



CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

Rachel Morse, Chair
Sisi Cooper, Director
Dan Rogers, Director

Katherine Jernstrom, Director
Mark Wiggin, Director

April 8, 2026

4:00 p.m.

Chugach Board Room

- I. CALL TO ORDER (4:00 p.m.)
 - A. Roll Call
- II. APPROVAL OF THE AGENDA*
- III. APPROVAL OF THE MINUTES*
 - A. December 3, 2025 (Mankel)
- IV. PERSONS TO BE HEARD
 - A. Member Comments
- V. NEW BUSINESS (none)
- VI. CEO REPORTS AND CORRESPONDENCE (4:05 p.m.)
 - A. BRU Quarterly Investment Fund Review (APCM/Millwood) (4:05 p.m.)
 - B. 4th Quarter 2025 Capital Tracking Report (Laughlin/Millwood) (4:15 p.m.)
 - C. 2025 Year-End Financial Information & Variance Report (Millwood) (4:25 p.m.)
 - D. Review the 2025 Independent Financial Audit Results (KPMG) (4:40 p.m.)
- VII. NEW BUSINESS (none)
- VIII. DIRECTOR COMMENTS (5:00 p.m.)
- IX. EXECUTIVE SESSION* (scheduled) (5:15 p.m.)

(Recess – 15 minutes)

 - A. Internal Controls Update (Millwood) (5:30 p.m.)
 - B. Board & Auditor Discussions (KPMG/Board) (5:45 p.m.)
- X. NEW BUSINESS (none)
- XI. ADJOURNMENT* (6:15 p.m.)

* Denotes Action Items

** Denotes Possible Action Items

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

December 03, 2025
Wednesday
4:00 p.m.

AUDIT AND FINANCE COMMITTEE MEETING

Recording Secretary: Amanda Mankel

I. CALL TO ORDER

Chair Morse called the Audit and Finance Committee meeting to order at 4:01 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

A. Roll Call

Committee Members' Present:

Rachel Morse, Chair
Sisi Cooper, Vice Chair
Katherine Jernstrom, Director
Dan Rogers, Director
Mark Wiggin, Director – *via teleconference*

Board Members Present:

Jim Nordlund, Director – *via teleconference - arrived at 4:08 p.m.*
Susanne Fleek-Green, Director – *arrived at 4:22 p.m.*

Guests and Staff Attendance Present:

Arthur Miller	Julie Hasquet	Selena Bailey
Sherri Highers	Eugene Ori	Melissa Beedle, KPMG
Andrew Laughlin	Nathan Golab	Beth Stuart, KPMG
Allan Rudeck	Whitney Wilkson	Bernie Smith, Member
Katie Millen	Nikki Giordano	
Paul Millwood	Trent Parke	

Via Teleconference:

Matthew Clarkson	Sandra Cacy	Buddi Richey
Stephanie Huddell	Heather Slocum	

II. APPROVAL OF THE AGENDA

Director Jernstrom moved, and Director Wiggin seconded the motion to approve the agenda. The motion passed unanimously.

III. APPROVAL OF THE MINUTES

Director Cooper moved, and Director Jernstrom seconded the motion to approve November 05, 2025, Audit and Finance Meeting minutes. The motion passed unanimously.

IV. PERSONS TO BE HEARD

Bernie Smith, member, congratulated the CEO on his presentation at the Anchorage Chambers of Commerce, gave praise to the project managers for keeping projects under budget and on time, and gave concern with two committee meetings held back-to-back.

V. CEO REPORTS AND CORRESPONDENCE

A. 2025 Audit Plan (KPMG)

Beth Stuart, KPMG, and Melissa Beedle, KPMG, presented the 2025 Audit Plan and answered questions from the Committee. KPMG also requested an item be added to executive session to further discuss the potential for fraud and processes for monitoring internal controls of the organization.

B. BRU Quarterly Investment Review (Millwood)

Paul Millwood, VP, Finance & Accounting, presented the BRU Quarterly Investment Fund Review and answered questions from the Committee.

C. 3rd Quarter 2025 Capital Tracking Report (Millwood)

Paul Millwood, VP, Finance & Accounting, and Nathan Golab, Manager, Plant Accounting, and Andrew Laughlin, Chief Operating Officer, presented the 3rd Quarter 2025 Capital Tracking Report and answered questions from the Committee.

D. 3rd Quarter 2025 Financial Information and Variance Report (Millwood)

Paul Millwood, VP, Finance & Accounting, presented the 3rd Quarter 2025 Financial Information & Variance Report and answered questions from the Committee.

VI. EXECUTIVE SESSION (scheduled)

A. NRUCFC Line of Credit (Millwood)

B. KPMG

At 4:43 p.m. Director Jernstrom moved, and Director Cooper seconded that pursuant to Alaska Statute 10.25.175(c)(1), the Board of Directors go into executive session to: 1) discuss and receive reports regarding matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative. The motion passed unanimously.

At 5:16 p.m. the Committee reconvened open session.

VII. NEW BUSINESS (scheduled)

A. FRUCFC Line of Credit (Millwood)*

Director Cooper moved, and Director Jernstrom seconded that the Audit and Finance Committee recommend the Chugach Board of Directors authorize the Chief Executive Officer to enter into a Second Amendment to Revolving Line of Credit Agreement (Agreement) with the National Rural Utilities Cooperative Finance Corporation, in an amount not to exceed \$50 million with an extension to December 21, 2030, and subject to the provisions of the Agreement substantially in the form discussed in executive session. The motion passed unanimously.

VIII. DIRECTOR COMMENTS

Director Comments were postponed to the Governance Committee meeting immediately following the Audit and Finance Committee meeting.

IX. ADJOURNMENT

At 5:20 p.m., Director Jernstrom moved, and Director Cooper seconded the motion to adjourn. The motion passed unanimously.

DRAFT



ALASKA PERMANENT CAPITAL MANAGEMENT

Registered Investment Adviser

Chugach Electric Beluga River ARO Investment Fund

December 2025

Updated ARO Survey



- The enclosed report provides a portfolio update as of December 31, 2025.
- APCM has received the updated 2025 ARO Study. The key changes as it relates to the overall liability are presented in the table below.
- Anticipated contributions have been updated per the 2025 Reserve Study prepared by Ryder Scott.

Summary of Projections / Assumptions	2022 ARO Study Update	2025 ARO Study Update
ARO start year:	2016	2016
ARO end year:	2034	2035
Total Life (years)	19	20
Chugach Share of Costs	66.67%	66.67%
Present Value of Gas Field Abandonment Cost	\$62,370,842	\$85,962,752
Remaining Life of ARO (years):	12	10
Estimated Future Inflation	2.0%	2.0%
Chugach BRU Field Abandonment Cost in 2034	\$79,101,308	\$104,788,115
Market Value (12/31/2022 & 12/31/2025)	\$20,116,204	\$46,546,390
Anticipated Contributions*	\$31,352,215*	\$33,010,976*
Funding Gap	\$27,632,889	\$25,230,749**

* Anticipated Contributions based on 2022 and 2025 Reserve Studies prepared by Ryder Scott, respectively. **Funding Gap calculated as the Future Value of the ARO liability less the sum of the current market value plus anticipated contributions.

Staying Focused on Your Goals



Chugach Electric Beluga River ARO Investment Fund As of December 31, 2025		
Account Inception		October 2020
Total Contributions		\$ 36,347,880
Withdrawals		\$ 0
<i>Does not include custodial or management fees</i>		
Current Market Value		\$ 46,546,390
<i>December 31, 2025</i>		
Annualized Account Return*		+ 6.16%
<i>Inception – December 31, 2025</i>		
Strategic Asset Allocation	Risk Control	27%
	Risk Assets	52%
	Alternatives	21%

Goals:

The investment objective of the ARO Fund is to achieve a long-term rate of return on assets in the ARO Fund which, in conjunction with monthly deposits of member funds by Chugach, will be sufficient to satisfy the ARO Liability. Using the updated 2025 ARO Study, **the current funded status of the ARO Fund, including anticipated contributions, is 75.9% as of December 31, 2025.**

The targeted minimum return is CPI-U plus 200 basis points. The portfolio is expected to meet this goal over the long-term with an expected return of 6.6% and APCM's long-term inflation expectation of 2.5%. However, **since inception, inflation has been above average, at 4.45%, and the portfolio has returned 6.16%.**

Contribution Policy:

Chugach Electric is to make monthly deposits equal to all funds collected from members for the ARO Surcharge.

*Performance is gross of management fees, net of internal fund fees, and annualized for periods greater than one year.

Funded Status



Contributions to Date	\$ 36,347,880
Net Earnings	\$ 10,198,510
Current Market Value	\$ 46,546,390
Total Liability <i>End of Life</i>	\$ 104,788,115
Anticipated Contributions* <i>Based on 2025 Reserve Study prepared by Ryder Scott</i>	\$ 33,010,976
Funded Status**	75.9%
Current Funding Gap*** <i>Additional contributions beyond projections and/or earnings required to fully fund liability</i>	\$ 25,230,749

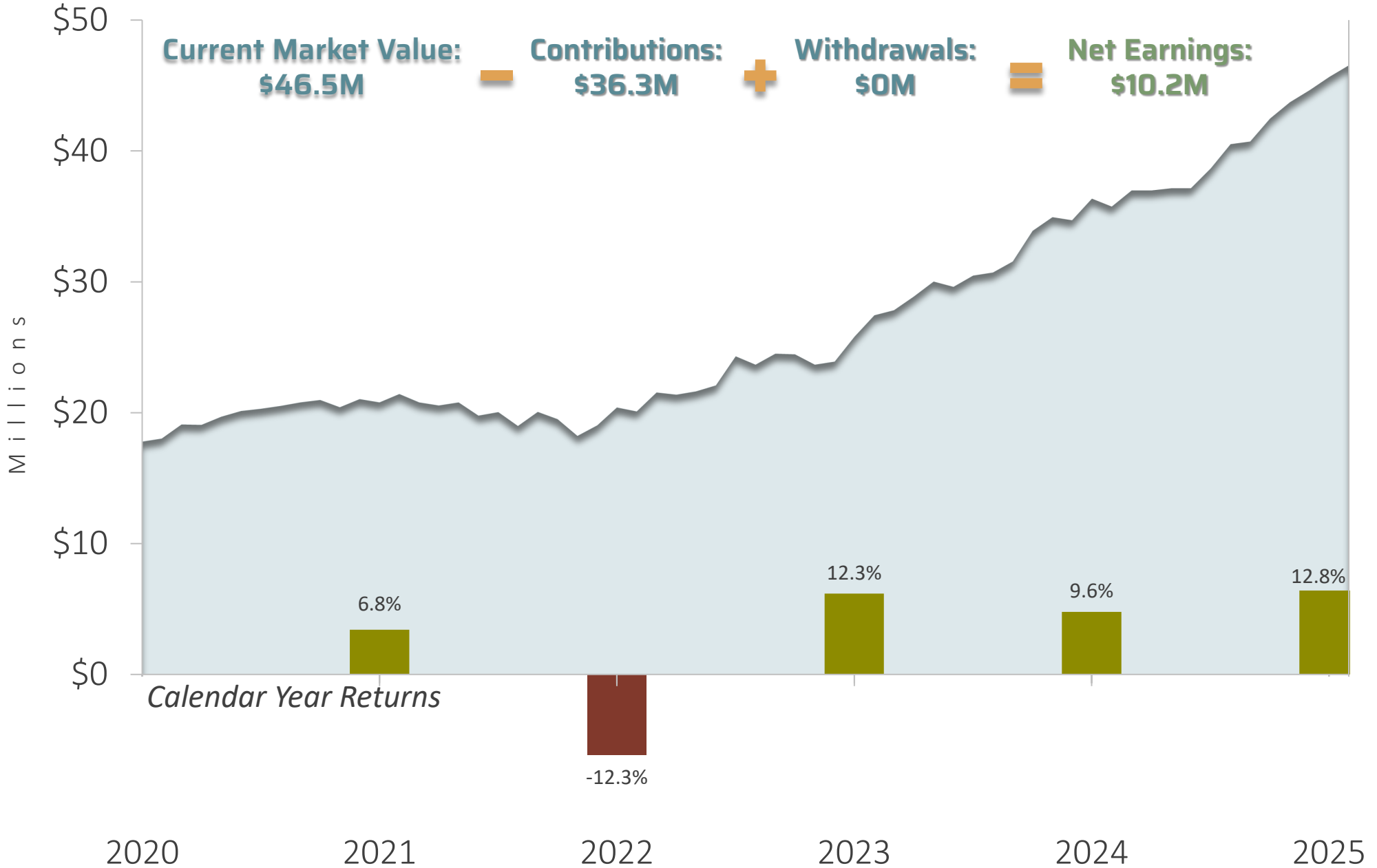
* Anticipated Contributions based on 2025 Reserve Study prepared by Ryder Scott.

**Funded Status calculated as current market value plus anticipated contributions, divided by the ARO liability.

***Total Liability – (Current Market Value + Anticipated Contributions)

Since Inception, the Portfolio has Generated \$10.2M of Net Earnings

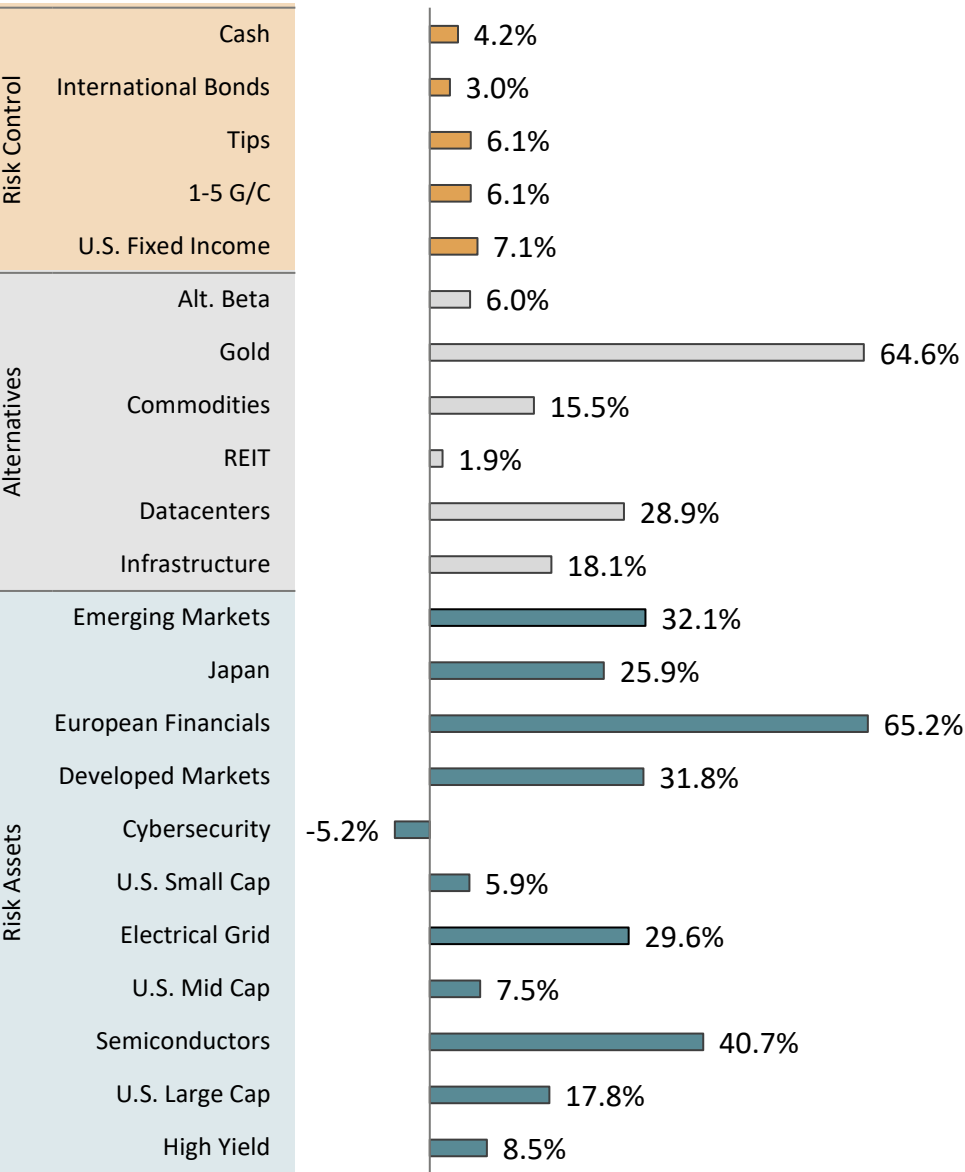
Current Market Value: \$46.5M
 Contributions: \$36.3M
 Withdrawals: \$0M
 Net Earnings: \$10.2M



2025 Market Recap



Total Returns by Asset Class - Calendar year 2025



Markets navigated significant crosscurrents in 2025, beginning with heightened trade tensions as U.S. tariff rates rose to levels not seen in decades, driving a sharp bout of volatility early in the year.

Despite these concerns, markets ultimately proved resilient. Trade fears faded, recession risks failed to materialize, and **investor focus shifted toward the supportive effects of fiscal and monetary stimulus in the second half of the year.**

Risk-on sentiment broadened as the year progressed, producing an “everything rally” and marking the first year since the pandemic in which all major asset classes delivered positive returns.

While medium-term inflation risks remain, fears of a tariff-driven price shock similar to 2022 proved unfounded, **allowing central banks to continue the gradual normalization of interest rates.**

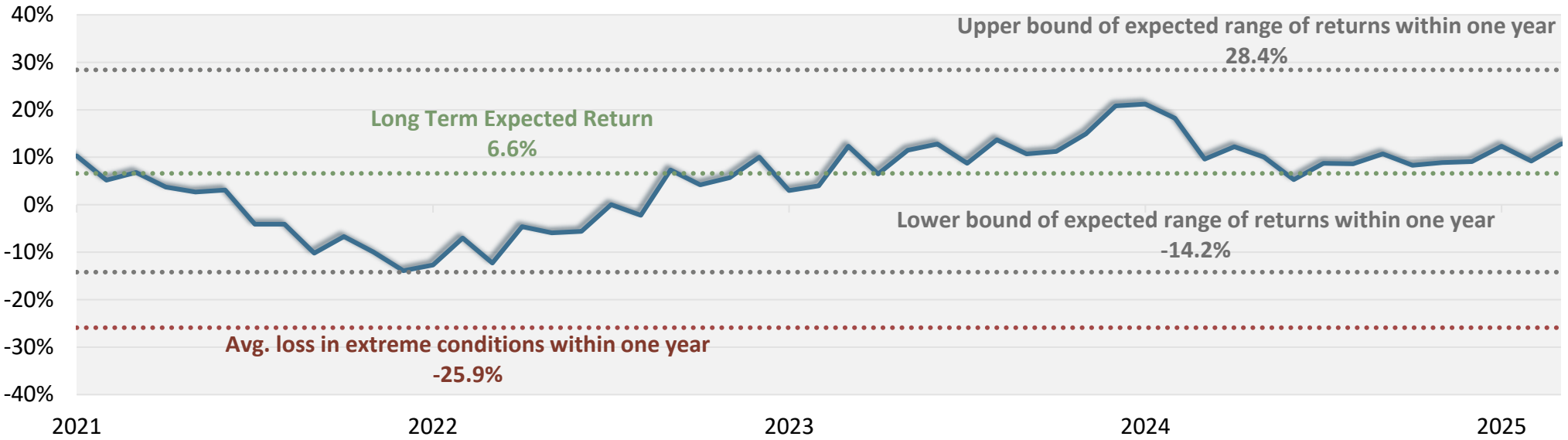
Source: Bloomberg and Oxford Economics.

Returns are representative of market returns, and do not reflect actual portfolio performance.

