



CHUGACH

POWERING ALASKA'S FUTURE

2021 ANNUAL REPORT



TO OUR MEMBERS



RACHEL MORSE
BOARD CHAIR

For nearly 75 years, Chugach has prided itself on keeping our commitment to provide safe, reliable, affordable power, along with exceptional customer service. Although the COVID-19 pandemic has had a major impact on our business over the past two years, we haven't lost sight of our core value as a member-owned electric cooperative, putting our members and community at the center of our decision making.

2021 was another incredible year at Chugach as it was the first full year as a combined utility after the acquisition of Municipal Light & Power at the end of 2020. As we continue to integrate our work practices and our cultures, the Board of Directors remains focused on ensuring the efficiencies and cost savings outlined in the initial plans for the acquisition are realized, measured, and benefit members with lower, long-term electric rates.

The future is full of opportunity as we consider efforts toward decarbonization, reducing emissions and the impact on the environment. Chugach is pursuing a goal of adding 100,000 megawatt hours of renewable generation by the end of the first quarter of 2025, and that goal will undoubtedly result in some exciting new projects.

On behalf of the Board of Directors, I'd like to thank Lee Thibert for his leadership as CEO the past six years. Lee's contributions to Chugach over 35 years have left an immeasurable impact and we will miss him.

*2021 Chugach Board of Directors
L to R: Rachel Morse, Chair; Harold Hollis, Treasurer; Bettina Chastain, Vice Chair; Mark Wiggin, Director; Erin Whitney, Director; Jim Henderson, Secretary; Sam Cason, Director.*



LEE THIBERT
CEO

Throughout 2021, Chugach faced many challenges as our employees carried out their routine work requirements along with the added workload of integration efforts and mitigating the impacts of the COVID-19 pandemic. But, not surprisingly, the work got done as everyone adapted, excelled, and demonstrated a level of teamwork that enabled Chugach to provide safe work environments while maintaining essential services to our members and the communities we serve.

In our first full year as an integrated utility, we learned a great deal about the value and efficiencies of one utility. We also maintained a strong safety record and excellent reliability statistics as you will read about in this annual report.

I am proud of the Chugach team and also appreciate the oversight of the Board of Directors as we have navigated through many major initiatives in the past few years.

As I retire after more than three decades with Chugach, I want to thank the members for your support and feedback over the years. You make your utility stronger when you tell us what works and what could be better.

Thank you to the employees and the board. I look forward to hearing about all of the great successes in the years ahead.



*2021 Chugach Management L -R:
Matt Clarkson, Exec. VP: General Counsel; Sherri Highers, CFO/ EVP: Finance & Admin.; Brian Hickey, COO; Arthur Miller, EVP: Regulatory & External Affairs; Lee Thibert, CEO; Connie Owens, Executive Office Manager; Tyler Andrews, EVP: Employee Services & Comms.; Mark Fouts, EVP: Fuel & Corporate Planning.*

At Chugach, safety always comes first

Safety is the #1 priority at Chugach. Our team continuously looks for ways to improve our safe work environment and culture of safety with training and sharing best practices. We finished 2021 with a strong safety record. Our lost time rate of 1.1 is close to the industry standard of 1.0. Additionally, our year-end OSHA injury rate of 2.77 is below the Bureau of Labor Statistics national five-year utility average of 2.94. We are proud of our team working safely and collaboratively as we manage the challenges of COVID-19 and the integration of two utilities.



Promoting fast charging for electric vehicles

As more electric vehicles (EVs) charge on Chugach's system, it helps lower the cost of electricity for all members. We are working to break down one of the main barriers keeping drivers from purchasing EVs: the lack of direct current (DC) fast charging stations along Alaska's highways. Chugach worked with the other electric utilities on the Railbelt to create electric rates that will allow high speed charging networks of the future to develop in the Railbelt. The effort culminated with Chugach submitting new proposed rates to the Regulatory Commission of Alaska that will open the door to DC fast charging from Homer to Fairbanks.



