

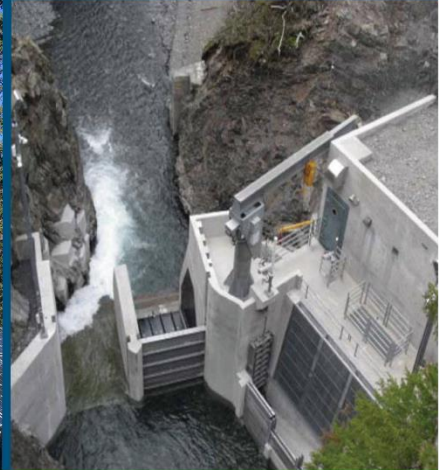
WIND



SOLAR



HYDRO



THE FUTURE IS NOW



STORAGE



ELECTRIC VEHICLES



SMALL NUCLEAR

2022 - 2026

STRATEGIC PLAN

CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

CHUGACH
POWERING ALASKA'S FUTURE

TABLE OF CONTENTS

A BRIEF HISTORY OF POWER IN ANCHORAGE.....	3
COOPERATIVE BENEFITS.....	4
HISTORY OF COOPERATIVES.....	4
THE SEVEN COOPERATIVE PRINCIPLES	4
THE PAST, PRESENT & FUTURE	5
NEW ENERGY LANDSCAPE.....	6
MESSAGE FROM THE BOARD CHAIR AND CHIEF EXECUTIVE OFFICER	7
ACKNOWLEDGMENT OF RESPONSE TO COVID-19	8
2021 KEY ACCOMPLISHMENTS	8
CORE VALUES.....	9
MISSION, VISION AND VALUES	10
SUSTAINABILITY.....	11
STRATEGIC PRIORITY AREAS.....	12
STRATEGIC PRIORITY 1: SAFETY	13
STRATEGIC PRIORITY 2: INTEGRATION SYNERGIES & COST SAVINGS.....	14
STRATEGIC PRIORITY 3: COMMUNICATION, MEMBER ENGAGEMENT & COMMUNITY INVOLVEMENT.....	15
STRATEGIC PRIORITY 4: BUSINESS PLANNING & ECONOMIC DEVELOPMENT.....	16
STRATEGIC PRIORITY 5: LEADERSHIP, MANAGEMENT & EMPLOYEE DEVELOPMENT.....	17
STRATEGIC PRIORITY 6: DECARBONIZATION	18
STRATEGIC PRIORITY 7: BELUGA RIVER UNIT.....	19

A BRIEF HISTORY OF POWER IN ANCHORAGE

In 1915, the Alaska Railroad selected Anchorage as the location of their construction camp. At the time, there was no electricity in Anchorage and residents and businesses used oil, carbide lamps and candles for light. In 1916, the first electricity in Anchorage was supplied by a 900-kilowatt steam driven generator owned and operated by the Alaska Railroad. Anchorage was still just a tent city when the Alaska Engineering Commission (AEC) installed the first electrical distribution system in Anchorage. The city of Anchorage operated the distribution system under a lease agreement, first with the AEC and later with the Alaska Railroad. This lease agreement continued until 1932 when the city bought the electrical distribution system and formed Municipal Light & Power (ML&P).

AEC 900-kW Powerhouse



In the 1940's Anchorage experienced a population boom as a result of World War II. Electricity became an essential service and was soon in short supply. The existing steam plant, diesel generators and hydroelectric plant at Eklutna (built in 1929), were soon taxed far beyond their capacity.

Sackett's Harbor Power Plant (1947)



By 1947, the growing shortage of electricity caused the city to think outside of the box and purchase the Sackett's Harbor, a wrecked 10,000-ton tanker that had been damaged in the Aleutian Islands. The ship was beached at the mouth of Ship Creek, and the generating equipment onboard was used to meet the city's growing demand for electricity. This makeshift solution was soon generating nearly half of Anchorage's energy requirements. Unfortunately, the cost was nearly one cent per kilowatt-hour more than the city collected in revenue.

Even with the added generation from Sackett's Harbor, the city of Anchorage was hard-pressed to meet the demands for electricity within city limits, and there wasn't much chance that the 1,500 potential consumers living and working in the in the suburbs outside Anchorage city limits were going to be added to the system.

A solution to this problem was greatly needed and in August of 1947, approximately 200 people gathered in the old Anchorage High School auditorium to talk about forming an electric cooperative to bring power to their homes and businesses. The idea of Chugach Electric Association was created at that meeting. Less than a year later, on March 1, 1948, Chugach was incorporated as a not-for-profit electric cooperative.