Portfolio Returns in Line with Long-term Strategic Expectations

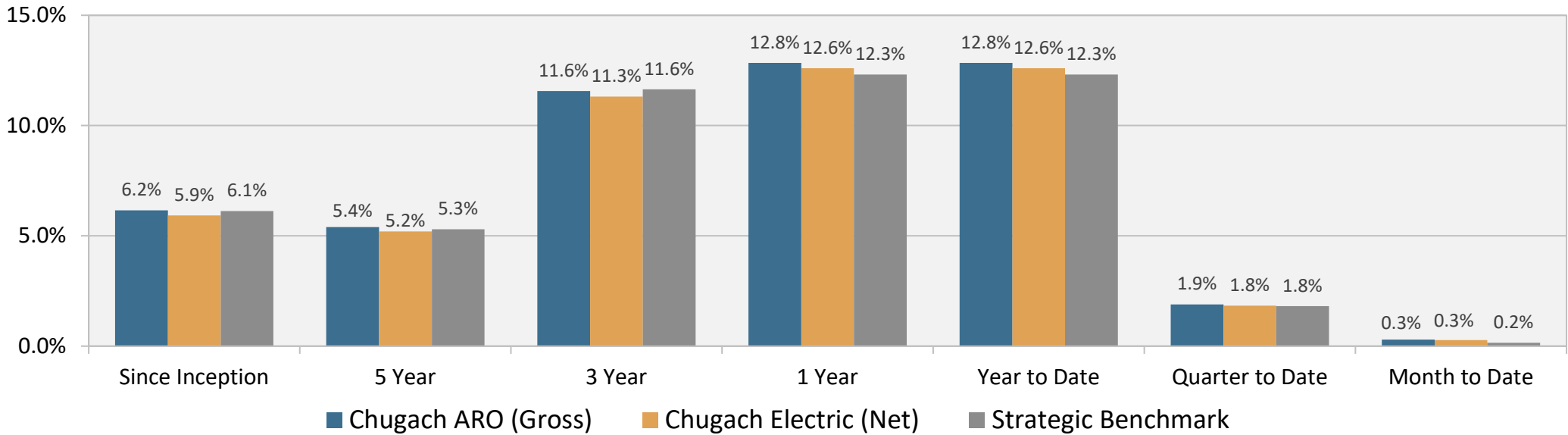


Rolling 12 Month Total Return



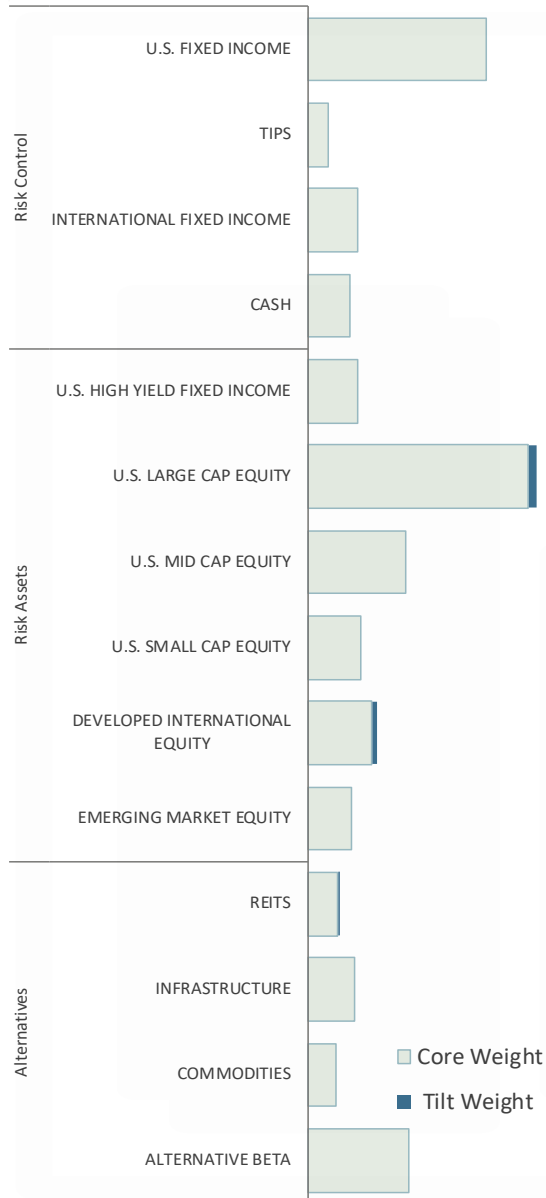
Account Performance

December 31, 2025



Portfolio performance is gross of management fees and net of fund fees.

Aligning Near-term Tactical Adjustments with your Long-term Strategy

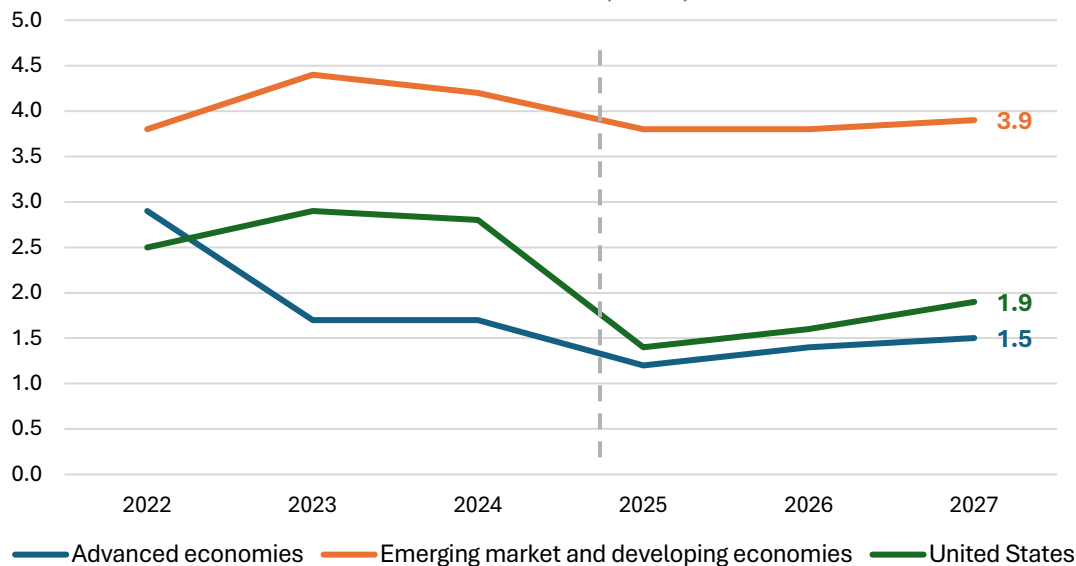


Asset Class	Strategic Weight	Overweight / Underweight	Current Allocation	Range
Risk Control	27%	0.9%	27.9%	
U.S. FIXED INCOME	18%	-0.7%	17.3%	8 - 28%
TIPS	2%	-0.1%	1.9%	0 - 10%
INTERNATIONAL FIXED INCOME	5%	-0.2%	4.8%	0 - 10%
CASH	2%	2.0%	4.0%	0 - 10%
Risk Assets	52%	0.2%	52.2%	
U.S. HIGH YIELD FIXED INCOME	5%	-0.2%	4.8%	0 - 10%
U.S. LARGE CAP EQUITY	22%	0.1%	22.1%	12 - 32%
U.S. MID CAP EQUITY	10%	-0.6%	9.4%	5 - 15%
U.S. SMALL CAP EQUITY	5%	0.0%	5.0%	0 - 10%
DEVELOPED INTERNATIONAL EQUITY	6%	0.7%	6.7%	0 - 12%
EMERGING MARKET EQUITY	4%	0.2%	4.2%	0 - 8%
Alternatives	21%	-1.1%	19.9%	
REITS	3%	0.1%	3.1%	0 - 6%
INFRASTRUCTURE	5%	-0.5%	4.5%	0 - 10%
COMMODITIES	3%	-0.3%	2.7%	0 - 6%
ALTERNATIVE BETA	10%	-0.3%	9.7%	0 - 15%

2026 Returns will be Driven by Earnings Strength and Ongoing Economic Growth

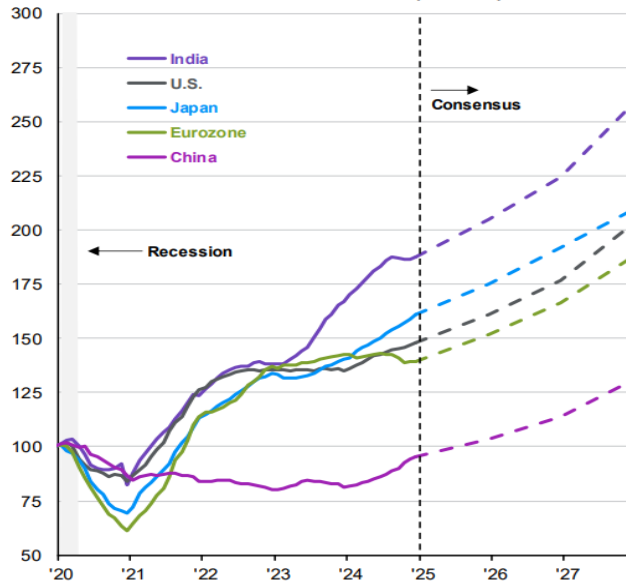
Global Growth Proved Resilient in 2025, with Expansion Expected to Continue

Real GDP Growth (%YoY)



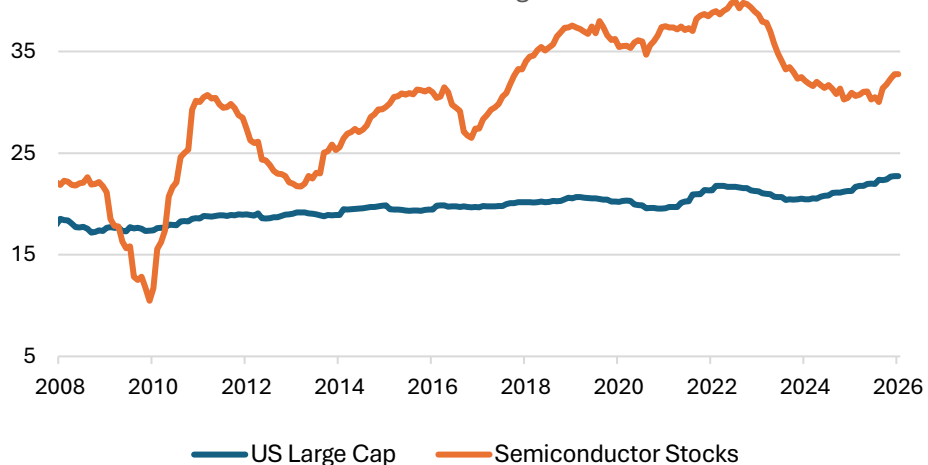
Earnings Growth Across Major Markets Supports Equity Return Potential

Earnings growth: Pandemic to present/consensus estimates
Jan 2020 = 100, last 12 months, local currency, monthly



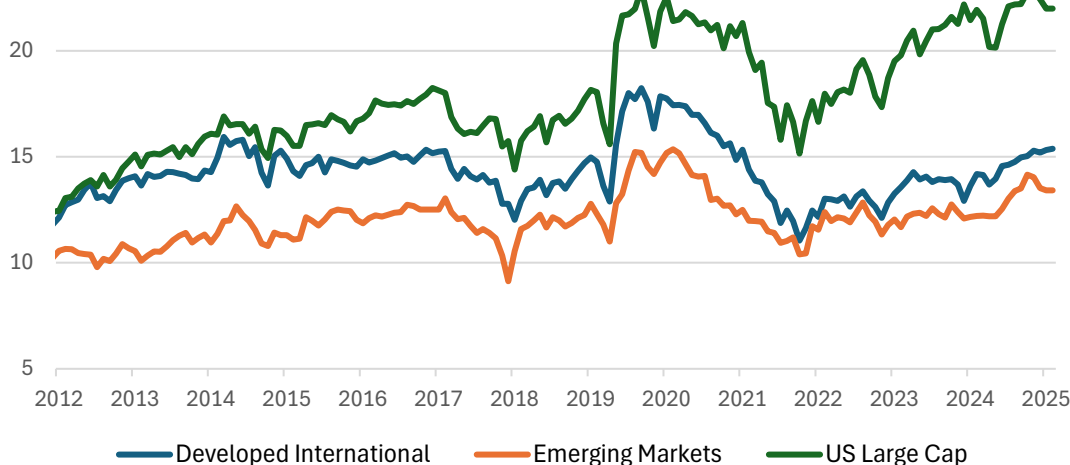
Semiconductor Margins Remain Strong, Reinforcing the AI Investment Cycle

EBITDA Margin



Emerging Markets Combine Attractive Valuations, Stronger Earnings Growth, and AI Exposure

NTM P/E

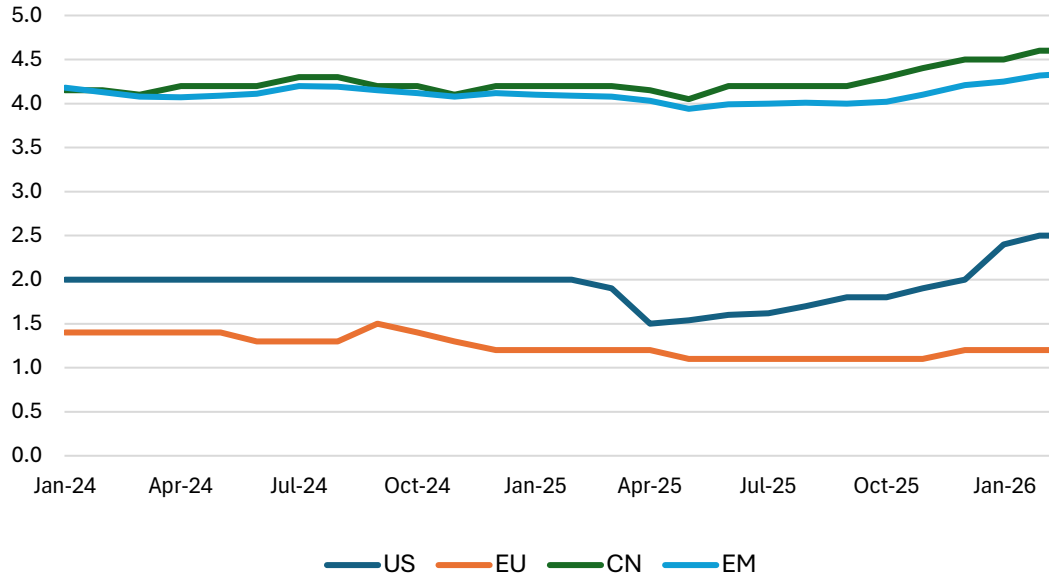


Growth Expectations Remain Stable Despite Recent Volatility

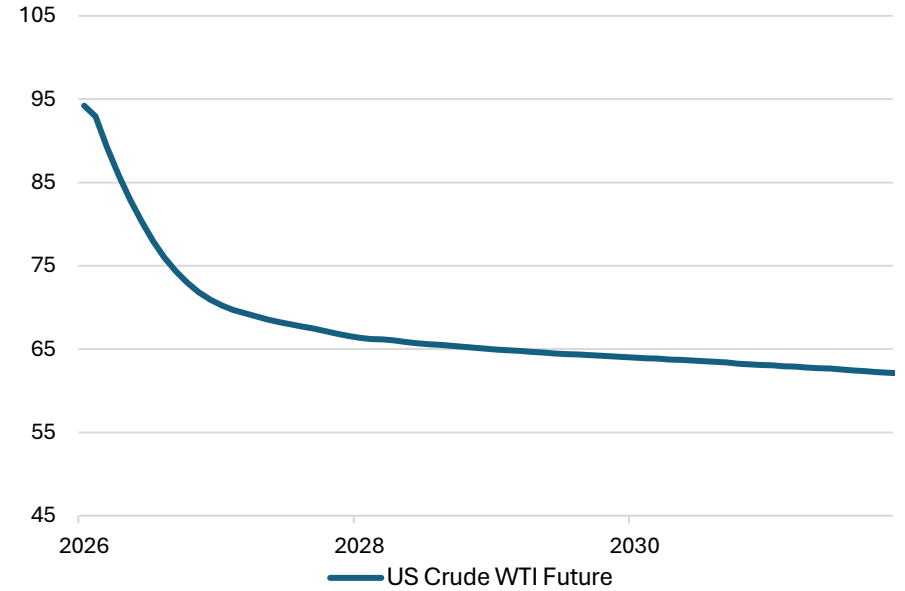


Despite Oil Price Risks, Global Expansion Continues

2026 Real GDP Growth Forecasts (%YoY)

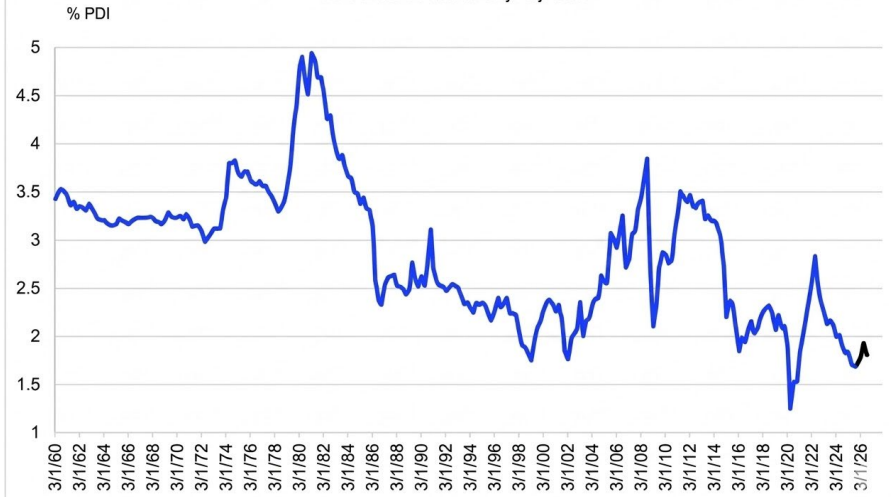


Markets Are Pricing a Short-Term Supply Shock



If Future Prices Hold, Near Term Drag Limited

Gasoline Expenditure Share of Personal Disposable Income
All Series Are Seasonally Adjusted



Financial Conditions Bear Watching





Strategic Review

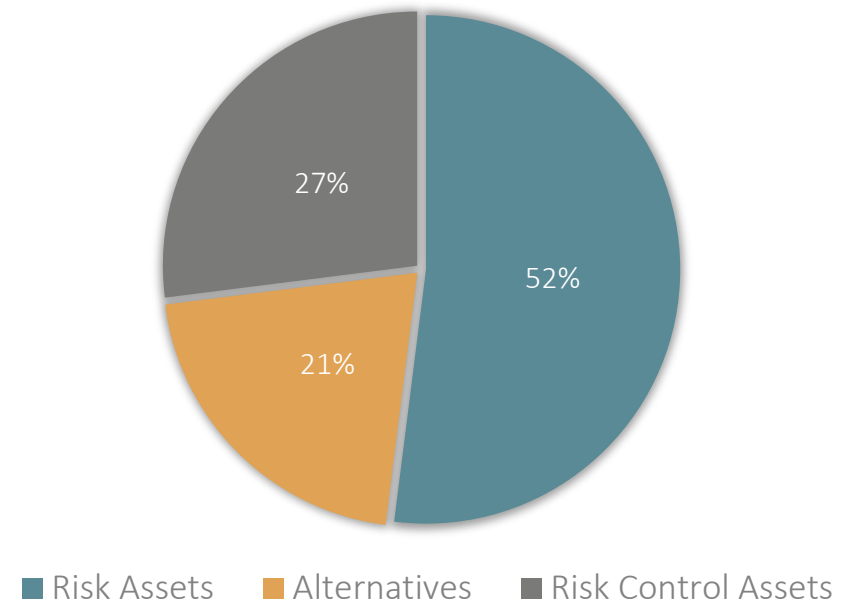
Forward-looking Return and Risk Characteristics

Current Allocation is expected to meet goals

Given the time horizon of the portfolio, the anticipated contributions, and the projected liability amount, the **current allocation is projected to have an 84% probability of generating a market value greater than the liability** at the projected liability due date.

Over the long-term, based on APCM's projection for long run average inflation of 2.5%, the portfolio is also expected to exceed the target return of inflation plus 200 basis points.