Acquisition anniversary

October 2021 was the one-year anniversary of the acquisition of Municipal Light & Power. The acquisition has been a success, resulting in significant savings that far exceeded targeted levels. Year one saw savings in excess of \$20 million in areas such as labor, legal, IT, fuel, and more. Additional savings are expected over the next several years as efficiencies resulting from combined operations are fully realized. Members are experiencing lower costs that will continue to be passed on in the form of lower electric rates.

Managing the impacts of COVID-19

The global pandemic continued to have an impact on Chugach during 2021 as businesses closed or limited operations, resulting in a significant loss of electric load. But despite the many challenges, we were still able to continue providing safe, reliable power to our members. Over the course of the pandemic, Chugach received more than \$5.5 million in federal, state, and local grants; all of which was applied to thousands of member accounts as we helped those who were facing financial hardship due to the pandemic. Additionally, Chugach kept the member services center fully staffed and open with our all-Alaska staff meeting the needs of members each day.

Connecting with community

Concern for community is one of the seven principles of a member-owned cooperative, and Chugach believes strongly in supporting the communities we serve. Our Employee Volunteer Program allows employees to use 16 work hours a year to volunteer with local non-profits. Since its inception in 2019, employees have spent nearly 200 hours donating their time and talent to the local organizations they care about. The Salvation Army, Children's Lunchbox, the Alaska Humane Society, and the American Heart Association are just a few of the organizations we connected with in 2021.



2021 IN REVIEW



Mobile radio upgrade project

Chugach completed its Mobile Radio upgrade project aimed at replacing the legacy radio systems used by Chugach and the former ML&P. The project was completed in two phases. The first phase replaced aging equipment at 15 repeater sites as well as 200+ crew radios in service since the early 2000s. A second phase of the project provided radio coverage and crew radio communications for the legacy ML&P service territory. The new digital system provides better coverage than the former analog system while meeting current and future FCC mandates, and significantly improves overall communication among Chugach employees, vehicles, and power plants.

Substation 3 rebuild

Reliability to a downtown neighborhood will be improved after the rebuild of Substation 3. Located at the corner of 2nd and Barrow, the original substation was a 4kV substation and it was rebuilt as a 12.47kV substation. In addition to handling future electric load, the rebuilt substation will also handle the load currently served by Substation 9, which is on Alaska Railroad property and being vacated to make room for a new condominium project. The rebuilt Substation 3 has improved safety features including a new fence, transformer firewall, and transformer containment. All overhead wires and poles were undergrounded and the local roads were improved as part of the project. The substation is expected to be commissioned in Spring 2022.

Improved reliability for Cooper Landing

Reliability will be improved for residents of Cooper Landing with the Daves Creek Reliability Project. Phase 1 of the project was completed in 2021 with pole framing activities and overhead wire installation. Chugach rebuilt four miles of the distribution line from the Daves Creek substation to Sunrise Inn. Completion of all project phases will result in increased capacity and improved reliability with the new poles, replacing conductors, and installing new cross arms on the feeder. The Phase 2 plan is to rebuild sections of the Daves Creek distribution lines from Mile Post 46.5 to the Kenai River Crossing near Blakley Drive.



Two major undergrounding projects completed

As part of its commitment to underground overhead lines, Chugach completed two major overhead-to-underground projects in 2021. One mile of distribution and sub-transmission lines were undergrounded on the east side of the Old Seward Highway between O'Malley and Huffman Roads. Additionally, another 0.75 mile was undergrounded on Arctic Boulevard, from Raspberry to Dimond. In 2005, the Anchorage Assembly passed an ordinance requiring electric utilities to have a five-year undergrounding plan and spend a percentage of annual gross retail revenue on the effort. Chugach targets about \$6.6 million annually to underground existing overhead lines. Chugach's undergrounding plan is posted at chugachelectric.com.