With more than 100 years of history surrounding the generation, transmission and distribution of electric power in Anchorage, the largest event to date occurred on October 30, 2020, when Chugach Electric Association, Inc. completed the acquisition of the ML&P.

THE COOPERATIVE PHILOSOPHY

Chugach is a fully integrated electric cooperative, formed to serve its member-owners, in the generation, transmission and distribution of electric power. In many ways, cooperatives are like any other business; but in several important ways they're unique and different.

COOPERATIVE BENEFITS

- Chugach is owned by and democratically controlled by its members – the people who use the cooperative's services, not by outside investors.
- Members elect the board of directors from within the membership.
- Motivated by service, not profit – to meet the needs of our members for safe, reliable, and affordable power.
- Margins (revenues remaining after expenses are paid) are allocated to members receiving service during the year. This is Chugach's Capital Credits program.
- Chugach exists to serve its members.

HISTORY OF COOPERATIVES

The "modern cooperative era" began in 1844, when the Rochdale Equitable Pioneers Society was established in Rochdale, England. Its members documented the principles by which they would operate their food cooperative, implementing the central tenets around which cooperatives are structured today.

Throughout the late 19th and early 20th centuries, cooperatives sprung up sporadically in America, particularly in times of economic hardship. In 1922, Congress passed the Capper-Volstead Act, allowing farmers to collectively market products without being held in violation of the nation's anti-trust laws.

In the Depression years, Congress established various agencies to provide loans and assistance to cooperatives, including the Farm Credit Administration (1929), the National Credit Union Administration (1934), and the Rural Electrification Administration (1936). The National Cooperative Bank was established in 1978 under the National Consumer Cooperative Bank Act. The bank's central function to this day is to stimulate economic growth and community development via an array of financial services for cooperatives.

THE SEVEN COOPERATIVE PRINCIPLES

1. Voluntary and Open Membership
2. Democratic Member Control
3. Economic Participation by Members
4. Autonomy and Independence
5. Education, Training, and Information
6. Cooperation Among Cooperatives
7. Concern for Community

THE PAST, PRESENT & FUTURE

Strong Safety Culture

A culture of safe work performance and protecting our employees and the public is essential and requires the prioritization of safety to create an incident and injury-free work environment.

Financial Stability

Financial stability provides the foundation for successful business operations both during economic expansion and contraction.

Sustainability

Sustainability broadens the focus of the financial bottom line to include social and environmental responsibility measures to create greater long-term business value for the Association and its members.

Grid Resiliency

Minimize the consequences of extreme weather, malicious physical or cyber security threats, and successfully integrate third-party generation into the Chugach system.

Continuous Improvement

Chugach fosters and embraces an environment of teamwork, support and continuous improvement.



Disruptive Technologies

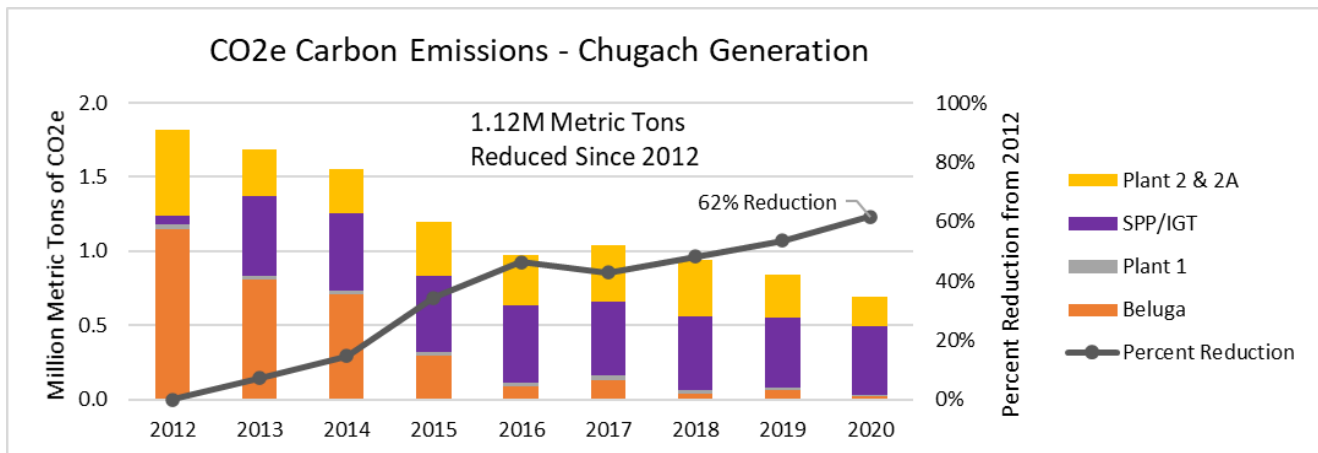
Disruptive technologies are innovations that change the way consumers and businesses operate, such as distributed generation and battery storage. These technology innovations are changing how electric utilities conduct business. In an ever-changing world, Chugach's business practices must adapt and embrace technological innovation.