Current Allocation



Characteristics

Current Allocation

	Expected	Range*
Annual Return (Gross)	7.1%	-14.2% to 28.4%
Long-Term Return (Gross)	6.6%	6.3% to 6.9%
Long-Term Real Return (Gross) Long-Term Return Less 2.5% Expected Inflation	4.1%	3.8% to 4.4%
Avg. Loss in Extreme Conditions (Gross) Within a 1-Year Horizon		-25.9%

Modeling Assumptions

\$46.5M

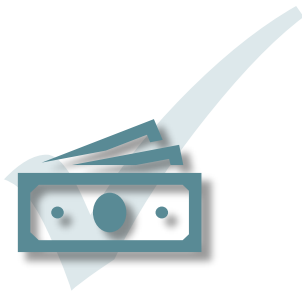
Starting
Market
Value

\$33.0M

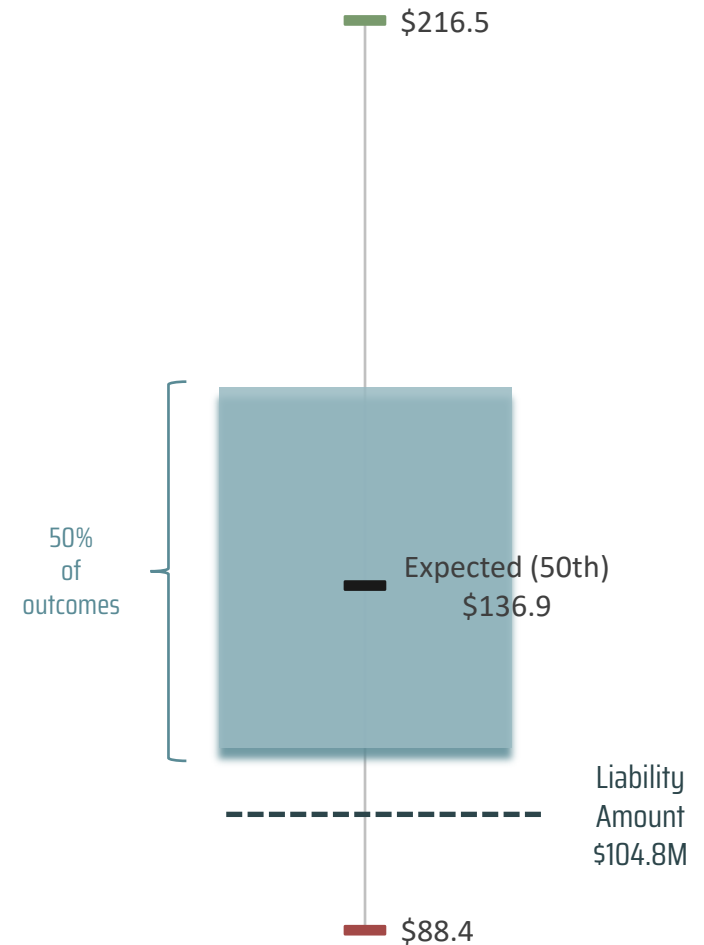
Anticipated
Contributions

10 year

Time
Horizon



Based on APCM's modeling, at the end of the investment horizon **there is an 84% probability that the market value exceeds the liability**, given the expected level of contributions.



Key Projections in Modeling Results

Changes to these items can have significant impacts on modeling results



ARO Liability Amount



Remaining Life



Field Production

Changes to the items listed here can significantly affect modeling results and the conclusions drawn from those results. APCM recommends that the Review phase of the investment process be done on an ongoing, annual basis. APCM requests that any changes to one or more considerations listed here be communicated as soon as possible, and will provide updates to deposit amounts and timing should they differ from the projections provided.



Deposit Timing



Surcharge Amount



Deposit Amounts

Independent Manager & Strategy Selection

An open-architecture approach focused solely on what serves clients best



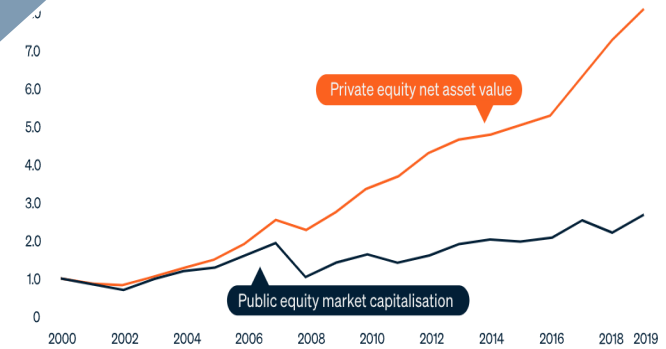
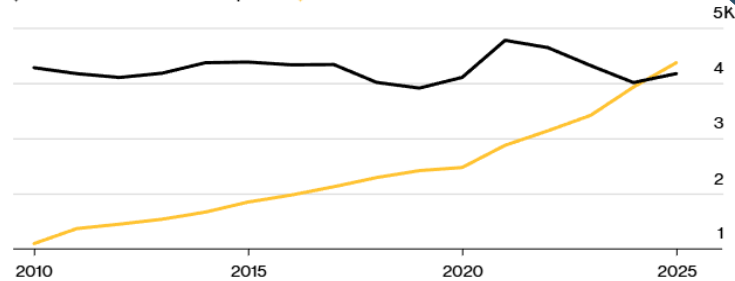
APCM Due Diligence and Portfolio Fit

Risk | Role | Cost |
Correlation | Implementation

Client
Portfolios

There Are Now More ETFs Than Stocks

Number of US-Listed Companies (black line) Number of US-Listed ETFs (yellow line)



Open Investment Universe

- Access to both index-based and active strategies
- Ability to select specialists across asset classes
- **No reliance on proprietary funds or products**

Ongoing Accountability

- Continuous evaluation of managers and strategies
- Willingness to resize, replace, or exit
- **Decisions grounded in risk and forward-looking expectations**

Client-Aligned Decisions

- Strategy selection driven by objectives
- Flexibility as leadership evolves
- **No embedded incentives**

The PAIR Process

A Perpetual Cycle of Progress

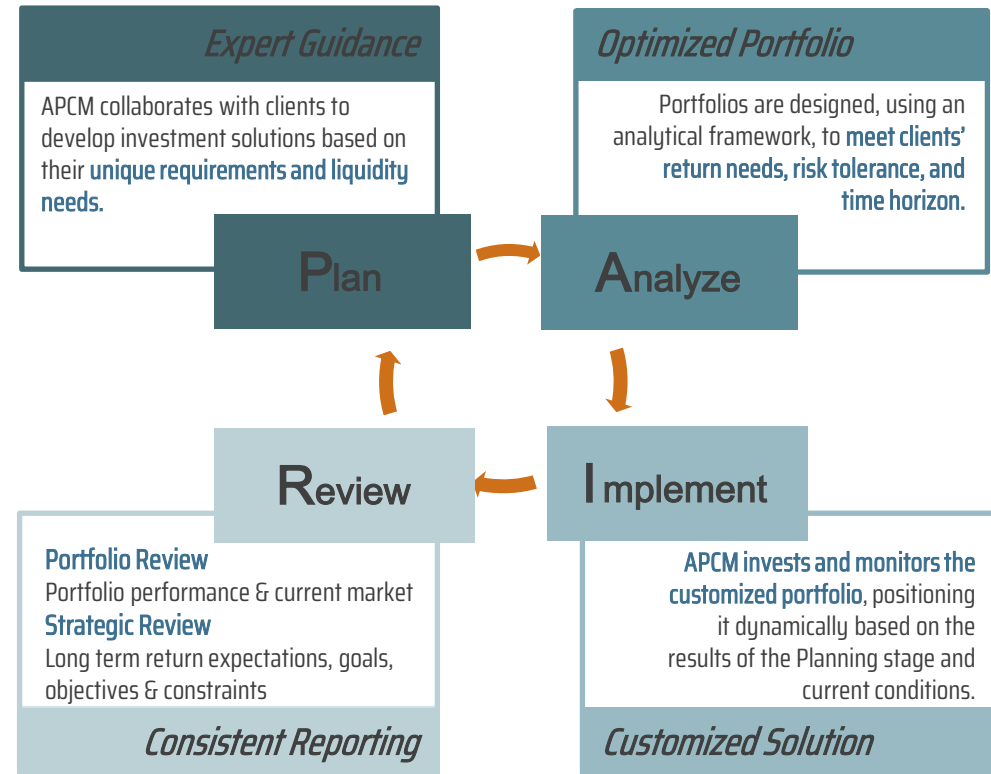
As 2025 ends, we're entering the research phase for 2026 — updating our capital market assumptions (completed annually by the end of the first quarter).

We're also refreshing our secular long-term outlook and cyclical views to ensure portfolios remain positioned for the evolving market environment.

Our annual manager and fund review evaluates performance, cost efficiency, and role within each strategy.

These updates prepare us for your annual strategic review, where we confirm your portfolio's strategy still has a high probability of achieving your goals and objectives.

The Review step of PAIR ensures that both markets and your circumstances are reflected — keeping your strategy purposeful, disciplined, and forward-looking.



Disclosures



Important Assumptions

IMPORTANT: The projections or other information generated by Alaska Permanent Capital Management Company (APCM) regarding the likelihood of various outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. There can be no assurance that the projected or simulated results will be achieved or sustained. The charts and data only present a range of possible outcomes. Actual results will vary over time, and such results may be better or worse than the simulated scenarios. Clients should be aware that the potential for loss (or gain) may be greater than that demonstrated in the simulations. Please note that the analysis does not take into consideration all asset classes, and other asset classes not considered may have characteristics similar or superior to those being analyzed.

Important Legal Information

These calculations are designed to be informational and educational only, and when used alone, do not constitute investment advice. APCM encourages investors to review their investment strategy periodically as financial circumstances do change.

Model results are provided as a rough approximation of future financial performance. Actual results could produce different outcomes (either better or worse) than those illustrated by the model, since it is not possible to anticipate every possible combination of financial market returns. APCM is not responsible for the consequences of any decisions or actions taken in reliance upon or as a result of the information provided by the results of the model.

Other Influences on Rates of Return

Investment management fees: Returns are presented gross of management fees and include the reinvestment of all income. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) \$1,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be \$10,416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over ten years. Actual investment advisory fees incurred by clients may vary.

Taxes: Unless noted otherwise, model results have not been adjusted for any state or federal taxes or penalties.

Inflation: Unless noted otherwise, model results do not adjust any inputs or outcomes for inflation. Inflation is assumed to be constant over the investment horizon.

Limitations Inherent in Model Results

Limitations include but are not restricted to the following:

Model results do not represent actual trading and may not reflect the impact that material economic and market factors might have had on APCM's decision making if the actual client money were being managed.

Extreme market movements may occur more frequently than represented in the model.

Some asset classes have relatively limited histories. While future results for all asset classes in the model may materially differ from those assumed in APCM's calculations, the future results for asset classes with limited histories may diverge to a greater extent than the future results of asset classes with longer track records.

Market crises can cause asset classes to perform similarly over time; reducing the accuracy of the projected portfolio volatility and returns. The model is based on the long-term behavior of the asset classes and therefore is less reliable for short-term periods. This means that the model does not reflect the average periods of "bull" and "bear" markets, which can be longer than those modeled.

The model represent APCM's best view of the next 7-10 years, but is unlikely to reflect actual investment returns worldwide over this period.



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RESOLUTION

Beluga River Unit (“BRU”) Asset Retirement Obligation (“ARO”) Investment Fund Guidelines

WHEREAS, Chugach Electric Association, Inc. (“Chugach”), owns a 66.7% working interest in the BRU gas field. Once the BRU becomes no longer economically feasible for the production of hydrocarbons, Chugach and Hilcorp Alaska LLC, the other working interest owner of BRU, will cease operations, remove facilities and abandon the field. The expectation to close the BRU creates a liability referred to as an ARO liability. Closing the BRU is known as Dismantle, Remove and Restore (DR&R). Final approval of the DR&R rests with state and federal regulatory agencies; and

WHEREAS, Chugach has been using DR&R cost estimates prepared by an engineering team as the basis of its ARO liability; and

WHEREAS, Chugach has been collecting and setting aside funds for this ARO liability (“ARO Fund”).

WHEREAS, On October 30, 2020, as part of the acquisition of most of the assets of Municipal Light & Power (“ML&P”), ML&P’s ARO Fund was transferred in kind to Chugach. Chugach had funds of approximately \$20.5 million invested as of June 30, 2021. The amount of funds deposited reflect proceeds collected from a surcharge to customers and members for the purpose of funding the ARO liability for the eventual closing of the BRU gas field; and

WHEREAS, the Board of Directors of Chugach has determined that it is in the best interest of Chugach’s members to invest those funds in a separately managed investment portfolio specifically for the purpose of DR&R of BRU and on September 23, 2020, retained Alaska Permanent Capital Management (“APCM”) as investment manager and Wells Fargo Bank, N.A. Institutional Retirement & Trust (“Wells Fargo”) as custodian of the BRU Fund. These funds are not expected to be used until approximately 2037 when the BRU owners retire the BRU gas field. This time estimate for the use of funds is a forecast and is very likely to change over time. This portfolio of funds will 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.

NOW, THEREFORE, BE IT RESOLVED, that Chugach adopt and shall comply with the attached ARO Investment Fund Guidelines to accomplish the purpose of the ARO Fund.

CERTIFICATION

I, James Henderson, do hereby certify that I am the Secretary of Chugach Electric Association, Inc., an electric non-profit cooperative membership corporation organized and existing under the laws of the State of Alaska: that the foregoing is a complete and correct copy of a resolution adopted at a meeting of the Board of Directors of this corporation, duly and properly called and held on the 25th day of August 2021; that a quorum was present at the meeting; that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this corporation on the 25th day of August 2021.


Secretary

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CHUGACH ELECTRIC ASSOCIATION, INC.

ARO Investment Fund Guidelines

August 2021

Purpose

- A. The purpose of the ARO Fund is to provide for the establishment of an investment fund to invest amounts received from Chugach members through the ARO Surcharge at a long-term rate of return. The purpose of the ARO Surcharge is to provide funds to satisfy the ARO Liability on or prior to the end of the economic life of the BRU gas field.
- B. Use of the assets of the ARO Fund are restricted specifically for discharging the ARO Liability.

Investment Objective

- A. The investment objective of the ARO Fund is to achieve a long-term rate of return on assets in the ARO Fund which, in conjunction with monthly deposits of member funds by Chugach, will be sufficient to satisfy the ARO Liability.
- B. Future deposits by Chugach to the ARO Fund shall occur monthly. The deposits into this ARO Fund by Chugach shall be equal to all funds collected from members from the ARO Surcharge.
- C. The Chugach Audit & Finance Committee ("Committee") shall develop and adopt Investment Guidelines to accomplish the purpose of the ARO Fund.
- D. The investment objective takes into account the risk that the estimated ARO Liability amount and due date can change over time per the periodic re-evaluation of the ARO Liability.
- E. The targeted minimum return is CPI-U + 200 basis points.

Responsibility

- A. The Committee shall be responsible for the investment of assets of the ARO Fund to meet its purpose, approved by the Chugach Board of Directors.
- B. The Committee will manage the investment activity of the ARO Fund. The Committee may engage the services of financial advisors, trustees, custodians, money managers, investment advisors, and other support personnel deemed necessary for the performance of its duties and responsibilities.
- C. An updated cost estimate of the ARO Liability shall be provided to the Committee performed by an independent analyst at least every five years.

The Investment Manager, if any, is responsible for:

- A. Assisting the Committee in establishing and maintaining appropriate Investment Guidelines.
- B. Assist the Committee in following best practices for the investment of assets in the ARO Fund.
- C. Measuring and reporting performance of the ARO Fund's assets.
- D. Proactively suggesting improvements to the ARO Fund's Investment Guidelines and investment strategy.
- E. Providing investment expertise and analyses, as needed by the Committee.
- F. Keeping the Committee informed of current investment trends and issues.

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- G. Managing the ARO Fund's assets under their control in accordance with the Objective and Investment Guidelines included herein, as may be revised from time to time by the Committee.
- H. Having a process in place that will continuously monitor the portfolio to ensure that securities purchased and held in the portfolio meet the Authorized Investments section and Appendix C: Strategic Asset Allocation of the ARO Investment Fund Guidelines. If non-compliance is discovered, the Investment Manager will notify the Committee and propose a course of action to bring the portfolio into compliance.
- I. Recommending changes to the Investment Guidelines, as appropriate.
- J. Acting in a manner congruent with the principles of the Prudent Investor Rule with respect to investment of the ARO Fund assets.
- K. Promptly informing the Committee regarding significant matters pertaining to the investment of the ARO Fund's assets.

Standard of Care

- A. The Committee and Investment Managers shall be considered to have the responsibility of a fiduciary to the ARO Fund. The Committee, Chugach staff, Investment Managers and bank custodian shall exercise the judgement and care under the circumstances then prevailing which an investor of ordinary prudence, discretion and intelligence exercises in the management of investments related to the associated ARO Liability.

Communications

- A. Independent Investment Manager

On a quarterly basis, the Investment Manager, if any, will provide the Committee with (i) performance reports detailing a list of the assets held by the ARO Fund, transactions that occurred during the quarter, a performance report and summary of the investment performance of the ARO Fund (before and after investment manager fees.)

Services

- A. The ARO Fund shall pay for custodian fees and investment management fees for as long as the ARO Fund exists.
- B. The required funding for these payment services will be from the investment earnings of the ARO Fund.

Authorized Investments

Fund Level Investment Guidelines

- A. The ARO Fund will use low cost, efficient investment vehicles (index mutual funds and/or ETPs Exchange Traded Products) for all equity exposure. For the fixed-income portion of the portfolio, the investment manager may use both mutual funds/ETPs or individual fixed income securities. The ARO Fund will achieve its objective via long-only, unlevered investments. The ARO Fund is prohibited from engaging in direct short sales or margin transactions.

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Investment Vehicle Guidelines

- A. The ARO Fund (or the name used for the new guidelines) will take a conservative posture on derivative securities in order to maintain a risk averse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. The ARO Fund recognizes that derivatives may be utilized within investment vehicles as a portfolio management tool. Derivative use within a product is permissible when utilized for the purpose of creating or enhancing exposure to an asset class or implementation strategy. Due to the inherent characteristics of derivatives, embedded leverage is permissible when fully collateralized. Net exposure exceeding the asset value of the investment vehicle is prohibited. Exposure must be net long at all times.

Asset Allocation

- A. The asset allocation for the ARO Fund is established by the Committee, based on financial and fiduciary requirements, capital market theory, and cash flows needed to satisfy the ARO Liability.
- B. A broad array of asset classes is considered for inclusion in a potential asset allocation structure. Each asset class has its own distinct characteristics, as well as expectations for long term return and risk behavior. Mathematical modeling is used to determine which mix of assets classes maximizes return at each level of risk. The liabilities or ARO Fund distribution needs are modeled in detail and earnings projections are made based on the forecasted ARO Liability and the underlying spending assumptions. The behavior of both the asset classes and the liabilities are tested and the outcomes of these tests are then examined to determine which asset mix offers a balanced risk/return tradeoff as measured by the impact of the liabilities.
- C. Changes in asset allocation targets and their ranges are expected to occur infrequently. Revisions of these targets will be proposed only when significant changes have occurred in the cash flows needed to satisfy the ARO Liability and/or in the capital markets such that assumptions upon which the present allocations have been made no longer appear reasonable. Any material changes would be pursuant to the findings of an asset/liability study of the ARO Fund, as determined by the Committee in consultation with the Investment Manager.
- D. Because different asset classes are not perfectly correlated and produce different streams of income, the Committee will monitor asset allocation on at least a quarterly basis to determine and ensure rebalancing is appropriately implemented.
- E. Deviations from approved asset allocation targets may occur from time to time because market movements or other unanticipated events. Actions will be taken to assess the situation and develop a remedy that is consistent with the Asset Allocation. It is recognized that remedies to resolve the deviation may take time and should be implemented in a manner that does not negatively impact the performance or risk profile of the ARO Fund.
- F. Investments shall be diversified in order to reduce volatility associated with concentrated portfolios and to limit the probability of large losses from any asset within the portfolio. Accordingly, the ARO Fund will be constructed and maintained to provide prudent diversification among the asset classes in accordance with the asset allocation policy.

Safekeeping of Assets

- A. All investment products will be deposited in a custodial account of a major financial institution in good standing to ensure a robust system of checks and balances to satisfy fiduciary responsibility. Custodial duties include, but are not limited to, safekeeping of assets, producing monthly account statements, and acting as the master keeper of records, particularly as it pertains to the cost basis of assets.

Adoption and Acceptance

Adopted by the Chugach Audit & Finance Committee

08 01 21

Appendix A – Service Providers

1. Custodian

Wells Fargo

2. Investment Manager

Alaska Permanent Capital Management

Appendix B – Benchmarks and Definitions

Benchmarks

S&P 500 or substantially similar index

S&P 400 or substantially similar index

S&P 600 or substantially similar index

MSCI EAFE or substantially similar index

MSCI Emerging Market or substantially similar index

Bloomberg Barclays US Aggregate or substantially similar index

Bloomberg Barclays 0-5 Year TIPS or substantially similar index

S&P United States REIT or substantially similar index

STOXX Global Broad Infrastructure Index Fund or substantially similar index

Wilshire Liquid Alternative Index or substantially similar index

Bloomberg Commodities Index or substantially similar index

Bloomberg Barclays U.S. High Yield Very Liquid Index or substantially similar index

Definitions

ARO Investment Fund Benchmark means the blended benchmark that is the prorated share of target allocation of benchmarks per listed in Appendix C that is applied to the portfolio. This is reviewed on an annual basis.