CHUGACH at a glance

NOT-FOR-PROFIT
MEMBER-OWNED
ELECTRIC COOPERATIVE

Corporate Information

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Investor Information

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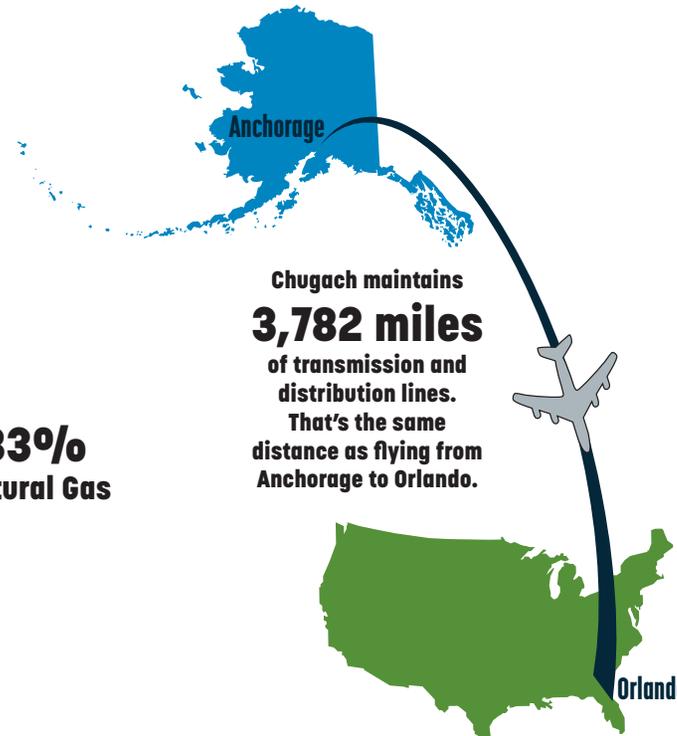
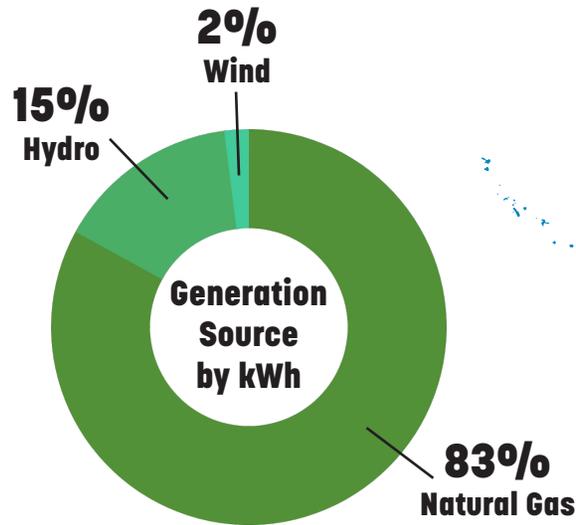
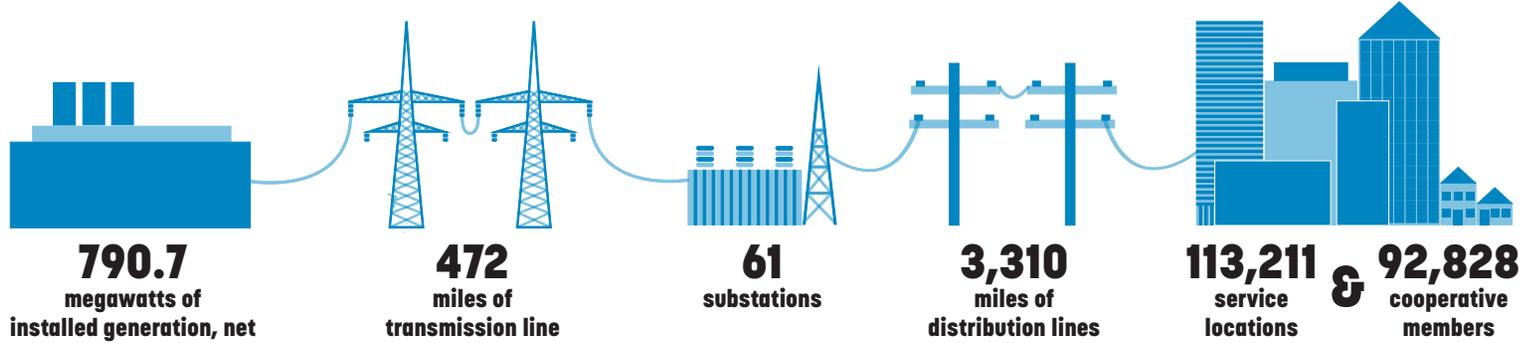
Independent Auditor