Declining Load

Chugach promotes energy efficiency and conservation. To minimize impacts on electric rates, declines in electric load require greater operational efficiency and the advancement of technologies that increase electric load while lowering impacts to the environment.

Decarbonization

Decarbonization reduces emissions and our impact on the environment. Reductions in carbon are realized through increased generation efficiencies, increases in renewable generation, beneficial electrification, end use efficiency, and adoption of rate designs that result in the more efficient use of energy.



Note: The Clean Energy Power Plan required CO₂ emissions reporting starting in 2012.

MESSAGE FROM THE BOARD CHAIR AND CHIEF EXECUTIVE OFFICER



Rachel Morse
Board Chair



Lee Thibert
Chief Executive Officer

For more than 70 years, Chugach has prided itself on keeping our pledge to provide safe, reliable and affordable electricity, and exceptional customer service. Although COVID-19 impacts have transformed nearly every aspect of our business, Chugach's purpose has not changed. As a member-owned, not-for-profit electric utility cooperative we put our members and community at the core of our decision making.

We are proud of what we have accomplished this past year, and humbled that our members consistently recognize our commitment to them. Reducing carbon emissions, advancing new beneficial electrification technologies, and continuing to improve efficiency will make our cooperative and the communities we serve better places to live, work, and play.

Looking ahead, we recognize things that have made Chugach successful in the past must evolve to continue moving us forward as an industry and regional leader. As outlined in this plan, our strategic priorities areas are:

- Safety
- Integration Synergies & Cost Savings
- Communication, Member Engagement & Community Involvement
- Business Planning & Economic Development
- Leadership, Management & Employee Development
- Decarbonization
- Beluga River Unit

With these priorities in mind, we will continue to deliver reliable service during the pandemic - working together to overcome current challenges and ensure future opportunities. Thank you for your engagement on these important matters and trust in our commitment to achieve our mission of providing safe, reliable and affordable electricity through superior service and sustainable practices, powering the lives of our members.

ACKNOWLEDGMENT OF RESPONSE TO COVID-19

Throughout 2021, Chugach faced extraordinary challenges. In addition to everyday work requirements, Chugach was tasked with the added workload of integration efforts, all while trying to mitigate the impacts of the COVID-19 pandemic. Throughout these difficult times, we have been and continue to be tremendously proud of the efforts made by the Chugach workforce. Their adaptability, innovation and teamwork has enabled Chugach to provide safe work environments and maintain essential services to our members and the community. In the face of great uncertainty and times of distress, Chugach's workforce has honored and upheld our core values, and provided help to the most vulnerable among us.