Exchange-Traded Fund or ETF means a marketable security that tracks an index, a commodity, bonds, or a group of assets like an index fund. Unlike mutual funds, an ETF trades like a common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. ETFs typically have higher daily liquidity and lower fees than a mutual fund shares.

FDIC means the Federal Deposit Insurance Corporation.

GIPS means Global Investment Performance Standards.

Investment Grade means securities that are rated “BBB” or higher by the Rating Agencies.

Investment Manager means a person, group or firm that makes investments in portfolios of securities on behalf of clients, in accordance with the investment objectives and parameters defined by these clients.

Rating Agency means Standard & Poor’s (S&P) or Fitch Ratings (Fitch) or Moody’s Investors Services (Moody’s).

SEC means the Securities and Exchange Commission.

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Appendix C – Strategic Asset Allocation

Asset Class	Target	Min	Max
EQUITY	47%		
U.S. Large-Cap Equity	22%	12%	32%
U.S. Mid-Cap Equity	10%	5%	15%
U.S. Small-Cap Equity	5%	0%	10%
International Developed Equity	6%	0%	12%
Emerging Markets Equity	4%	0%	8%
ALTERNATIVES	21%		
Real Estate	3%	0%	6%
Infrastructure	5%	0%	10%
Commodities	3%	0%	6%
Alternative Beta	10%	0%	15%
FIXED INCOME	32%		
U.S. Fixed Income	18%	8%	28%
U.S. High Yield Credit	5%	0%	10%
TIPS	2%	0%	10%
International Fixed Income	5%	0%	10%
Cash	2%	0%	10%

Capital Tracking Report

4th Quarter 2025

Chugach Electric Association, Inc.

Audit & Finance Committee

April 8, 2026



Projects Summary

4th Quarter 2025

Project Name	Actual	Forecast	Approved	Financial Status	
	(In Millions)			Legend:	
				Actual	Under
				Over <15%	Over >15%
Reliability Projects	\$17.1	\$40.6	\$40.6	42%	100%
Retirements & Replacements Projects	\$31.5	\$44.5	\$43.4	73%	103%
Operating Efficiency Projects	\$86.1	\$121.2	\$115.9	74%	105%
Total Projects	\$134.7	\$206.3	\$199.9		

Capital Tracking Report

4th Quarter 2025

Supplemental Information



Reliability Projects

4th Quarter 2025

Reliability Projects Summary

Project Name	Last Approved	Actual-to-Date (In Millions)	Forecast	Approved	Physically Complete	Financial Status
						Legend: Actual Under Over <15% Over >15%
Reliability						
Beluga Structure Repair	12/10/2025	\$0.3	\$4.3	\$4.3	6%	<div style="display: flex; align-items: center;"> <div style="width: 6%; height: 15px; background-color: #76923c; margin-right: 5px;"></div> <div style="margin-right: 5px;">6%</div> <div style="width: 94%; height: 15px; background-color: #76923c; margin-left: 5px;"></div> <div style="margin-left: 5px;">100%</div> </div>
Whittier Shore Power	12/10/2025	\$0.9	\$11.4	\$11.4	0%	<div style="display: flex; align-items: center;"> <div style="width: 8%; height: 15px; background-color: #76923c; margin-right: 5px;"></div> <div style="margin-right: 5px;">8%</div> <div style="width: 92%; height: 15px; background-color: #76923c; margin-left: 5px;"></div> <div style="margin-left: 5px;">100%</div> </div>
LaTouche Substation Rebuild	8/28/2024	\$5.7	\$7.2	\$7.2	80%	<div style="display: flex; align-items: center;"> <div style="width: 79%; height: 15px; background-color: #76923c; margin-right: 5px;"></div> <div style="margin-right: 5px;">79%</div> <div style="width: 21%; height: 15px; background-color: black; margin-left: 5px;"></div> <div style="margin-left: 5px;">100%</div> </div>
Campbell Lake Substation Rebuild	3/22/2023	\$2.2	\$8.6	\$8.6	36%	<div style="display: flex; align-items: center;"> <div style="width: 26%; height: 15px; background-color: #76923c; margin-right: 5px;"></div> <div style="margin-right: 5px;">26%</div> <div style="width: 74%; height: 15px; background-color: black; margin-left: 5px;"></div> <div style="margin-left: 5px;">100%</div> </div>
Bragaw OH/UG	4/23/2025	\$8.0	\$9.1	\$9.1	90%	<div style="display: flex; align-items: center;"> <div style="width: 88%; height: 15px; background-color: #76923c; margin-right: 5px;"></div> <div style="margin-right: 5px;">88%</div> <div style="width: 12%; height: 15px; background-color: black; margin-left: 5px;"></div> <div style="margin-left: 5px;">100%</div> </div>
Total Reliability		\$17.1	\$40.6	\$40.6		



Beluga Structure Repair

- Approved – 12/10/2025
- Project Manager – S. Chanonto
- Physically Complete – 6%
- Approval Amount – \$4.3M
- Actuals – \$0.3M
- Forecast – \$4.3M



Beluga Structure Repair

Beluga Revetment Protection will protect existing foundations with imported riprap material and mitigate future riverbank erosion. Bristol Prime Contractors was awarded the construction contract in December 2025. Construction is projected to start in December 2026 and be completed in 2027.



Whittier Shore Power

- Approved – 12/10/2025
- Project Manager – D. Thornton
- Physically Complete – 0%
- Approval Amount – \$11.4M
- Actuals – \$0.9M
- Forecast – \$11.4M

Legend:

Actual

Under

Over <15%

Over >15%



Whittier Shore Power

This project will construct distribution system improvements to provide shore power at the Princess Cruise Dock in Whittier, Alaska. The relocation of the 25kV to 15kV is projected to be completed by the end of March 2026. The project is estimated to be completed by July 2027.



LaTouche Substation Rebuild

- Approved – 8/28/2024
- Project Manager – C. Kohler
- Physically Complete – 80%
- Approval Amount – \$7.2M
- Actuals – \$5.7M
- Forecast – \$7.2M



LaTouche Substation Rebuild

This project replaces the switchgear at the Latouche Substation. Construction restarted in November 2025 and is projected to be completed in March 2026 with commissioning by the end of April 2026.



Campbell Lake Substation Rebuild

- Approved – 03/22/2023
- Project Manager – C. Kohler
- Physically Complete – 36%
- Approval Amount – \$8.6M
- Actuals – \$2.2M
- Forecast – \$8.6M

Legend:

Actual

Under

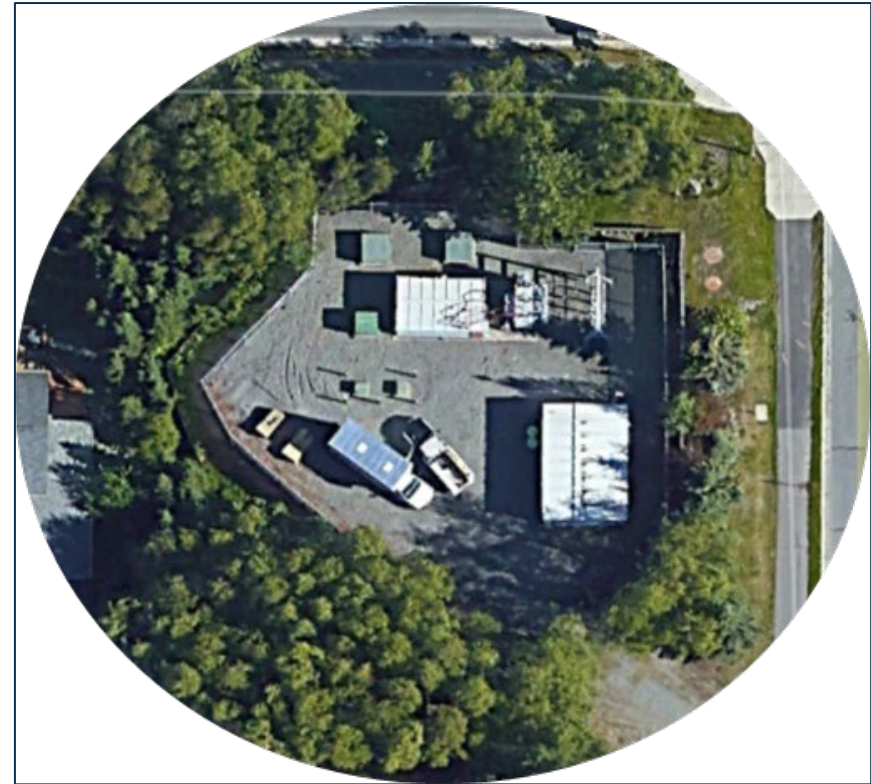
Over <15%

Over >15%



Campbell Lake Substation Rebuild

This project replaces the switchgear at Campbell Lake Substation. Work restarted with the community to complete the conditional use permit process by June 2026. Planning and Zoning Public Hearing to be held in September 2026, with the permit issued by October 2026.



Bragaw OH/UG

- Approved – 4/23/25
- Project Manager – D. Thornton
- Physically Complete – 90%
- Approval Amount – \$9.1M
- Actuals – \$8.0M
- Forecast – \$9.1M



Retirement & Replacement Projects

4th Quarter 2025

Retirements & Replacements Projects Summary

Project Name	Last Approved	Actual-to-Date (In Millions)	Forecast	Approved	Physically Complete	Financial Status
						Legend: Actual Under Over <15% Over >15%
Retirements & Replacements						
Sullivan Unit 9 Major Overhaul	5/28/2025	\$2.7	\$9.2	\$9.2	35%	
Cooper Lake Unit 2 Runner Upgrade	4/10/2024	\$2.4	\$3.2	\$3.2	75%	
115kV T-Line Rebuild Girdwood to Indian	1/24/2024	\$26.4	\$32.1	\$31.0	84%	
Total Retirement		\$31.5	\$44.5	\$43.4		

Sullivan Unit 9 Major Overhaul

- Approved – 5/28/2025
- Project Manager – E. Ori
- Physically Complete – 35%
- Approval Amount – \$9.2M
- Actuals – \$2.7M
- Forecast – \$9.2M

Legend:

Actual

Under

Over <15%

Over >15%



Sullivan Unit 9 Major Overhaul

Unit 9 LM6000 turbine was taken out of service and the recommended 50,000 fired hours for rebuild was completed in November 2025. Unit 192-506 is undergoing teardown, and we are awaiting the final disposition on the unit for parts fallout and repairs. Repairs and return to service will be completed by fall of 2026. Upon completion, the repaired unit will be installed in Unit 10 when that unit goes out of service. The vendor has indicated that rates for scrap/replacement and component repair are expected to be higher than estimated.



Cooper Lake Unit 2 Runner Upgrade

- Approved – 4/10/2024
- Project Manager – S. Ruhl
- Physically Complete – 75%
- Approval Amount – \$3.2M
- Actuals – \$2.4M
- Forecast – \$3.2M

Legend:

Actual

Under

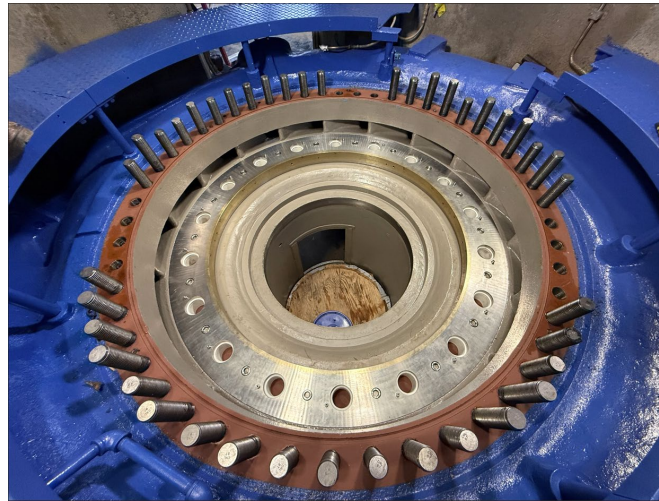
Over <15%

Over >15%



Cooper Lake Unit 2 Runner Upgrade

This project will replace the runner and wicket on Unit 2. All new and refurbished parts are currently being installed, and the unit is expected to be back in service by the end of March.



115kV T-Line Rebuild Girdwood to Indian

- Approved – 1/24/2024
- Project Manager – C. Kohler
- Physically Complete – 84%
- Approval Amount – \$31.0M
- Actuals – \$26.4M
- Forecast – \$32.1M

Legend:

Actual

Under

Over <15%

Over >15%



115kV T-Line Rebuild Girdwood to Indian




This project is to upgrade 12 miles of transmission lines from Girdwood to Indian. Line work is complete and final right-of-way cleanup and project completion projected by June 2026.



Operating Efficiency Projects

4th Quarter 2025

Operating Efficiency Projects Summary

Project Name	Last Approved	Actual-to-Date	Forecast	Approved	Physically Complete	Financial Status
		(In Millions)				Legend: Actual Under Over <15% Over >15%
Operating Efficiency						
Beluga Solar Power	10/22/2025	\$0.7	\$26.4	\$26.4	10%	 3% 100%
One Campus Plan	12/14/2022	\$67.5	\$68.8	\$64.3	98%	 105% 107%
CIS/ERP Replacement	9/16/2024	\$17.9	\$26.0	\$25.2	100%	 71% 103%
Total Operating Efficiency		\$86.1	\$121.2	\$115.9		

Beluga Solar Power

- Approved – 10/22/2025
- Project Manager – D. Highers
- Physically Complete – 10%
- Approval Amount – \$26.4M
- Actuals – \$0.7M
- Forecast – \$26.4M

Legend:

Actual

Under

Over <15%

Over >15%



Beluga Solar Power

After project approval, transformer purchases were completed at the end of 2025. Separately, engineering was completed on an initial communications design resulting in installation of trenching and conduit in December of last year. At this time, engineering design has advanced to 10% completion and contracting for the initial construction phase is next in line for execution by 7/4/2026.



One Campus Plan

- Approved – 12/14/2022
- Project Manager – J. Resnick
- Physically Complete – 98%
- Approval Amount – \$64.3M
- Actuals – \$67.5M
- Forecast – \$68.8M

Legend:

Actual

Under

Over <15%

Over >15%



One Campus Plan

Construction is substantially complete and all employees moved in by year end 2025. Contractor is working to complete punch list items and obtain the Certificate of Occupancy from the Municipality.



CIS/ERP Replacement

- Approved – 09/16/2024
- Project Manager – J. Travis
- Physically Complete – 100%
- Approval Amount – \$25.2M
- Actuals – \$17.9M
- Forecast – \$26.0M

Legend:

Actual

Under

Over <15%

Over >15%



CIS/ERP Replacement

Closeout documentation is in progress for the CIS project. This is expected to be completed in March 2026. The project team continues to review requirements and develop a baseline project plan for the resumption of the financial management system and human capital management modules. This revised plan will then have a budget review, and updated targets prepared for board review.





Chugach Electric Association

Year End 2025
Financial Information
April 8, 2026

Agenda

MWH Sales

Base Revenue

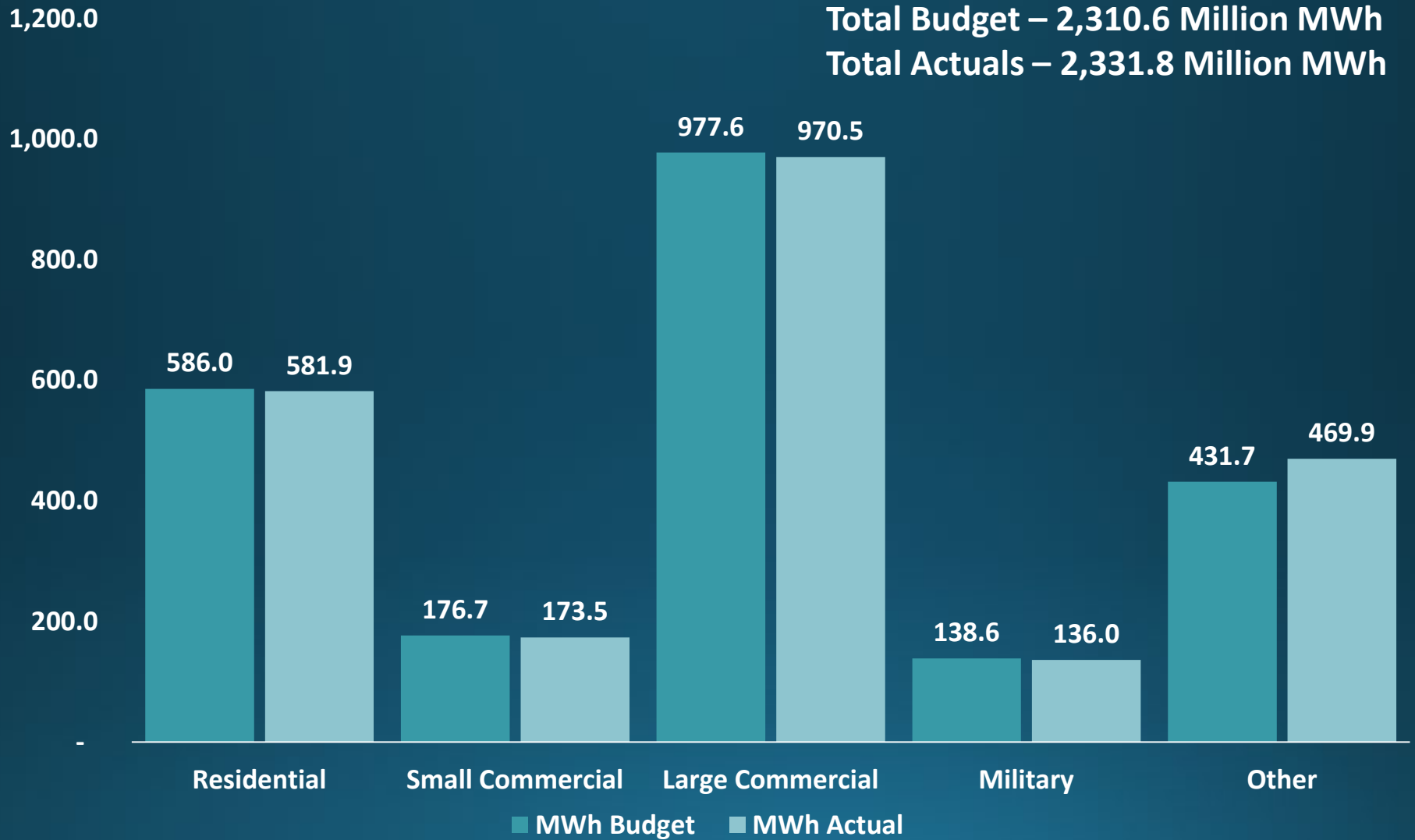
Comparative Statement of Operations

Comparative Balance Sheet

Comparative Statement of Cash Flow

Key Ratios

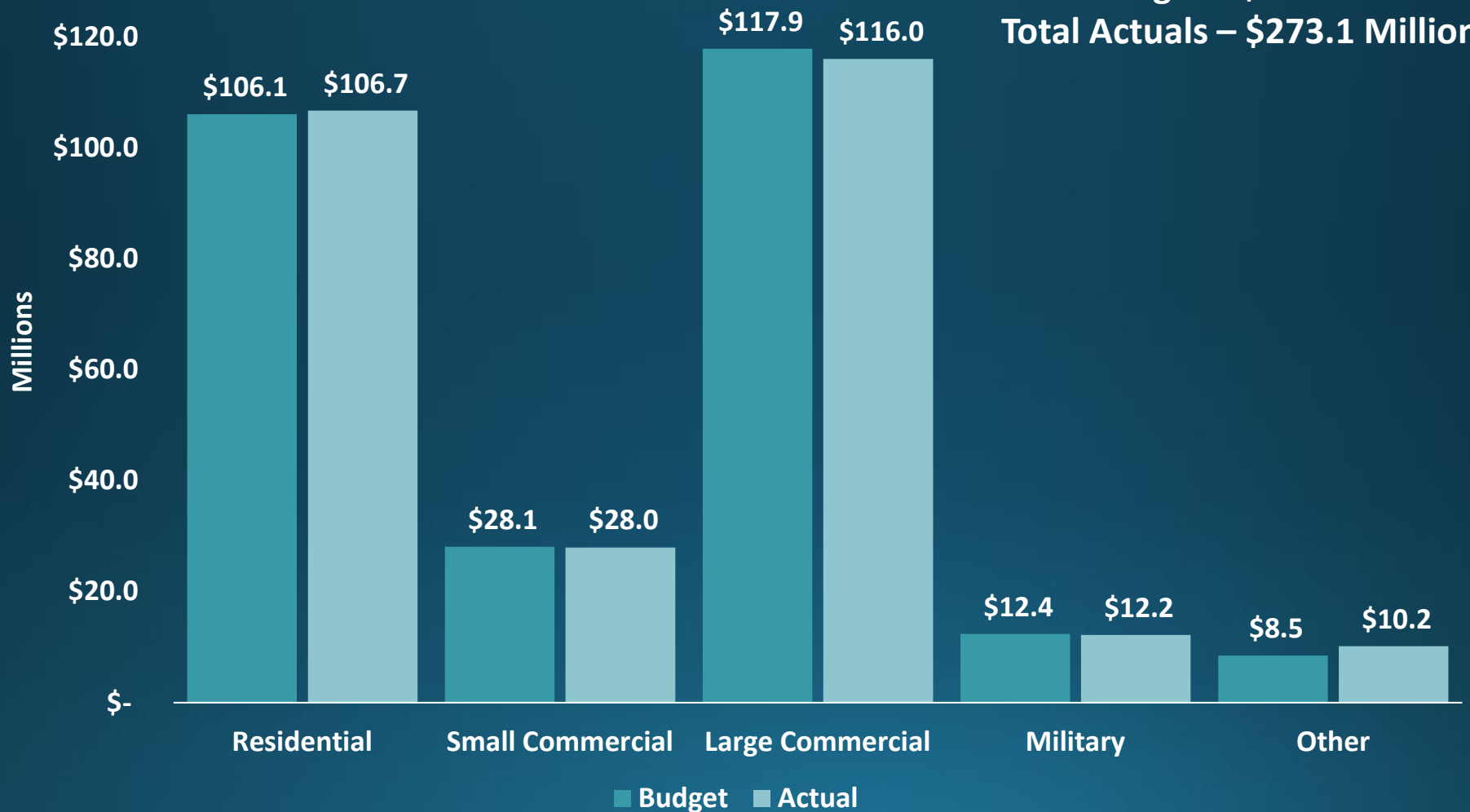
MWh Sales



Other: Wholesale, Economy and Power Pool

Base Revenues

Total Budget – \$273.0 Million
Total Actuals – \$273.1 Million



Other: Wholesale, Economy, Power Pool and Miscellaneous Revenue

Chugach Electric Association, Inc.
Consolidated Statements of Operations
For the year ending December 31, 2025

