmental matters.

(19) Subsequent Events

The Company has evaluated subsequent events through April 5, 2024, the date at which the consolidated financial statements were available to be issued, and determined that there have been no events that have occurred that would require adjustments to our disclosures in the consolidated financial statements.