2021 KEY ACCOMPLISHMENTS

- **SAFETY:** Despite the limited face to face contact and personal interaction brought on by the COVID-19 pandemic that is so important in safety, our total and lost time safety injury rates remained under peer group benchmarks from the Alaska Power Association and the Federated Rural Electric (329 and 660 reporting utilities respectively). As of October 2021, Chugach's injury rate is 2.49 and its lost time rate is 1.10, with APA and Federated benchmarks reporting at 4.92/1.46 and 4.13/1.67, respectively.
- **ACQUISITION INTEGRATION:** Chugach completed its initial Integration Program on March 31, 2021. Cost savings realized as a result of the acquisition exceeded targeted levels, resulting in lower operating costs in excess of \$20 million. Chugach's annualized average heat rate on track to be less than 7,600 btu / kWh.
- **ISSUANCE OF RENEWABLE GENERATION REQUEST FOR PROPOSALS:** Consistent with Chugach's Renewable Energy Plan, on September 30, 2021, Chugach issued an RFP for the addition of 100,000 MWh of renewable generation.
- **EXTENSION OF SEWARD CONTRACT:** Chugach and the City of Seward d/b/a Seward Electric System reached agreement to extend the wholesale power sales agreement. The agreement was approved by the Chugach Board of Directors, the Seward City Counsel, and the Regulatory Commission of Alaska.
- **EKLUTNA FISH AND WILDLIFE STUDY:** Successfully completed the phase one study flows of 150 cubic feet per second in the Eklutna River.
- **RAILBELT COLLABORATION:** Initiated power pool operations with Matanuska Electric Association, Inc., which provides for the efficient utilization of generation resources from both the Chugach and MEA systems, resulting in lower cost to provide electric service. Assisted in the development of regulations for the Electric Reliability Organization.
- **BELUGA RIVER UNIT:** In 2021 the BRU Investment Plan was completed and implemented. Chugach and Hilcorp agreed to a multi-year development plan that is expected to improve gas supply security and achieve a lower than market average gas price.
- **KEY ACCOUNTS PROGRAM:** After a several years hiatus Chugach has reimplemented the Key Accounts Program. The program fosters lines of communication between Chugach and our largest commercial customers.
- **RELIABILITY:** Chugach continues to provide reliable electric service to its members. Chugach's System Average Interruption Duration Index (SAIDI) was 101.1 in 2020 and 157.2 for the 12-month period ending September 2021. These compare with the U.S. median cooperative SAIDI averages of 228.4 and 209.3 in 2018 and 2019, respectively.

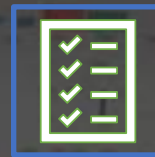
CORE VALUES



SAFETY



SUSTAINABILITY



ACCOUNTABILITY



INTEGRITY



TEAMWORK



CONTINUOUS
IMPROVEMENT



RELIABILITY



AFFORDABILITY

MISSION, VISION AND VALUES

The Mission, Vision and Value Statements of Chugach are derived from the Core Values and establish the foundation from which all of our Strategic Priorities originate. They are a reference point to guide decision making and actions at all levels of the organization.

MISSION STATEMENT:

We provide safe, reliable and affordable electricity through superior service and sustainable practices, powering the lives of our members

VISION STATEMENT:

Responsibly developing energy to build a clean, sustainable future for Alaska

VALUE STATEMENT:

Guided by our values of safety, accountability and sustainability, we are committed to serving our members, the community, and the Chugach team

TAGLINE:

Powering Alaska's Future

SUSTAINABILITY

"Triple Bottom Line"



The Chugach Board of Directors adopted sustainability as a business management philosophy in 2017. Sustainability, also known as the Triple Bottom Line, broadens the focus of the financial bottom line to include social and environmental responsibility measures to create a greater long-term business value for the Association and its members. Operating the electric utility in a sustainable manner is important to the long-term success of Chugach, to the health and well-being of our employees and members, our community, and our environment.

Sustainability is an integral part of Chugach's strategic planning process, and our strategic priorities and actions are examined through a sustainability lens. Many of the action items that follow are the result of an analysis and prioritization of sustainability practices to improve our economic, social and environmental performance. The prioritized sustainability action items are embedded within each of the strategic priorities.

The electricity industry is transforming rapidly, from traditional, controllable fossil fuel generation to non-emitting, weather-dependent intermittent resources, energy storage and distributed generation. These changes are driven by technological advancements that are expanding the possibilities of new resources, new services, and lower costs.

We are committed to serving our members, our employees and our community, guided by our values of safety, reliability, accountability and sustainability.

STRATEGIC PRIORITY AREAS



Strategic Priority 1:
Safety



Strategic Priority 2:
Integration Synergies & Cost Savings



Strategic Priority 3:
Communication, Member Engagement & Community Involvement



Strategic Priority 4:
Business Planning & Economic Development



Strategic Priority 5:
Leadership, Management & Employee Development



Strategic Priority 6:
Decarbonization



Strategic Priority 7:
Beluga River Unit

STRATEGIC PRIORITY 1: SAFETY

PRIORITY GOAL:

Continue achieving high levels of safety performance and the prioritization of safety to create an incident and injury-free work environment

KEY THEMES & OBJECTIVES:

- Continuously look for ways to improve our safe work environment and culture of safety
- Identify and share best practices in safety
- Ensure foreseeable hazards and risks for high-risk work activities are identified with appropriate risk control measures defined and implemented
- Standardize safe work practices; ensure equal focus on all indicators of safety as part of guiding and celebrating our safety efforts

Safety is an unwavering core value of the Association. Chugach is committed to and promotes a culture of safety for employees, members, contractors, and the general public, and continuously strives for a safer work environment through training, proactively identifying and communicating hazards, and looking out for the safety of others.