(in thousands)

	Actual	Budget	Variance
Operating revenues	\$ 375,695	\$ 369,071	\$ 6,624
Operating expenses:			
Fuel	71,349	64,694	6,655
Production	38,204	40,955	(2,751)
Purchased power	29,161	29,530	(369)
Transmission	10,130	11,263	(1,133)
Distribution	32,256	30,377	1,879
Consumer accounts	12,163	12,437	(274)
Administrative, general and other	55,633	53,172	2,461
Depreciation and amortization	<u>70,461</u>	<u>72,250</u>	<u>(1,789)</u>
Total operating expenses	319,357	314,678	4,679
Interest expense:			
Long-term debt and other	51,300	51,159	141
Charged to construction	<u>(2,560)</u>	<u>(3,155)</u>	<u>595</u>
Interest expense, net	<u>48,740</u>	<u>48,004</u>	<u>736</u>
Net operating margins	7,598	6,389	1,209
Nonoperating margins:			
Interest income	3,183	1,905	1,278
Allowance for funds used during construction	341	569	(228)
Capital credits, patronage dividends and other	<u>1,286</u>	<u>215</u>	<u>1,071</u>
Total nonoperating margins	4,810	2,689	2,121
Assignable margins	\$ <u>12,408</u>	\$ <u>9,078</u>	\$ <u>3,330</u>

Chugach Electric Association, Inc.
Consolidated Balance Sheets
As of December 31, 2025 and December 31, 2024

Assets & Other Debits	Unaudited December 31, 2025	Audited December 31, 2024	Change
(in thousands)			
Utility plant:			
Electric plant in service	\$ 2,357,942	\$ 2,272,413	\$ 85,529
Construction work in progress	86,599	109,800	(23,201)
Total utility plant	2,444,541	2,382,213	62,328
Less accumulated depreciation	(893,679)	(835,757)	(57,922)
Net utility plant	1,550,862	1,546,456	4,406
Other property and investments, at cost:			
Nonutility property	77	77	(0)
Operating lease right-of-use assets	3,963	3,546	417
Financing lease right-of-use assets	179	190	(11)
Investments in associated organizations	6,060	6,420	(360)
Special funds	48,443	37,680	10,763
Restricted cash equivalents	30	30	0
Long-term prepayments	64	79	(15)
Total other property and investments	58,816	48,022	10,794
Current assets:			
Cash and cash equivalents	27,292	24,661	2,631
Special deposits	61	55	6
Restricted cash equivalents	500	500	0
Fuel Cost / other under recovery	4,833	10,457	(5,624)
BRU capital surcharge under-recovery	39,541	35,134	4,407
Accounts receivable, net	57,650	63,575	(5,925)
Materials and supplies	61,711	55,455	6,256
Fuel stock	14,491	16,398	(1,907)
Prepayments	6,497	6,327	170
Other current assets	7,242	6,356	886
Total current assets	219,818	218,918	900
Other non-current assets:			
Deferred charges, net	96,684	100,915	(4,231)
Total other non-current assets	96,684	100,915	(4,231)
Total assets	\$ 1,926,180	\$ 1,914,311	\$ 11,869

Chugach Electric Association, Inc.
Consolidated Balance Sheets
As of December 31, 2025 and December 31, 2024

(in thousands)

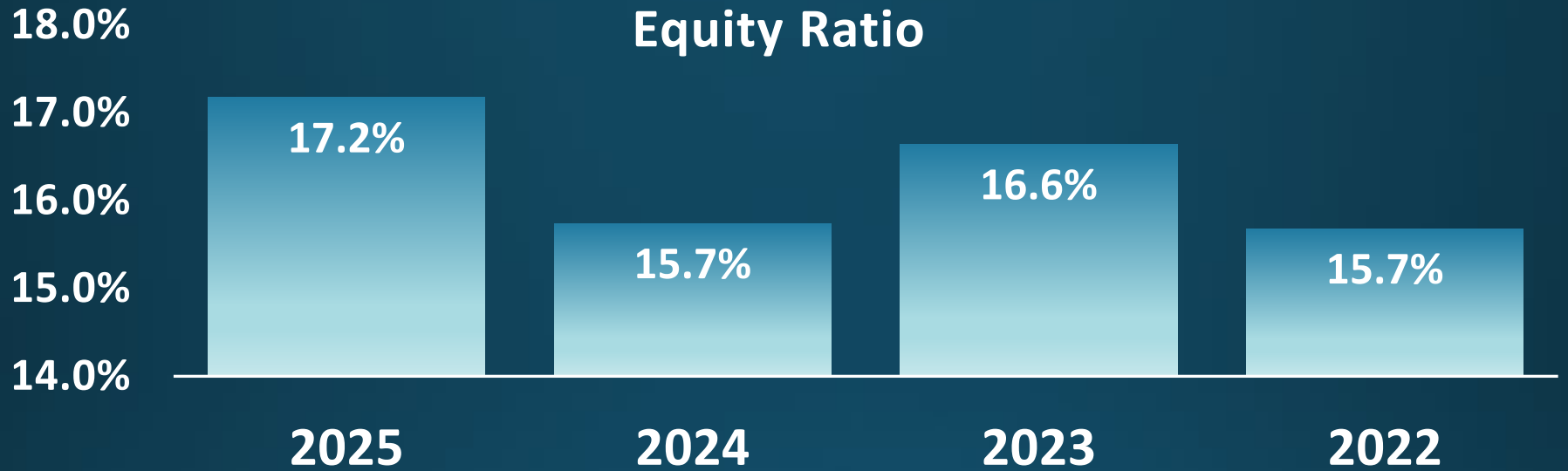
Liabilities and Other Credits	Unaudited December 31, 2025	Audited December 31, 2024	Change
Equities and margins:			
Memberships	\$ 2,065	\$ 2,051	\$ 14
Patronage capital	212,895	201,159	11,736
Other	18,529	18,234	295
Total equities and margins	<u>233,489</u>	<u>221,444</u>	<u>12,045</u>
Long-term obligations, excluding current installments:			
Bonds payable	1,124,100	1,180,917	(56,817)
Notes payable	7,752	10,944	(3,192)
Less unamortized debt issuance costs	(5,799)	(6,188)	389
Operating lease liabilities	3,921	3,508	413
Financing lease liabilities	175	183	(8)
Total long-term obligations	<u>1,130,149</u>	<u>1,189,364</u>	<u>(59,215)</u>
Current liabilities:			
Current installments of long-term obligations	60,060	56,740	3,320
Commercial paper	192,000	122,000	70,000
Accounts payable	21,422	26,289	(4,867)
Consumer deposits	1,540	1,574	(34)
Accrued interest	10,588	11,367	(779)
Salaries, wages and benefits	12,818	12,479	339
Fuel Payable	6,170	5,446	724
Undergrounding ordinance liabilities	0	4,311	(4,311)
Provision for rate refund	0	3,125	(3,125)
Other current liabilities	4,652	4,393	259
Total current liabilities	<u>309,250</u>	<u>247,724</u>	<u>61,526</u>
Other non-current liabilities:			
Deferred compensation	1,894	1,926	(32)
Other liabilities, non-current	909	757	152
Deferred liabilities	15,120	13,840	1,280
BRU regulatory liability	61,023	70,602	(9,579)
Cost of removal obligation / asset retirement obligation	174,346	168,654	5,692
Total other non-current liabilities	<u>253,292</u>	<u>255,779</u>	<u>(2,487)</u>
Total liabilities, equities and margins	\$ <u>1,926,180</u>	\$ <u>1,914,311</u>	\$ <u>11,869</u>

CHUGACH ELECTRIC ASSOCIATION, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2025 and 2024

(in thousands)

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Cash flows from operating activities:		
Assignable margins	\$ <u>12,408</u>	\$ <u>6,221</u>
Adjustments to reconcile assignable margins to net cash provided by operating activities:		
Depreciation and amortization	80,980	80,689
Allowance for funds used during construction	(341)	(1,018)
Other non-cash charges	(3,425)	5,035
(Increase) decrease in assets	2,666	(20,827)
Increase (decrease) in liabilities	<u>(21,335)</u>	<u>2,830</u>
Net cash provided by operating activities:	<u>70,953</u>	<u>72,930</u>
Cash flows from investing activities:		
Return of capital from investment in associated organizations	360	215
Investment in special funds	(5,951)	(5,555)
Extension and replacement of plant	<u>(104,332)</u>	<u>(157,810)</u>
Net cash used in investing activities:	<u>(109,923)</u>	<u>(163,150)</u>
Cash flows from financing activities:		
Payments for debt issue costs		
Net increase (decrease) in short-term obligations	74,000	(16,000)
Net increase (decrease) in long-term obligations	(60,693)	101,079
Net increase (decrease) in consumer advances/retired patronage/other	<u>28,294</u>	<u>24,916</u>
Net cash provided by financing activities:	<u>41,601</u>	<u>109,995</u>
Net change in cash, cash equivalents, and restricted cash equivalents	<u>2,631</u>	<u>19,775</u>
Cash, cash equivalents, and restricted cash equivalents at beginning of period	<u>25,191</u>	<u>5,416</u>
Cash, cash equivalents, and restricted cash equivalents at end of period	<u>27,822</u>	<u>25,191</u>

Key Ratios





CHUGACH ELECTRIC ASSOCIATION, INC.
Financial Statements
December 31, 2025 and 2024
(With Report of Independent Registered Accounting Firm Thereon)

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Chugach Electric Association, Inc.
Consolidated Balance Sheets
As of December 31, 2025 and 2024

Assets	December 31, 2025	December 31, 2024
Utility plant:		
Electric plant in service	\$ 2,357,942,361	\$ 2,272,412,168
Construction work in progress	86,599,025	109,800,333
Total utility plant	2,444,541,386	2,382,212,501
Less accumulated depreciation	(893,678,890)	(835,757,114)
Net utility plant	1,550,862,496	1,546,455,387
Other property and investments, at cost:		
Nonutility property	76,889	76,889
Operating lease right-of-use assets	3,963,360	3,546,195
Financing lease right-of-use assets	178,847	190,389
Investments in associated organizations	6,060,485	6,420,215
Special funds	48,442,749	37,679,446
Restricted cash equivalents	30,000	30,000
Long-term prepayments	63,868	79,288
Total other property and investments	58,816,198	48,022,422
Current assets:		
Cash and cash equivalents	27,292,290	24,660,980
Special deposits	60,800	54,800
Restricted cash equivalents	500,000	500,000
Fuel cost / other under-recovery	4,833,334	10,457,347
BRU capital surcharge under-recovery	39,541,081	35,134,484
Accounts receivable, less provision for doubtful accounts of \$184,216 in 2025 and \$706,568 in 2024	57,649,542	63,574,644
Materials and supplies	61,711,405	55,455,397
Fuel stock	14,490,956	16,397,532
Prepayments	6,496,907	6,327,462
Other current assets	7,240,761	6,355,720
Total current assets	219,817,076	218,918,366
Other non-current assets:		
Deferred charges, net	96,684,092	100,915,293
Total other non-current assets	96,684,092	100,915,293
Total assets	\$ 1,926,179,862	\$ 1,914,311,468

(Continued)

Chugach Electric Association, Inc.
Consolidated Balance Sheets
As of December 31, 2025 and 2024

Liabilities, Equities and Margins	December 31, 2025	December 31, 2024
Equities and margins:		
Memberships	\$ 2,065,333	\$ 2,050,603
Patronage capital	212,894,768	201,159,028
Other	18,528,942	18,234,436
Total equities and margins	233,489,043	221,444,067
Long-term obligations, excluding current installments:		
Bonds payable	1,124,099,995	1,180,916,662
Notes payable	7,752,000	10,944,000
Less unamortized debt issuance costs	(5,799,473)	(6,188,050)
Operating lease liabilities	3,921,001	3,507,814
Finance lease liabilities	174,636	183,461
Total long-term obligations	1,130,148,159	1,189,363,887
Current liabilities:		
Current installments of long-term obligations	60,059,851	56,740,177
Commercial paper	192,000,000	122,000,000
Accounts payable	21,422,281	26,288,560
Consumer deposits	1,539,872	1,573,848
Accrued interest	10,587,603	11,367,280
Salaries, wages, and benefits	12,818,054	12,478,608
Fuel	6,169,905	5,446,060
Undergrounding ordinance liability	0	4,310,931
Provision for rate refund	0	3,125,127
Other current liabilities	4,652,241	4,393,374
Total current liabilities	309,249,807	247,723,965
Other non-current liabilities:		
Deferred compensation	1,894,497	1,926,163
Other liabilities, non-current	909,453	756,807
Deferred liabilities	15,119,999	13,840,284
BRU regulatory liability	61,022,828	70,602,268
Cost of removal obligation / asset retirement obligation	174,346,076	168,654,027
Total other non-current liabilities	253,292,853	255,779,549
Total liabilities, equities, and margins	\$ 1,926,179,862	\$ 1,914,311,468

See accompanying notes to consolidated financial statements

Chugach Electric Association, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2025, 2024, and 2023

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 375,694,560	\$ 358,414,052	\$ 362,719,790
Operating expenses:			
Fuel	71,349,375	72,378,079	81,591,442
Production	38,203,714	38,948,381	40,744,453
Purchased power	29,160,538	27,548,251	31,643,099
Transmission	10,130,329	9,276,836	8,713,758
Distribution	32,256,055	29,911,027	27,150,488
Consumer accounts	12,163,048	11,173,911	10,590,900
Administrative, general, and other	55,633,533	49,305,949	52,317,820
Depreciation and amortization	<u>70,460,540</u>	<u>71,750,564</u>	<u>62,721,621</u>
Total operating expenses	\$ 319,357,132	\$ 310,292,998	\$ 315,473,581
Interest expense:			
Long-term debt and other	51,300,048	48,890,559	44,310,173
Charged to construction	(2,559,364)	(2,093,424)	(2,711,529)
Interest expense, net	<u>\$ 48,740,684</u>	<u>\$ 46,797,135</u>	<u>\$ 41,598,644</u>
Net operating margins	<u>\$ 7,596,744</u>	<u>\$ 1,323,919</u>	<u>\$ 5,647,565</u>
Nonoperating margins:			
Interest income	3,183,276	2,803,939	1,885,161
Allowance for funds used during construction	341,389	1,018,466	243,706
Capital credits, patronage dividends and other	<u>1,286,293</u>	<u>1,074,777</u>	<u>323,349</u>
Total nonoperating margins	\$ 4,810,958	\$ 4,897,182	\$ 2,452,216
Assignable margins	<u>\$ 12,407,702</u>	<u>\$ 6,221,101</u>	<u>\$ 8,099,781</u>

See accompanying notes to consolidated financial statements.

Chugach Electric Association, Inc.
Consolidated Statements of Changes in Equities and Margins
Years Ended December 31, 2025, 2024, and 2023

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Memberships:			
Balance at beginning of period	\$ 2,050,603	\$ 2,019,553	\$ 1,986,171
Memberships and donations received	14,730	31,050	33,382
Balance at end of period	<u>\$ 2,065,333</u>	<u>\$ 2,050,603</u>	<u>\$ 2,019,553</u>
Other equities and margins:			
Balance at beginning of period	18,234,436	16,832,685	15,594,172
Unclaimed capital credits retired	(19,529)	1,178,053	1,087,783
Memberships and donations received	314,035	223,698	150,730
Balance at end of period	<u>\$ 18,528,942</u>	<u>\$ 18,234,436</u>	<u>\$ 16,832,685</u>
Patronage capital:			
Balance at beginning of period	201,159,028	199,208,815	194,755,133
Assignable margins	12,407,702	6,221,101	8,099,781
Retirement of capital credits	(671,962)	(4,270,888)	(3,646,099)
Balance at end of period	<u>\$ 212,894,768</u>	<u>\$ 201,159,028</u>	<u>\$ 199,208,815</u>
Total equities and margins	<u>\$ 233,489,043</u>	<u>\$ 221,444,067</u>	<u>\$ 218,061,053</u>

See accompanying notes to consolidated financial statements.

Chugach Electric Association, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2025, 2024, and 2023

	2025	2024	2023
Cash flows from operating activities:			
Assignable margins	\$ 12,407,702	\$ 6,221,101	\$ 8,099,781
Adjustments to reconcile assignable margins to net cash provided by operating activities:			
Depreciation and amortization	70,460,540	71,750,563	62,721,621
Amortization and depreciation cleared to operating expenses	10,519,163	8,938,883	13,029,130
Allowance for funds used during construction	(341,389)	(1,018,466)	(243,706)
PILT and other non-cash charges	(3,424,769)	5,035,162	(650,153)
(Increase) decrease in assets:			
Accounts receivable, net	4,179,362	1,408,224	(12,136,257)
Fuel cost under-recovery	5,624,013	(2,009,932)	(6,953,672)
Materials and supplies	(5,503,612)	(2,051,749)	(3,775,749)
Fuel stock	1,906,576	(6,424,966)	8,282,360
Prepayments	(154,025)	(737,089)	875,546
Other assets	25,666	(120,121)	(385,095)
Deferred charges	(3,412,179)	(10,891,511)	(6,800,754)
Increase (decrease) in liabilities:			
Accounts payable	(14,778,665)	(6,145,876)	8,447,779
Consumer deposits	(33,976)	(189,777)	(676,247)
Accrued interest	(779,677)	3,308,546	(395,414)
Salaries, wages and benefits	339,446	462,743	(77,402)
Fuel	723,845	(153,462)	(1,085,859)
Other current liabilities	910,321	(158,495)	56,490
Deferred liabilities	(7,715,031)	5,706,711	(8,247,368)
Net cash provided by operating activities	<u>70,953,311</u>	<u>72,930,489</u>	<u>60,085,031</u>
Cash flows from investing activities:			
Return of capital from investment in associated organizations	360,021	214,983	359,834
Investment in special funds	(5,950,922)	(5,555,079)	(4,606,433)
Extension and replacement of plant	(104,332,454)	(157,809,836)	(132,882,823)
Net cash used in investing activities	<u>(109,923,355)</u>	<u>(163,149,932)</u>	<u>(137,129,422)</u>
Cash flows from financing activities:			
Net increase in short-term obligations	74,000,000	(16,000,000)	93,000,000
Proceeds from long-term obligations	0	150,000,000	0
Repayments of long-term obligations	(60,692,667)	(48,920,667)	(48,920,667)
Memberships and donations received	328,765	254,747	1,271,895
Retirement of patronage capital and estate payments	(1,342,945)	(3,488,347)	(2,683,126)
Proceeds from consumer advances for construction	29,308,944	28,149,000	23,982,503
Repayments of consumer advances for construction	(743)	0	(75,263)
Net cash provided by financing activities	<u>41,601,354</u>	<u>109,994,733</u>	<u>66,575,342</u>
Net change in cash, cash equivalents, and restricted cash equivalents	2,631,310	19,775,290	(10,469,049)
Cash, cash equivalents, and restricted cash equivalents at beginning of year	<u>\$ 25,190,980</u>	<u>\$ 5,415,690</u>	<u>\$ 15,884,739</u>
Cash, cash equivalents, and restricted cash equivalents at end of year	<u>\$ 27,822,290</u>	<u>\$ 25,190,980</u>	<u>\$ 5,415,690</u>
Supplemental disclosure of non-cash investing and financing activities:			
Cost of removal obligation / ARO	\$ 1,341,578	\$ 39,712,262	\$ 5,978,933
Extension and replacement of plant included in accounts payable	\$ 4,688,409	\$ 14,242,128	\$ 12,887,541
Patronage capital retired/net transferred and included in other current liabilities	\$ 0	\$ 651,454	\$ 1,045,473
Supplemental disclosure of cash flow information - interest expense paid, net of amounts capitalized	\$ 48,335,014	\$ 42,287,267	\$ 40,607,064

See accompanying notes to consolidated financial statements.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

(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, an 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 Homer Electric Association, Inc. (“HEA”) and Golden Valley Electric Association, Inc. (“GVEA”). Power pool sales to Matanuska Electric Association, Inc. (“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”).