KPMG LLP
701 W. Eighth Ave., Ste. 600
Anchorage, AK 99501

Follow us on

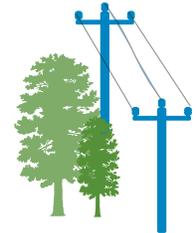


@chugachelectric



Reliability

2.37 hours
average outage length
per customer in 2021,
up 0.69 from 1.68 in 2020



199 miles
of line cleared
of trees to increase
reliability

2.33 hours
5-year average outage
length per customer,
up 0.17 from 2.16 in 2020

Incorporation

Chugach Electric Association, Inc. was incorporated in Alaska on March 1, 1948, with funding under the Rural Electrification Act (REA) of 1936, as amended. In 1991, Chugach refinanced and paid off its federal debt, leaving the REA program. Chugach remains a cooperative and ranks among the largest of the more than 900 electric cooperatives in the nation.

Equal Employment Opportunity

It is a policy of Chugach Electric Association, Inc., to recruit, hire, train, promote and compensate persons without regard to race, color, religion, national origin, sex, marital status, pregnancy, parenthood, physical or mental disability, veteran's status, age or any other classification protected by applicable federal, state or local law.

TREASURER REPORT



HAROLD HOLLIS
Treasurer

2021 was our first full year of combined operations since the acquisition of ML&P. Despite the adverse economic impact related to COVID-19 on Chugach's revenues, we are pleased to report that Chugach achieved margins, which for a cooperative is our bottom line, or revenues in excess of current costs, totaling \$9.6 million. Although the RCA approved regulatory support for 2021 through a deferred expense method, Chugach was able to achieve acceptable financial performance through active expense management instead.

Total energy sales to retail, wholesale, economy, and power pool customers were 2.1 billion kilowatt-hours (kWh) compared to 2.1 billion kWh in the 2021 budget and 1.3 billion kWh in 2020. Overall current year sales were lower than budget by only 0.3% but higher compared to 2020, due to a full year of activity after the ML&P acquisition.

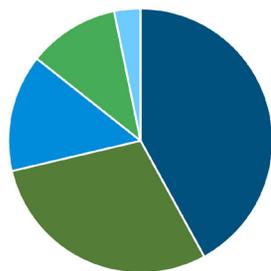
In addition, power pool sales with MEA began in April and totaled 81.7 million kWh for the year, resulting in overall fuel savings of over \$0.4 million and a carbon dioxide equivalent reduction of 3,000 metric tons.

Overall, revenue was higher in 2021 compared to 2020 due to a full year of activity after the ML&P acquisition. Total revenue was \$354.5 million, up from \$237.4 million in 2020, but down from \$364.3 million in the 2021 budget. This was primarily due to lower large commercial demand caused by the continued economic impact of the COVID-19 pandemic environment.

During 2021, Chugach invested over \$43 million in utility plant while repaying \$42 million in long-term debt. We ended the year with a margins-for-interest-to-interest ratio of 1.22, above our indenture metric of 1.10, but below our authorized TIER of 1.55. Our equity-to-total-capitalization ratio came in at 14.75%, which was higher than our 2020 equity ratio of 13.9%.