On October 30, 2020, Chugach acquired substantially all of the assets of Municipal Light and Power (“ML&P”) from the Municipality of Anchorage, Alaska (“MOA”). Chugach’s North District refers to the ML&P legacy service area, while the South District refers to Chugach’s service area pre-acquisition.

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*”). The consolidated financial statements also include the Chugach Charitable Foundation; however, there was no activity in the Foundation during the year. 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.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

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”) Accounting Standards Codification (“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 cost 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 repair 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. Chugach’s current depreciation rates were approved by the RCA effective January 1, 2023, therefore depreciation and amortization rates at December 31, 2025, and 2024 were as follows:

Annual Depreciation Rate Ranges

	<u>Combined Depreciation Rates</u>		
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%

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.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

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. The ARO asset is depreciated using the DD&A formula previously discussed. The ARO liability is accreted to the estimated ARO date of 2035 using the interest method of allocation. Changes in the estimated ARO cash flows are recognized as an increase or decrease to the ARO asset. BRU ARO surcharge revenue, accretion and depreciation are recognized on the statement of operations with differences in related revenue and expense reclassified to either regulatory assets or liabilities.

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 1%. Chugach also has an equity ownership in CoBank, ACB (“CoBank”) acquired in connection with prior loan agreements, which have since been repaid. Although Chugach no longer has 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 2025, 2024, or 2023.

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. Chugach collects funds based on estimates prepared by an engineering team and restricts the 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.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

The investment allocations are detailed below:

Investment Allocations				
<u>Investment Type</u>	<u>Target</u>	<u>Min</u>	<u>Max</u>	<u>At December 31, 2025</u>
Equity	47%			47.3%
U.S. Large-Cap Equity	22%	12%	32%	22.1%
U.S. Mid-Cap Equity	10%	5%	15%	9.6%
U.S. Small-Cap Equity	5%	0%	10%	5.0%
International Developed Equity	6%	0%	12%	6.4%
Emerging Markets Equity	4%	0%	8%	4.2%
Alternatives	21%			19.9%
Real Estate	3%	0%	6%	2.8%
Alternative Beta	10%	0%	15%	9.7%
Infrastructure	5%	0%	10%	4.7%
Commodities	3%	0%	6%	2.7%
Fixed Income	32%			32.8%
U.S. Fixed Income	18%	8%	28%	17.3%
U.S. High Yield Fixed Income	5%	0%	10%	4.8%
TIPS	2%	0%	10%	1.9%
International Fixed Income	5%	0%	10%	4.8%
Cash	2%	0%	10%	4.0%

The BRU ARO investment fund was \$46.5 million and \$35.8 million as of December 31, 2025, and December 31, 2024, respectively.

Additional funds associated with the BRU for which the RCA has specified the use amounted to \$0.6 thousand as of December 31, 2025, and December 31, 2024. 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 (“CRS”) 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 CRS provides for the exact recovery of BRU capital requirements through a balancing account.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

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, 2025	December 31, 2024
Cash and cash equivalents	\$ 27,292,290	\$ 24,660,980
Restricted cash equivalents	500,000	500,000
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	\$ 27,822,290	\$ 25,190,980

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.

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 CRS. 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. 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 forecast economic conditions. Chugach reviews its allowance for credit losses quarterly. Past due balances over 90 days above 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 Electric Association, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

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. Differences between projected recoverable fuel and purchased power costs and amounts recovered through rates are recognized. 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. All or part of costs that would otherwise be charged to expense are capitalized 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.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

p. Consumer Deposits

Consumer deposits include amounts certain customers are required to deposit to receive electric service. Consumer deposits at December 31, 2025 and 2024 totaled \$1.5 million and \$1.6 million, respectively.

q. 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."

r. 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 3.7%, 3.6%, and 3.4% during 2025, 2024, and 2023, respectively.

s. 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.

t. 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, 2025, 2024, and 2023 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 50% 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, 2022, through December 31, 2025, for United States Federal Income Tax, the tax years which remain subject to examination by major tax jurisdictions as of December 31, 2025.

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u. Reclassifications

For the year ended December 31, 2025, Chugach recorded the following reclassification for the year ended December 31, 2024:

A reclassification representing credit balances, primarily associated with Chugach's Budget Billing program, previously reported as consumer deposits and now reported as other current liabilities. The impact of this reclassification was an increase to other current liabilities and a decrease to consumer deposits of \$2.2 million in 2024. This reclassification had no impact on net cash provided by operating activities.

(3) Accounting Pronouncements

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, and requires relevant FERC forms to be amended to accommodate these changes. This was implemented in 2025, and it did not 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. 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.

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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, 2025, or December 31, 2024.

December 31, 2025	Total	Level 1	Level 2	Level 3
BRU ARO Fund	\$ 46,547,661	\$ 36,147,594	\$ 10,400,067	\$ 0
Future Natural Gas Purchases Fund	\$ 591	\$ 589	\$ 2	\$ 0
Totals	\$ 46,548,252	\$ 36,148,183	\$ 10,400,069	\$ 0

December 31, 2024	Total	Level 1	Level 2	Level 3
BRU ARO Fund	\$ 35,752,151	\$ 29,365,345	\$ 6,386,806	\$ 0
Future Natural Gas Purchases Fund	\$ 566	\$ 564	\$ 2	\$ 0
Totals	\$ 35,752,717	\$ 29,365,909	\$ 6,386,808	\$ 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 estimated fair values of long-term obligations included in the financial statements at December 31, 2025, are as follows (dollars in thousands):

	Carrying Value	Fair Value Level 2
Long-term obligations (including current installments)	\$ 1,191,861	\$ 986,546

(5) Regulatory Matters

General Rate Case Compliance and Rate Unification

On January 30, 2025, the RCA approved Chugach’s compliance filings and refund plan related to its general rate case. With this approval, rates for the North and South Districts were unified. The RCA ordered the immediate unification of rates for legacy Chugach and former ML&P customers, rejecting Chugach’s proposal for gradual rate unification to minimize customer rate shock. The RCA also recognized the importance of Chugach re-entering the SRF process. On February 3, 2025, Chugach received an order from the RCA approving its 2023 General Rate Case Filing and revoking its Certificate of Public Convenience and Necessity (“CPCN”) for the North District Service Territory, as both districts are now consolidated under CPCN 8. Chugach’s new rate schedules took effect in February 2025. On July 8, 2025, the RCA issued an order closing the rate case docket.

On August 18, 2025, Chugach submitted a general rate case filing to the RCA utilizing June 30, 2025, test year. In this filing, Chugach requested a permanent increase to total retail bill levels, equaling an average increase of 4.32% to base rates among the different rate classes. This 4.32% base rate increase would result in an \$11.3 million increase to pro-forma annual retail base rate revenue. Chugach did not request any significant changes to rate structure, margin, or rate-making methodology.

On October 2, 2025, the RCA suspended Chugach’s tariff filing into a formal docket and approved an interim, refundable rate increase of 4.66% to demand and energy for retail customers. A hearing before the RCA is set for August 7, 2026, continuing to August 21, 2026, as necessary. The statutory timeline, and therefore final order on this docket expires on November 11, 2026.

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Simplified Rate Filing

While Chugach’s general rate case is suspended, Chugach is prohibited from utilizing the SRF process to adjust rates until 45 days following the final order on the General Rate Case (“GRC”) docket. After the conclusion of the 2025 rate case, Chugach will resume submitting SRFs on a semi-annual basis with test years ending June 30 and December 31 and filing due dates within 90 days after the end of each semi-annual period. Chugach is obligated to make informational filings if a rate change is not requested with the semi-annual filings.

Operation and Regulation of the Alaska Railbelt Electric and Transmission System

The Electric Reliability Organization (“ERO”) is responsible for conducting integrated resource planning for the Railbelt as well as developing and enforcing reliability standards and transmission and interconnection standards. The Railbelt Reliability Council (“RRC”) is the entity certificated by the RCA to serve as the ERO.

The RRC submits its annual budget to the RCA for review and approval. Once approved, the RRC’s budget forms the basis for monthly surcharge amounts that are collected from the Railbelt utilities, including Chugach. The ERO surcharge is applied to Chugach 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.

Railbelt Reliability Standards

In March 2018, Railbelt Reliability Standards were completed and submitted 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 characteristics of the islanded Railbelt grid. The standards govern the secure operation of the Railbelt electric grid and will be adopted for further development, administration, and enforcement of the ERO. Beginning in 2024, the Railbelt Reliability Council (“RRC”) began systemic revisions of Railbelt reliability standards. The first tranche of updated standards was filed with the RCA in December 2024. Revisions will continue into 2025 and beyond. On December 30, 2024, the Railbelt utilities filed a CPCN to establish an RTO which will administer a Railbelt-wide Open Access Transmission Tariff (“OATT”). The Alaska Railbelt Transmission Organization (RTO), which was granted a CPCN by the RCA on May 6, 2025, filed its initial OATT on July 1, 2025. The filing establishes a framework for nondiscriminatory transmission service across the Railbelt, including a defined backbone transmission system and a formula-based methodology for allocating transmission costs, but does not include initial rates or an approved cost of service. The RCA opened a docket, suspended the tariff for investigation, and required additional testimony and stakeholder input, with participation from Railbelt utilities including Chugach. A procedural schedule has been adopted with hearings extending into 2026, and both the suspension period and decision timeline have been extended by the RCA with party consent. The proceeding remains ongoing, with a statutory deadline for a final order of June 4, 2026. This requirement for Railbelt utilities is the result of House Bill 307, which pass the legislature and was signed into law on September 3, 2024.

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Railbelt Cybersecurity Standards

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.

Beluga River Unit

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 has two thirds working interest in BRU. Hilcorp Alaska is the one-third WIO and operator. Chugach uses GTP as the internal rate for transferring natural gas from its owned gas field to its electricity generation facilities. This price is essential, as it establishes the internal cost of natural gas for power generation and determines the basis for cost recovery from Chugach’s members. GTP is set up by Chugach and approved by the RCA using a cost-recovery methodology rather than reflecting external market rates.

On August 15, 2025, Chugach submitted updates to its BRU Reserves and ARO to the RCA in conjunction with its August 2025 GTP update. The results of the reserve studies conducted by a third-party engineering firm, added an additional 12 Billion Cubic Feet (“Bcf”) in reserves totaling 56 Bcf, and extended the useful life of the field into 2035. The nominal cost increase between the 2022 ARO Study and the 2025 ARO Study is \$35.4 million, which is comprised of a \$3.9 million increase in surface costs and a \$31.5 million increase in subsurface costs. The updated GTP that reflects these updates was approved by the RCA on September 9, 2025, and was included in rates as of October 1, 2025.

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(6) Utility Plant

Major classes of utility plant, net of CIAC, included the following at December 31:

	2025	2024
Steam production plant	\$ 296,724,337	\$ 299,302,689
Hydroelectric production plant	31,667,325	31,275,567
Other production plant	513,202,133	518,052,141
Transmission plant	358,340,694	351,854,154
Distribution plant	549,594,323	525,881,324
General plant	130,465,280	93,097,809
Unclassified electric plant in service ¹	200,606,032	227,864,312
Intangible plant ¹	8,040,863	8,823,072
Beluga River Natural Gas Field (BRU Asset & ARO Asset)	216,017,501	214,675,923
Energy Storage Plant	52,862,524	0
Other ¹	421,349	1,585,177
Total electric plant in service	2,357,942,361	2,272,412,168
Construction work in progress	86,599,025	109,800,333
Total electric plant in service and construction work in progress	\$ 2,444,541,386	\$ 2,382,212,501

¹Unclassified 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 Hydroelectric Project ("Bradley Lake") transmission line financed internally. Other represents Electric Plant Held for Future Use.

(7) Investments in Associated Organizations

Investments in associated organizations included the following at December 31:

	2025	2024
NRUCFC Capital Term Certificates	\$ 5,739,630	\$ 5,902,230
CoBank	273,545	470,737
Other	47,310	47,248
Total investments in associated organizations	\$ 6,060,485	\$ 6,420,215

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(8) Deferred Charges and Liabilities

Deferred Charges

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

	2025	2024
Short-term debt issuance and reacquisition costs	\$ 557,155	\$ 728,399
Refurbishment of transmission equipment	0	30,864
Feasibility studies	6,979,110	3,413,796
Cooper Lake relicensing / projects	4,109,081	4,239,184
Fuel supply	894,405	1,019,818
Other regulatory deferred charges	6,470,726	7,087,384
Bond interest - market risk management	1,921,381	2,209,649
Environmental matters	616,014	661,365
Beluga parts and materials	614,346	1,843,038
Pension plan prepayment	1,440,918	2,161,377
ML&P acquisition, integration, & consolidation	44,027,119	45,969,491
ML&P regulatory assets acquired	279,684	358,391
ML&P acquisition price premium	25,301,814	26,418,071
Incremental COVID-19 costs	3,472,339	4,774,466
Total regulatory assets and deferred charges	\$ 96,684,092	\$ 100,915,293

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

	2025	2024
Total regulatory assets and deferred charges	\$ 6,885,026	\$ 8,339,537

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, GRC filings or specified independent requests or filings. In most cases, regulatory assets and deferred charges are recovered over the life of the underlying asset.

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Deferred Liabilities

Deferred liabilities, included the following at December 31:

	2025	2024
Refundable consumer advances for construction	\$ 634,989	\$ 520,751
Post-retirement benefit obligation	423,298	423,298
Regulatory liability – gas sales	86,906	86,906
Future gas purchases	7,753,729	7,753,705
ARO surcharge deferred liability	6,221,077	5,060,274
Eklutna clearing	<u>0</u>	<u>(4,650)</u>
Total deferred liabilities	<u>\$ 15,119,999</u>	<u>\$ 13,840,284</u>

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, 2025, Chugach had \$212,894,768 of patronage capital (net of capital credits retired in 2025), which included \$200,487,066 of patronage capital that had been assigned and \$12,407,702 of patronage capital to be assigned to its members. At December 31, 2024, Chugach had \$201,159,028 of patronage capital (net of capital credits retired), which included \$194,937,927 of patronage capital that had been assigned and \$6,221,101 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 2024, the Board authorized a retirement not to exceed \$3.7 million, utilizing a 75% First In – First Out (FIFO) and 25% Last In – First Out (LIFO) retirement method.

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(10) Other Equities

A summary of other equities included the following at December 31:

	2025	2024
Nonoperating margins, prior to 1967	\$ 23,625	\$ 23,625
Donated capital	3,841,099	3,527,064
Unclaimed capital credit retirement ¹	14,664,218	14,683,747
Total other equities	\$ 18,528,942	\$ 18,234,436

¹Represents 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 included the following at December 31:

	2025	2024
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	27,000,000	31,500,000
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	98,666,662	104,833,329
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	26,250,000	30,000,000
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	42,500,000	45,000,000
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	24,000,000	26,000,000
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	55,500,000	59,400,000
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	259,000,000	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	439,000,000	445,000,000
2024 Series A Bond of 5.48%, maturing in 2044, with interest payable semi-annually January 29 and July 29 and principal payments beginning in 2025	142,000,000	150,000,000
2016 CoBank Note, 2.58% fixed rate note maturing in 2031, with interest and principal due quarterly beginning in 2016	10,944,000	14,820,000
Total long-term obligations	\$ 1,191,860,662	\$ 1,248,553,329
Less current installments	60,008,667	56,692,667
Less unamortized debt issuance costs	5,799,473	6,188,050
Long-term debt, excluding current installments	\$ 1,126,052,522	\$ 1,185,672,612

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Covenants

Chugach is required to comply with all covenants set forth in the Indenture that secures the 2011, 2012, 2017, 2019, 2020 and 2024 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 (“Credit Agreement”), between Chugach and NRUCFC, Bank of America, N.A., KeyBank National Association and CoBank, ACB, governing loans and extensions of credit associated with Chugach’s commercial paper program. 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. 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.

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The Credit Agreement governing the unsecured facility providing liquidity for Chugach’s commercial paper program requires Chugach to achieve 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, 2025, mature as follows (dollars in thousands):

Year ending December 31	2011 Series A Bonds	2012 Series A Bonds	2016 CoBank Note	2017 Series A Bonds	2019 Series A Bonds	2020 Series A Bonds	2024 Series A Bonds	Total
2026	10,667	6,250	3,192	2,000	3,900	28,000	6,000	60,009
2027	10,667	6,250	2,508	2,000	3,900	28,000	7,000	60,325
2028	10,667	6,250	2,052	2,000	3,900	28,000	7,000	59,869
2029	10,667	6,250	1,596	2,000	3,900	28,000	8,000	60,413
2030	10,667	6,250	1,140	2,000	3,900	28,000	7,000	58,957
Thereafter	72,332	104,500	456	14,000	36,000	558,000	107,000	892,288
	<u>\$ 125,667</u>	<u>135,750</u>	<u>10,944</u>	<u>24,000</u>	<u>55,500</u>	<u>698,000</u>	<u>142,000</u>	<u>1,191,861</u>

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, 2025. The borrowing rate is calculated using the total rate per annum and may be fixed by NRUCFC. The borrowing rate was 5.75% and 6.50% at December 31, 2025 and 2024, 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 10, 2025, and expires December 21, 2030. This line of credit is immediately available for unconditional borrowing.

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Commercial Paper

Chugach maintains a \$300.0 million senior unsecured credit facility, Credit Agreement, as amended June 2019, which is used to back Chugach’s commercial paper program and expires on July 27, 2029. The calculation of the interest on borrowings under the facility is based upon the Secured Overnight Financing Rate (“SOFR”). The participating banks include NRUCFC, Bank of America, N.A., KeyBank National Association and CoBank, ACB.

Commercial paper can be repriced between 1 day and 397 days. Chugach is expected to continue to issue commercial paper in 2026, as needed.

The following table provides information regarding 2025 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	\$ 122.0	4.8%	July	\$ 132.8	4.6%
February	\$ 122.0	4.6%	August	\$ 152.1	4.6%
March	\$ 131.5	4.7%	September	\$ 156.4	4.6%
April	\$ 145.3	4.8%	October	\$ 159.6	4.3%
May	\$ 150.2	4.8%	November	\$ 185.9	4.3%
June	\$ 132.8	4.7%	December	\$ 192.0	4.1%

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 on 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.

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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 on 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.

On July 29, 2024, Chugach issued \$150.0 million of First Mortgage Bonds, 2024 Series A, for the purpose of repaying existing indebtedness and for general corporate purposes. Interest is paid semi-annually on January 29 and July 29 commencing January 29, 2025. The 2024 Series A Bonds pay principal on an annual basis beginning July 29, 2025.

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.