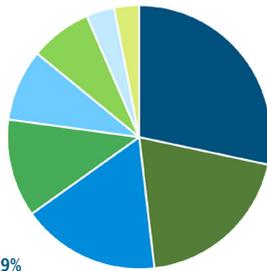
Chugach's credit ratings with Standard & Poor's Rating Services and Fitch Ratings remains unchanged at "A" (Stable) and "A-" (Stable), respectively.

2021 NET UTILITY PLANT
\$1,479,091 (in thousands)



- Generation: 42%
- Distribution: 29%
- Transmission: 15%
- BRU: 11%
- General & Other: 3%

2021 TOTAL OPERATING EXPENSES
\$305,336 (in thousands)



- Fuel: 29%
- Depreciation & Amortization: 18%
- Administrative, General & Other: 14%
- Production: 12%
- Purchased Power: 11%
- Distribution: 9%
- Consumer Accounts: 4%
- Transmission: 3%

FINANCIAL RESULTS

Consolidated Balance Sheets as of December 31 (in thousands)

Assets	2021	2020
Net Utility Plant	\$1,479,091	\$1,513,177
Other Property & Investments	54,858	32,124
Current Assets	150,066	181,475
Deferred Charges, net	112,348	110,489
Total Assets	\$1,796,363	\$1,837,265

Liabilities, Equities and Margins	2021	2020
Equities and Margins	\$206,001	\$198,850
Long-Term Obligations	1,194,171	1,236,281
Current Liabilities	137,251	130,229
Long-Term and Deferred Liabilities	258,940	271,905
Total Liabilities, Equities and Margins	\$1,796,363	\$1,837,265

Consolidated Statements of Operations (in thousands)

	2021	2020
Operating revenues	\$354,458	\$237,429
Fuel	86,562	60,123
Production	36,640	24,557
Purchased power	23,129	22,380
Transmission	9,314	7,324
Distribution	26,799	18,914
Consumer accounts	10,554	8,200
Administrative, general and other	51,872	29,399
Depreciation and amortization	60,466	36,875
Total operating expenses	305,336	207,772
Interest expense, net	39,984	25,174
Net operating margins	9,138	4,483
Total nonoperating margins	440	514
Assignable margins	\$9,578	\$4,997

Consolidated Statement of Changes in Equities and Margins (in thousands)

Balance, January 1, 2021	\$198,850
Assignable margins	9,578
Retirement/net transfer of capital credits	(2,569)
Unclaimed capital credit retirements	(26)
Memberships and donations received	168
Balance, December 31, 2021	\$206,001

Consolidated Statements of Cash Flows (in thousands)

	2021	2020
Cash flows from operating activities:		
Assignable margins	\$9,578	\$4,997
Adjustments to reconcile assignable margins to net cash provided by operating activities:		
Depreciation and amortization	73,699	44,848
Allowance for funds used during construction	(112)	(147)
Other	550	1,218
(Increase) decrease in assets:	(2,331)	(42,879)
Increase (decrease) in liabilities:	(15,608)	9,557
Net cash provided by operating activities	\$65,776	\$17,594

Cash flows from investing activities:		
Investment in ML&P Acquisition	-	(699,528)
Investment in special funds/marketable securities	(22,860)	(1,087)
Proceeds from special funds/marketable securities	-	1,379
Extension and replacement of plant	(43,929)	(27,107)
Other/proceeds from capital grants	3,141	558
Net cash used in investing activities	\$(63,648)	\$(725,785)

Cash flows from financing activities:		
Net increase (decrease) in short-term obligations	12,000	(14,000)
Proceeds from long-term obligations	-	800,000
Repayments of long-term obligations	(41,965)	(26,837)
Other	5,036	860
Net cash (used in) provided by financing activities	\$(24,929)	\$760,023

Net change in cash and cash equivalents	(22,801)	51,832
Cash* at beginning of period	60,456	8,624
Cash* at end of period	\$37,655	\$60,456

*Cash includes cash, cash equivalents and restricted cash