The following table provides additional information regarding the bonds and the CoBank note at December 31, 2025 (dollars in thousands):

	Maturing	Average Life (Years)	Interest Rate	Issue Amount	Carrying Value
2011 Series A, Tranche A	2031	2.7	4.20 %	\$ 90,000	\$ 27,000
2011 Series A, Tranche B	2041	7.7	4.75 %	185,000	98,667
2012 Series A, Tranche A	2032	3.2	4.01 %	75,000	26,250
2012 Series A, Tranche B	2042	11.3	4.41 %	125,000	67,000
2012 Series A, Tranche C	2042	8.2	4.78 %	50,000	42,500
2017 Series A, Tranche A	2037	5.7	3.43 %	40,000	24,000
2019 Series A, Tranche A	2049	8.7	3.86 %	75,000	55,500
2020 Series A, Tranche A	2039	5.9	2.38 %	275,000	259,000
2020 Series A, Tranche B	2050	17.0	2.91 %	525,000	439,000
2024 Series A, Tranche A	2044	5.2	5.48 %	150,000	142,000
2016 CoBank Note	2031	2.3	2.58 %	45,600	10,944
Total				\$ 1,635,600	\$ 1,191,861

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(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 Union of Needletrades, Industrial, and Textile Employees ("UNITE") Hotel Employees and Restaurant Employees ("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 monthly contributions to the RS Plan equal to the amounts accrued for pension expenses.

Chugach made contributions to all significant pension plans for the years ended December 31, 2025, 2024, and 2023 of \$12.1 million, \$11.5 million, and \$11.2 million, respectively.

In December 2012, the committee of the NRECA Board of Directors approved an option to allow participating cooperatives in the RS Plan to make 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, 2025, and 2024 was \$1.4 million and \$2.2 million, respectively.

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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, 2028			N/A ²		
Subject to Funding Improvement Plan	No			No ⁴		
Surcharge Paid	N/A			N/A ⁴		
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>
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)	\$7.4	\$7.2	\$7.1	\$4.7	\$4.3	\$4.1
Contributions > 5% of total plan contributions	Yes	Yes	Yes	No	No	No

¹A “zone status” determination is not required, and therefore not determined under the Pension Protection Act (PPA) of 2006.

²The 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, 2027.

³The Alaska Electrical Pension Plan financial statements are available upon request.

⁴The 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, 2025, 2024, and 2023 were \$9.5 million, \$9.3 million, and \$9.1 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, 2025, 2024, and 2023 totaled \$4.0 million, \$3.7 million, and \$3.6 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, 2025, 2024, and 2023 were \$934.9 thousand, \$913.2 thousand, and \$905.0 thousand, respectively.

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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 \$23,500 in 2025, \$23,000 in 2024, \$22,500 in 2023, and allowed catch-up contributions for those over 50 years of age of \$7,500 in 2025, \$7,500 in 2024, and \$7,500 in 2023. Chugach does not make contributions to the plan.

Deferred Compensation

Effective January 1, 2011, Chugach participates in Vanguard's unfunded Deferred Compensation Program ("Deferred Program") to allow highly compensated employees who elect to participate in the Deferred Program to defer a portion of their current compensation and avoid paying tax on the deferrals until received. The Deferred 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 Deferred Program at December 31, 2025, and 2024 was \$1.9 million and \$1.9 million, respectively.

Potential Termination Payments

Pursuant to a Chugach Operating Policy, non-represented employees, including the executive officers except the Chief Executive Officer, who 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 Bradley Lake, a 120 megawatt (MW) rated capacity hydroelectric facility. 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 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. On December 13, 2017, ML&P executed an agreement with HEA selling ML&P's allocated share of water from the Battle Creek Project to HEA for a period of 20 years. That agreement was assigned to Chugach through the acquisition of ML&P. On February 8, 2024, Chugach provided notice of its intent to terminate the agreement effective December 13, 2037. The share of Battle Creek indebtedness for which Chugach is responsible is 30.4%, or approximately \$10.9 million as of June 30, 2025, the most recent information available.

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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 Chugach is responsible is now approximately \$3.0 million as of June 30, 2025, 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 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 \$87.2 million as of June 30, 2025, the most recent information available.

The following represents information with respect to Bradley Lake at June 30, 2025 (the most recent date for which information is available):

<u>(In thousands)</u>	Total	Proportionate Share
Plant in service	\$ 180,015	\$ 101,348
Long-term debt	195,915	101,044
Interest expense	10,169	5,725

Chugach's share of expenses was \$12.5 million in 2025, \$11.9 million in 2024 and \$12.7 million in 2023, 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, 2025, included \$5.3 million, net of accumulated depreciation of \$5.2 million, which represents Chugach’s share of the Eklutna Hydroelectric Project. At December 31, 2024, plant in service included \$5.6 million, net of accumulated depreciation of \$4.8 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 \$3.1 million, \$3.8 million, and \$3.8 million in 2025, 2024, and 2023, respectively, and is included in purchased power, power production, and depreciation expense in the accompanying financial statements. Chugach performs the major maintenance and daily operations at the power plant, providing personnel who perform daily plant inspections, meter reading, monthly report preparation, and other activities as required.

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(15) Beluga River Unit

Chugach has a 66.7% ownership share of the BRU. Chugach invested in 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 4.6 Bcf at December 31, 2025 and an underlift position of 1.5 Bcf at December 31, 2024. 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. In December 2024, Chugach and Hilcorp entered into an amendment to the Beluga River Unit Joint Operating Agreement Amendment No. 3 Gas Balancing Agreement dated January 1, 1994 to underlift certain volumes of gas which Chugach intends to recover over a period of time post-Hilcorp contract expiration. Chugach records depreciation, depletion, and amortization on BRU assets based on units of production. During 2025, Chugach lifted 11.3 Bcf resulting in a cumulative lift since purchase of 50.1 Bcf. In 2024, Chugach lifted 10.2 Bcf resulting in a cumulative lift since purchase of 38.7 Bcf. Chugach's 2025 BRU Gas Reserve Study results estimated that there are 55.5 Bcf in proven developed and undeveloped reserves as of December 31, 2024, net of 2025 gas production, there are approximately 44.2 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.

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(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 97.9%, 98.2%, and 98.0% of total operating revenue during the years ended December 31, 2025, 2024, and 2023, 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 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.

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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 \$17.8 million and \$15.8 million of unbilled retail revenue at December 31, 2025 and 2024, 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 0.3%, 0.7%, and 1.1% of our revenue during the years ended December 31, 2025, 2024, and 2023, 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 megawatt-hour (“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, Beluga Power Plant equipment and services agreement, and microwave bandwidth. Revenue from these agreements is billed monthly and represented 1.8%, 1.1%, and 0.9% of our total operating revenue during the years ended December 31, 2025, 2024, and 2023, 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, 2025 and 2024 (in millions).

	<u>Base Rate Sales Revenue</u>			<u>Fuel and Purchased Power Revenue</u>			<u>Total Revenue</u>		
	2025	2024	% Variance	2025	2024	% Variance	2025	2024	% Variance
Retail	\$ 262.9	\$ 249.0	5.6%	\$ 92.2	\$ 90.5	1.9%	\$ 355.2	\$ 339.5	4.6%
Wholesale	2.7	2.5	8.0%	3.1	3.3	(6.1%)	5.8	5.8	0.0%
Economy	0.1	1.2	(91.7%)	0.7	2.8	(75.0%)	0.8	4.0	(80.0%)
Power Pool	3.2	1.5	113.3%	2.7	1.3	107.7%	5.9	2.8	110.7%
Total Energy	\$ 268.9	\$ 254.2	5.8%	\$ 98.7	\$ 97.9	0.8%	\$ 367.7	\$ 352.1	4.4%
Wheeling	0.0	0.0	0.0%	1.2	2.5	(51.2%)	1.2	2.5	(51.2%)
Other	4.2	2.7	55.6%	2.6	1.1	135.6%	6.8	3.8	78.6%
Total Miscellaneous	\$ 4.2	\$ 2.7	55.6%	\$ 3.8	\$ 3.6	5.6%	\$ 8.0	\$ 6.3	27.0%
Total Revenue	\$ 273.1	\$ 256.9	6.3%	\$ 102.5	\$ 101.5	1.0%	\$ 375.7	\$ 358.4	4.8%

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c. Contract Balances

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

	December 31, 2025	December 31, 2024
Contract receivables, included in accounts receivable	51,473,538	46,750,215
Contract liabilities	3,072,791	2,206,224

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

Contract liabilities are reported as other current liabilities and represent unapplied cash and budget billing programs from retail customers. Contract liabilities are recognized in revenue as the customer uses electric service.

Significant changes in the contract liabilities balances are as follows:

	December 31, 2025	December 31, 2024
Contract liabilities at beginning of year	2,206,224	2,434,926
Cash received, excluding amounts recognized as revenue during the year	3,072,791	2,201,967
Revenue recognized and transferred from contract liabilities at the beginning of the year	(2,206,224)	(2,430,669)
Contract liabilities at end of year	3,072,791	2,206,224

d. Transaction Price Allocated to Remaining Performance Obligations

The table below includes estimated revenue to be recognized in 2025 related to performance obligations that are unsatisfied (or partially unsatisfied) at December 31, 2025.

	2025
Credit balances	\$ 3,072,791

Credit balances are primarily associated with Chugach's Budget Billing 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.

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(17) Leases

Chugach had three finance leases and six operating leases, most of which were various land easements. Chugach’s six operating leases, recognized as right-of-use assets, consisted of six land leases, with remaining lease terms of 1 to 50 years and a weighted average lease term of 41 years. Chugach’s operating and finance 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 Flows, 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:

	2025	2024	2023
Finance lease cost			
Amortization of right-of-use assets	8,434	13,617	13,014
Interest on lease liabilities	4,223	6,665	7,056
Operating lease cost	150,631	151,504	196,794
Variable lease cost	4,779,420	4,757,536	4,607,926
Total lease cost	4,942,708	4,929,322	4,824,790

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

	2025	2024	2023
Cash paid for amounts included in the measurement of liabilities:			
Operating cash flows from operating leases	\$ 167,757	\$ 148,463	\$ 199,835
Operating cash flows from finance leases	15,412	17,238	17,841

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

	2025	2024
Operating lease right-of-use assets	\$ 3,963,360	\$ 3,546,195
Finance lease right-of-use assets	178,847	190,389
Total right-of-use assets	\$ 4,142,207	\$ 3,736,584
Operating lease liabilities	3,921,001	3,507,814
Finance lease liabilities	174,636	183,461
Current installments of lease liabilities	51,184	47,510
Total lease liabilities	\$ 4,146,821	\$ 3,738,785

Maturities associated with lease liabilities at December 31, 2025:

2026	\$ 188,313
2027	186,504
2028	186,504
2029	186,504
2030	186,504
Thereafter	6,867,242
Total lease payments	7,801,571
Less imputed interest	3,654,750
Present value of lease liabilities	\$ 4,146,821

(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, 2025, 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 71.6% 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, 2028**. Chugach also has a CBA with the HERE, which is effective through **June 30, 2028**.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

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 79.4 Bcf. 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 gas transportation over the connecting pipeline systems. Chugach has gas transportation agreements with ENSTAR and Harvest.

Chugach has two active gas storage contracts with CINGSA that conclude on March 31, 2032. The Firm Storage Service (“FSS”) storage agreement provides for up to 2.1 Bcf of capacity. The Interruptible Gas Storage Services (“ISS”) storage agreement provides for up to 1.0 Bcf of capacity.

Of the total electric energy produced and purchased by Chugach in 2025, 80.8% was generated from natural gas. Of this, 53.5% of the gas-based power was generated at SPP and 45.0% at Sullivan power plants, and the remaining 1.5% being generated at the Beluga, Nikkels, and Eklutna power plants. In 2024, 83.8% of our power was generated from gas, with 49.4% at SPP, 46.1% at Sullivan, and the remaining 4.5% being generated at the Beluga, Nikkels, and Eklutna power plants.

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

	2025	2024	2023
Hilcorp	77.5%	77.3%	86.8%
Furie	0.0%	0.0%	0.3%
CINGSA (Storage)	8.3%	8.4%	5.2%
ENSTAR Pipeline	11.1%	10.2%	5.9%
Harvest (Hilcorp) Pipeline	3.1%	3.3%	1.9%

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 and to the Kenai Peninsula Borough quarterly. These taxes are a direct pass-through to consumer bills and therefore do not impact on 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.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

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 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 \$0 and \$4.3 million for this charge at December 31, 2025 and 2024, 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. Costs associated with environmental remediation obligations are accrued when they 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 operations, or cash flows. However, the implementation of any additional new law or regulation, or the limitations thereof, or changes in our 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.

On May 9, 2024, the final rule was published. It appears the final greenhouse gas rule has effectively created an exemption for non-contiguous states. The final rule does not regulate existing combustion turbines anywhere at this time, but EPA has opened a separate docket for future regulation of these sources. There is no announced timeline for the future regulation.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

While multiple lawsuits were filed against the EPA to seek judicial review of the final regulation and multiple petitions were filed seeking to stay implementation of the rule, requests to stay the rule were denied. Despite the lawsuits, this ruling is not material to Chugach, as for new and reconstructed combustion turbine (“CT”) sources, the final GHG rule states that EPA understands there are no current plans for new combustion turbines in Alaska, but such units would only be subject to the first phase of Best System of Emission Reduction (“BSER”) (which is high efficiency generation and best operating and maintenance practices). Any new Alaskan Electric Utility Generating Units (“EGU”) would not become subject to the 90% carbon capture and storage requirement, which is Phase II (begins 2032). Chugach will, however, continue to monitor this standard.

The utility 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 PME program was approved by the Governor of Alaska in October 2024 with completion of the approved PME 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 PME 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 PME program. The Eklutna Hydro Project and municipal water system currently utilize 100% of the Eklutna reservoir water inflows. The PME program has additional capital costs not included in the PME program development and approval. The proposed final PME program was sent to the governor of Alaska on April 25, 2024.

On October 2, 2024, the owners’ final PME program proposal was approved by the governor, with three amendments. Amendment one requires the inclusion of a governor-appointed committee member. Amendment two dictates the proper allocation of federal funds, in the event it is determined that a fixed well gate is not feasible. Amendment three allows the MOA and the Native Village of Eklutna to perform their own hydro alternative study as long as doing so does not interfere with the implementation of the final PME program. The proposal adds water to Eklutna River, protects the MOA’s drinking water supply, and allows for the continued use of the low-cost, renewable power from Eklutna.

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.

(19) Subsequent Events

The Company has evaluated subsequent events through April XX, 2026, 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.



December
2025

Monthly Financial Report



Month to Date Results

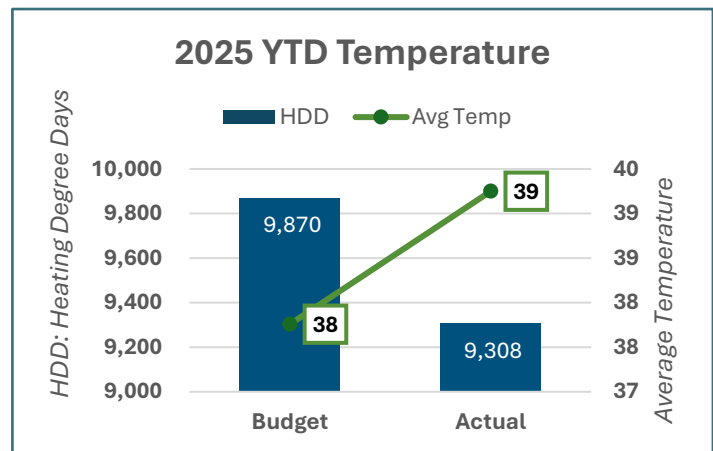
Total sales for December finished above projections. Major drivers were higher than expected, residential, small commercial, and wholesale sales. The increase in sales resulted in base revenue of \$0.9 million (3.5%) higher than budget. Expenses, less fuel and purchased power, were \$2.9 million (15.7%) higher than budget, primarily due to an increase in administrative, general and other expenses along with an increase in production, transmission and distribution expenses.

As a result, December 2025 total margins of \$2.0 million were \$1.4 million below budget.

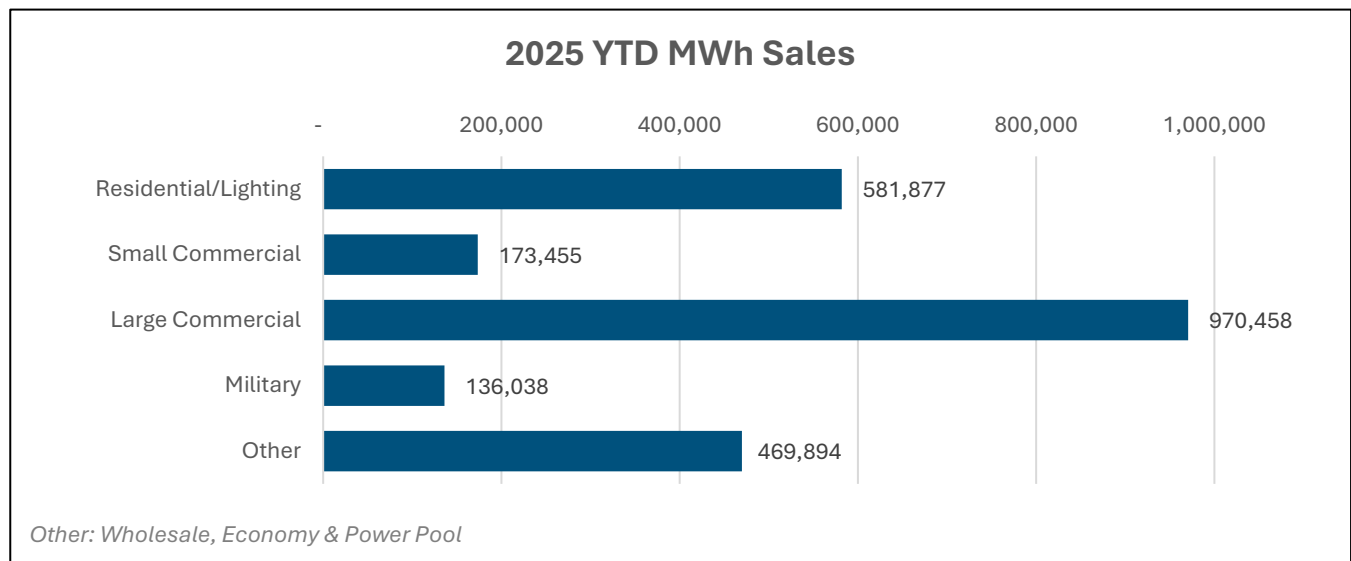
Year to Date Results

Sales and Revenues

Total year-to-date Heating Degree Days (HDD) were 562 days (6%) below expectations, while average temperatures were 4% higher than anticipated. Total retail sales reached 1.9 million MWh, falling short of budget by 0.02 million MWh (1.0%), primarily driven by exceptionally warm weather earlier in the year. Other sales, which consisted of wholesale, economy, and power pool, exceeded budget by 0.04 million MWh (9%).



Retail base revenues were \$1.6 million (1.0%) below budget due to lower than anticipated sales. This, however, was offset by higher-than-expected fuel and purchased power expense recovered in revenue of \$3.4 million (4.0%), resulting in total retail revenue finishing at \$1.9 million (1.0%) over budget.



Operating Expenses

Fuel expense, which includes contracted fuel, storage, transportation, and Beluga River Unit operating cost was \$6.7 million (10.3%) higher than budget. The warmer temperatures experienced in the first quarter led to a strategic change in the usage ratio of Beluga River Unit to contracted fuel. It is important to note that all fuel and purchased power costs, excluding those associated with the Eklutna Purchase Power Agreement (PPA), are recovered through the fuel and purchased power adjustment process resulting in no impact to margins.

Production expense was under budget \$2.8 million (6.7%) due to lower contract services and labor costs.

Purchased power expense was materially on budget.

Transmission expense was under budget \$1.1 million (10.1%) primarily due to lower labor and contract services associated with clearing and system control activities.

Distribution expense was over budget \$1.9 million (6.2%) primarily due to an increase in costs stemming from outage repairs and maintenance following the January winter storm and clearing efforts.

Consumer accounts was materially on budget.

Administrative, general and other expenses were over budget \$2.5 million (4.6%) primarily driven by higher labor and cancelled projects.

Depreciation and amortization expense was \$1.8 million (2.5%) under budget due primarily to retirements associated with plant placed in service and a change in the useful life of certain assets.

Net interest expense consists of interest on long-term debt, other interest expense, and interest charged to construction. Net interest expense was over budget by \$0.7 million (1.5%) due to carrying a higher-than-expected commercial paper balance, unbudgeted fees and lower interest charged to construction as a result of construction delays caused by weather conditions.

Non-operating margins consist of interest income, allowance for funds used during construction (AFUDC), and capital credits, patronage dividends and others. Non-operating margins were over budget by \$2.1 million (78.9%) primarily due to increased interest income and realized gains in the BRU ARO investment fund, which was partially offset by lower AFUDC due to construction delays caused by weather conditions.

Our year-end margins were \$12.4 million, generating an MFI/I of 1.24 and TIER of 1.29.

Supplemental Information

**CHUGACH ELECTRIC ASSOCIATION, INC.
STATEMENT OF OPERATIONS
Month Ending December 31, 2025**
In thousands

CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenue	\$ 34,939	\$ 33,961	\$ 978
Fuel	6,936	5,842	1,095
Production	3,676	3,112	564
Purchase Power	1,591	2,505	(913)
Transmission	1,006	881	125
Distribution	2,977	2,722	255
Consumer accounts	1,050	1,076	(25)
Administrative, General and Other	6,428	4,380	2,047
Depreciation & Amortization	5,931	6,040	(109)
Total Operating Expenses	29,596	26,558	3,038
Long-term Debt and Other Charged To Construction	4,305 (133)	4,322 (165)	(17) 33
Interest Expense, Net	4,172	4,157	15
Net Operating Margins	1,171	3,246	(2,076)
Interest Income	784	164	619
Allowance For Funds Used During Construction	25	28	(3)
Capital Credits, Patronage Dividends And Other	42	18	24
Total Nonoperating Margins	851	210	640
Assignable Margins	2,021	3,457	(1,435)

CHUGACH ELECTRIC ASSOCIATION, INC
CONSOLIDATED STATEMENT OF OPERATIONS
 Twelve Months Ending December 31, 2025

in thousands

CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenue	\$ 375,695	\$ 369,071	\$ 6,624
Fuel	71,349	64,694	6,655
Production	38,204	40,955	(2,751)
Purchase Power	29,161	29,530	(369)
Transmission	10,130	11,263	(1,133)
Distribution	32,256	30,377	1,879
Consumer Accounts	12,163	12,437	(274)
Administrative, General and Other	55,633	53,172	2,461
Depreciation & Amortization	70,461	72,250	(1,789)
Total Operating Expenses	319,357	314,678	4,679
Long-term Debt and Other	51,300	51,159	141
Charged to Construction	(2,560)	(3,155)	595
Interest Expense, Net	48,740	48,004	736
Net Operating Margins	7,598	6,389	1,209
Interest Income	3,183	1,905	1,278
Allowance For Funds Used During Construction	341	569	(228)
Capital Credits, Patronage Dividends and Other	1,286	215	1,071
Total Nonoperating Margins	4,810	2,689	2,121
Assignable Margins	12,408	9,078	3,330
MFI/I	1.24	1.18	
TIER	1.29	1.21	

CHUGACH ELECTRIC ASSOCIATION, INC
STATEMENT OF OPERATIONS
 Year Ending December 31, 2025 and 2024

in thousands

CATEGORY	2025	2024	VARIANCE
Operating Revenue	\$ 375,695	\$ 358,414	\$ 17,281
Fuel	71,349	72,378	(1,029)
Production	38,204	38,948	(744)
Purchase Power	29,161	27,548	1,613
Transmission	10,130	9,277	853
Distribution	32,256	29,911	2,345
Consumer Accounts	12,163	11,174	989
Administrative, General and Other	55,633	49,306	6,327
Depreciation & Amortization	70,461	71,751	(1,290)
Total Operating Expenses	319,357	310,293	9,064
Long-term Debt and Other Charged to Construction	51,300 (2,560)	48,891 (2,093)	2,410 (467)
Interest Expense, Net	48,740	46,798	1,943
Net Operating Margins	7,598	1,324	6,274
Interest Income	3,183	2,804	379
Allowance For Funds Used During Construction	341	1,018	(677)
Capital Credits, Patronage Dividends and Other	1,286	1,075	211
Total Nonoperating Margins	4,810	4,897	(87)
Assignable Margins	12,408	6,221	6,187
MFI/I	1.24	1.13	
TIER	1.29	1.15	

Chugach Electric Association, Inc.
Consolidated Balance Sheets
As of December 31, 2025 and December 31, 2024

in thousands

Assets & Other Debits	Unaudited December 31, 2025	Audited December 31, 2024	Change
Utility plant:			
Electric plant in service	\$ 2,357,942	\$ 2,272,413	\$ 85,529
Construction work in progress	86,599	109,800	(23,201)
Total utility plant	2,444,541	2,382,213	62,328
Less accumulated depreciation	(893,679)	(835,757)	(57,922)
Net utility plant	1,550,862	1,546,456	4,406
Other property and investments, at cost:			
Nonutility property	77	77	0
Operating lease right-of-use assets	3,963	3,546	417
Financing lease right-of-use assets	179	190	(11)
Investments in associated organizations	6,060	6,420	(360)
Special funds	48,443	37,680	10,763
Restricted cash equivalents	30	30	0
Long-term prepayments	64	79	(15)
Total other property and investments	58,816	48,022	10,794
Current assets:			
Cash and cash equivalents	27,292	24,661	2,631
Special deposits	61	55	6
Restricted cash equivalents	500	500	0
Fuel Cost / other under recovery	4,833	10,457	(5,624)
BRU capital surcharge under-recovery	39,541	35,134	4,407
Accounts receivable, net	57,650	63,575	(5,925)
Materials and supplies	61,711	55,455	6,256
Fuel stock	14,491	16,398	(1,907)
Prepayments	6,497	6,327	170
Other current assets	7,242	6,356	886
Total current assets	219,818	218,918	900
Other non-current assets:			
Deferred charges, net	96,684	100,915	(4,231)
Total other non-current assets	96,684	100,915	(4,231)
Total assets	\$ 1,926,180	\$ 1,914,311	\$ 11,869

Chugach Electric Association, Inc.
Consolidated Balance Sheets
As of December 31, 2025 and December 31, 2024

in thousands

Liabilities and Other Credits	Unaudited December 31, 2025	Audited December 31, 2024	Change
Equities and margins:			
Memberships	\$ 2,065	\$ 2,051	\$ 14
Patronage capital	212,895	201,159	11,736
Other	18,529	18,234	295
Total equities and margins	233,489	221,444	12,045
Long-term obligations, excluding current installments:			
Bonds payable	1,124,100	1,180,917	(56,817)
Notes payable	7,752	10,944	(3,192)
Less unamortized debt issuance costs	(5,799)	(6,188)	389
Operating lease liabilities	3,921	3,508	413
Financing lease liabilities	175	183	(8)
Total long-term obligations	1,130,149	1,189,364	(59,215)
Current liabilities:			
Current installments of long-term obligations	60,060	56,740	3,320
Commercial paper	192,000	122,000	70,000
Accounts payable	21,422	26,289	(4,867)
Consumer deposits	1,540	1,574	(34)
Accrued interest	10,588	11,367	(779)
Salaries, wages and benefits	12,818	12,479	339
Fuel Payable	6,170	5,446	724
Undergrounding ordinance liabilities	0	4,311	(4,311)
Provision for rate refund	0	3,125	(3,125)
Other current liabilities	4,652	4,393	259
Total current liabilities	309,250	247,724	61,526
Other non-current liabilities:			
Deferred compensation	1,894	1,926	(32)
Other liabilities, non-current	909	757	152
Deferred liabilities	15,120	13,840	1,280
BRU regulatory liability	61,023	70,602	(9,579)
Cost of removal obligation / asset retirement obligation	174,346	168,654	5,692
Total other non-current liabilities	253,292	255,779	(2,487)
Total liabilities, equities and margins	\$ 1,926,180	\$ 1,914,311	\$ 11,869

The background is a solid dark blue color. It is decorated with a pattern of lighter blue, semi-transparent question marks scattered across the surface. The question marks vary in size and opacity, creating a subtle, textured effect.

Questions?



Chugach Electric Association Discussion with those charged with governance

Audit results for the year ended December 31, 2025

April 8, 2026

Audit results required communications and other matters

Matters to communicate	Reference
Significant unusual transactions	No matters to report
Uncorrected audit misstatements	No matters to report
Corrected audit misstatements	No matters to report
Financial statement presentation and disclosure omissions	No matters to report
Non-GAAP policies and practices	No matters to report
Auditors' report	No matters to report
Changes to our risk assessment and planned audit strategy	No matters to report
Significant accounting policies and practices	Page 4
Significant accounting estimates	No matters to report
Significant financial statement disclosures	Page 4
Significant risks and other audit matters	Page 5

Matters to communicate	Reference
Related parties	No matters to report
Going concern	No matters to report
Other information	Page 6
Subsequent events	No matters to report
Noncompliance with laws and regulations	No matters to report
Significant difficulties encountered during the audit	No matters to report
Significant findings or issues discussed, or the subject of correspondence with management	No matters to report
Management's consultation with other accountants	No matters to report
Disagreements with management	No matters to report
Other significant matters	No matters to report

Audit results required communications and other matters

Matters to communicate

Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
Written communications	Engagement letter, management representation letter to be distributed under separate cover.
Inquiries	See page 9

Significant accounting policies, practices, and disclosures

Description of significant accounting policies and practices

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.”

The revenue recognition accounting policies specific to how Chugach accounts for the inputs into customer rates and the cost of power adjustment (including fuel and purchased power, gas transfer price, and depreciation) are included in footnote 2.

Notes 5 and 8 describe current regulatory matters impacting Chugach and the regulatory assets and liabilities recorded in the balance sheet.

Audit findings

The accounting policy is consistently applied year over year

The accounting policies are consistently applied year over year

The disclosure includes the appropriate information to inform the reader of the current issues facing the entity and whether the amounts recorded as assets and liabilities are currently being recovered through rates.

Risk assessment: Significant risks

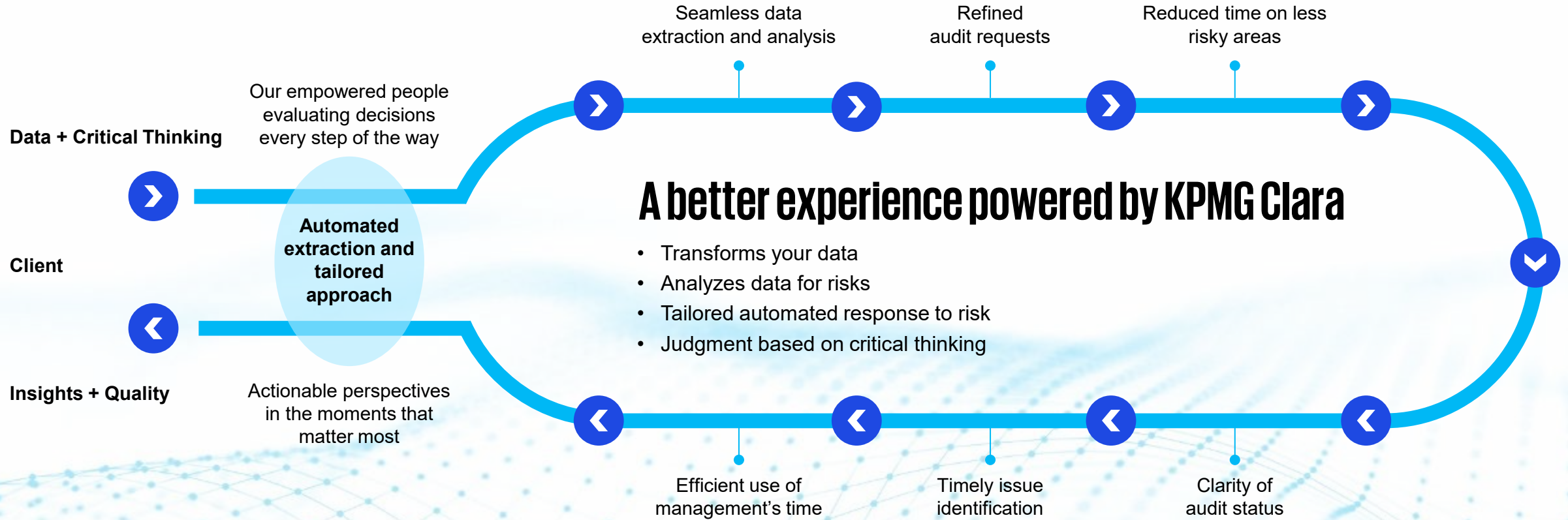
Significant risks	Description of significant risk	Audit Response
Management override of controls	Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.	<ul style="list-style-type: none">- Assessed management's design and implementation of controls over journal entries and post-closing adjustments.- Assessed the appropriateness of the accounting for significant transactions that are outside the normal course of business or are otherwise unusual.- Tested post-closing and high-risk journal entries to ensure entries are properly supported and approved. <p>Results: We did not identify any instances of fraud.</p>

Other matters and other information

Other matter	Procedures performed	Results
Customer information system	<p>We obtained documentation about Chugach’s process to test the implementation of the new system.</p> <p>We also:</p> <ul style="list-style-type: none"> - Verified the PeopleSoft to Cayenta mapping - Reviewed monthly journal entries made to record revenue in the GL system - Reviewed the Infinity ending balance and the Cayenta beginning balance to ensure the conversion brought over the appropriate beginning amounts - Tested a selection of customers to ensure information regarding customer type, revenue type, and customer rate were appropriately transferred 	We did not identify any conversion errors.
Other information	Procedures performed	Results
Annual report	We have obtained and read a draft of the annual report which will include the audited financial statements.	No material inconsistencies were identified that require revision of the other information.

How we work: Creating value for you

Accelerating the future of audit with our technology-driven platform, empowered by strategic partnerships (e.g. Microsoft and MindBridge)



Tangible outcomes

Our continuous pursuit of delivering a better audit experience to Chugach includes:

Audit Area	What we did	Outcome	Change for better
Accounts Payable (AP) Risk Assessment	Analyzed 100% of AP transactions with Power BI to spot anomalies.	Identified outlier trends early, focusing on high-risk items.	Full coverage improved risk detection and saved time on unnecessary procedures.
New Charitable Foundation (“Round-Up” Program) Financial Reporting Considerations	Before the program was temporarily suspended, we used MS 365 Copilot to rapidly draft a memo on a new program by using publicly available information.	Produced a comprehensive draft for team verification and finalization.	Accelerated drafting from hours to minutes, freeing the team for fact-checking and analysis.
Multiple Audit Areas – Document Review (e.g. Invoice Vouching, Evidence Tie-Out)	Employed DataSnipper to automate data extraction and cross-referencing.	Reduced manual vouching effort and errors; ensured consistent documentation.	Streamlined testing, leading to faster reviews and higher audit quality.
General Ledger (GL) – Completeness Check	Used an Alteryx routine for automated, 100% GL completeness testing.	Verified the entire GL population was complete.	Provided greater assurance, saved audit hours, and reduced the risk of human error.

Unlocking value with AI

Our trusted AI framework has enabled us to responsibly deploy GenAI with **unprecedented speed**.

Artificial intelligence		Gen AI		
Capability:	Machine learning	AI chat	AI-agent taskers	AI-agent orchestrators
Definition:	Algorithms to identify patterns, pinpoint outliers	Engaging with AI in natural language	Human-led, reactive task-based solutions	Goal-oriented autonomous proactive solutions
Our use case:	<ul style="list-style-type: none"> • Transaction scoring • Linear regression 	<ul style="list-style-type: none"> • Clara AI, Copilot, aIQ Gemini – secure AI conversations and agents • Pre-defined prompt library • Latest reasoning models with deep research capability 	<ul style="list-style-type: none"> • Process walk-throughs and flowcharts • Pre-configured document analyzer 	<ul style="list-style-type: none"> • Pre-populated substantive procedure templates • Financial statement disclosure analysis

Microsoft partnership provides a secure, governed foundation for responsible GenAI deployment within KPMG Clara.

Google Cloud Gemini Enterprise expands our agentic AI capabilities, enabling scalable, insight-driven value delivery.

AI agents: Transforming organizations

As of Q3 2025:

- **42%** of organizations have now deployed at least some agents
- **55%** of organizations are piloting agents

Data quality and cybersecurity hurdles in achieving GenAI goals, underscoring the urgency of investing in robust data foundations and well-governed strategies.

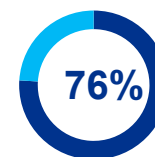
Complexity of agentic systems (**71%**) and technical skills gaps (**55%**) remain key challenges.

Rise in risk mitigation strategies for AI agent deployment:

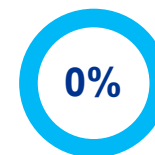
- We are **not yet comfortable with autonomous agents** and will require human-in-the-loop oversight (**61%** from 45% last quarter)
- We are not allowing AI agents **access to sensitive data** without human oversight (**63%** from 45% last quarter)
- We are looking to deploy agents **developed by trusted tech providers** (**74%** from 55%)

Source: [AI Quarterly Pulse Survey Q3 2025](#)

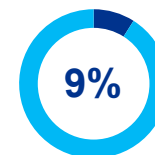
Expectations for AI agent-human collaboration in the workplace over the next 2 to 3 years



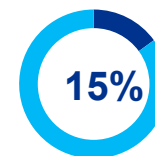
Humans will primarily manage and direct AI agents



AI agents will take lead roles in managing specific projects with human team members



Collaboration will be more peer-to-peer, with neither consistently managing the other



No significant change in current human-AI collaboration practices

Ongoing inquiries

- What are your views about fraud risks, including management override of controls, at the entity and whether you have taken any actions to respond to these risks?
- Are you aware of, or have you identified, any instances of actual, suspected or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
If so, have the instances been appropriately addressed and how have they been addressed?
- Are you aware of or have you received tips or complaints regarding the entity's financial reporting (including those received through the internal whistleblower program, if such program exists) and, if so, what was your response to such tips and complaints?
- How do you exercise oversight over management's assessment of fraud risk and the establishment of controls to address/mitigate fraud risks?
- Has the entity entered into any significant unusual transactions?

- Are you aware of any matters relevant to the audit, including, but not limited to, any instances of actual or possible violations of laws and regulations, including illegal acts (irrespective of materiality threshold)?
- What is the audit committee's understanding of the entity's relationships and transactions with related parties that are significant to the entity?
- Does any member of the audit committee have concerns regarding relationships or transactions with related parties and, if so, what are the substance of those concerns?
- Have any subsequent events occurred that might affect the financial statements?
- Have there been any correspondence with regulators or licensing authorities?

US Audit Quality and Transparency Reports

- Interactive dashboard highlights key quality metrics
- Details KPMG's investment in our audit approach, people, technology, quality management system and the future of audit

Audit Quality Report

- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's System of Quality Control
- Discusses how the firm aligns with the requirements and intent of applicable professional standards, including our System of Quality Control Statement of Effectiveness

Transparency Report

Reports and supplements available at: <https://kpmg.com/us/en/articles/audit-quality-report.html>

Beginning with the fiscal year 2024, a separate NYSE supplement is not provided as the relevant information has been incorporated into the transparency report.

On the 2026 board agenda

Issues for boards to keep in mind as they carry out their 2026 agendas

Reassess the board's engagement in strategy—particularly scenario planning, agility, crisis planning, and resilience.

Understand the company's AI strategy and related risks and opportunities, and closely monitor the governance structure and talent/workforce needs around the deployment and use of the technology.

Consider the adequacy of the company's data governance framework and processes.

Assess whether the company's cybersecurity governance framework and processes are keeping pace.

Keep material sustainability issues embedded in risk and strategy discussions, and monitor management's preparations for sustainability reporting requirements as well as shareholder expectations.

Sustain a healthy board-CEO relationship.

Revisit board and committee risk oversight responsibilities and allocation among committees.

[*KPMG Board Leadership Center: On the 2026 board agenda*](#)



Questions?

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For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

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Executive Session Motion
(Financial)
April 8, 2026

**Chugach Electric Association, Inc.
Audit and Finance Committee Meeting**

Agenda Item IX.

Move that pursuant to Alaska Statute 10.25.175(c)(1), the Board of Directors go into executive session to discuss and receive reports regarding matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative.

Chugach Electric Association, Inc.
Anchorage, Alaska

Summary of Executive Session Topics for
Audit and Finance Committee Meeting on April 8, 2026
Agenda Item IX.

- A. Discussion of confidential and sensitive information concerning internal controls of Chugach's accounting department, public disclosure of which could have an adverse effect on the finances of the Association. (AS 10.25.175(c)(1))
- B. Discussion of confidential and sensitive information between Chugach's Board and Auditor, KPMG, public disclosure of which could have an adverse effect on the finances of the Association. (AS 10.25.175(c)(1))