STRATEGIC PRIORITY 2: INTEGRATION SYNERGIES & COST SAVINGS

PRIORITY GOAL:

Continue to successfully integrate business processes to maximize efficiencies and streamline operations, including employees, customers/members, and facilities. Maximize savings resulting from combined system operations.

KEY THEMES & OBJECTIVES:

- **Continue post-acquisition integration activities to maximize business value, minimize risk, and avoid missed opportunities**
- **Achieve targeted annual savings**

Integration is a complex and challenging process encompassing culture, strategy, process and mission-critical systems. Chugach continues to be successful in achieving synergies and meeting its integration targets, including lowering overall electric rates in the first year following the acquisition. Achieving synergies and meeting commitments on an on-going basis is essential for long-term competitiveness and business value in an increasingly challenging business environment.



STRATEGIC PRIORITY 3: COMMUNICATION, MEMBER ENGAGEMENT & COMMUNITY INVOLVEMENT

PRIORITY GOAL:

Maximize member satisfaction; enhance community involvement.

KEY THEMES & OBJECTIVES:

- Increase awareness of our business and the impacts it has on our members and the community
- Maintain strong community presence
- Continue educating members, the community, and stakeholders in the new energy landscape
- Enhance member and community involvement through initiatives including the Employee Volunteer Program, the Key Account Program, and the Member Advisory Council

As a member-owned cooperative, Chugach is committed to enhancing member engagement. In alignment with sustainability, it is necessary that we work diligently for the benefit of both members and the communities we serve. We will promote consistent, proactive engagement with members and key stakeholders to build awareness on priorities, initiatives, and achievements to enhance partnerships that help Chugach and its members meet future challenges and opportunities. Effective and ongoing member education, engagement, and community involvement are important to Chugach's long-term success as an electric cooperative.



STRATEGIC PRIORITY 4: BUSINESS PLANNING & ECONOMIC DEVELOPMENT

PRIORITY GOAL:

Increase business value and long-term competitiveness (reliability, price and service)

KEY THEMES & OBJECTIVES:

- **Maintain and enhance leadership position in the Railbelt on electric utility policy and related matters**
- **Manage the Association for resiliency to business challenges, including downturns in the economy, COVID-19 impacts and changes in environmental, social and governance landscape**
- **Manage the Association to meet financial and electric service reliability targets**
- **Promote load growth through beneficial electrification**
 - **Implement alternative rate designs for benefit to our members**
 - **Maximize the utilization of Advanced Metering Infrastructure**
 - **Advance electric vehicle infrastructure programs and policies**

Advances in energy technologies, increased adoption of energy efficiencies by consumers, a heightened social awareness of environmental impacts resulting from carbon emissions, sensitivity to rising electric rates, increased customer service expectations and the economic fallout of the COVID-19 pandemic are changing the traditional centralized electric utility model.

Chugach's business philosophy encourages adoption of technologies that increase electric load while lowering overall environmental impacts. Examples include supporting the adoption of electric vehicles and electric equipment, which increases electric load and reduces carbon emissions.

2020 and 2021 were demanding years, Chugach's business planning has had to adapt and be responsive to the challenges resulting from downturns in the economy and loss of load due to government mandates resulting from the COVID-19 pandemic. A significant challenge to establishing additional customer classes of service and alternative rate designs is the abnormal load patterns brought about by the COVID-19 pandemic, both within and outside the context of a general rate case. It is not known if the changes in loads are temporary or permanent.



STRATEGIC PRIORITY 5: LEADERSHIP, MANAGEMENT & EMPLOYEE DEVELOPMENT

PRIORITY GOAL:

Develop leadership skills and enrich employees

KEY THEMES & OBJECTIVES:

- **Maintain a workplace that further develops and supports diversity, equality, and inclusion; employees that feel valued are engaged, empowered, and motivated to drive the success of Chugach**
- **Succession planning**
- **Enhance leadership and internal communication**
- **Continue utilizing NRECA's Management Internship Program and Chugach's internal Continuous Development Program**

At Chugach, it is a strategic priority to grow leadership, align management, support employee development, and enhance communication. Effective communication leads to a more productive and efficient business that can better serve members and communities. Chugach strives for an environment where employees feel valued, motivated and empowered to drive the success of the organization.



STRATEGIC PRIORITY 6: DECARBONIZATION

PRIORITY GOAL:

Establish decarbonization plan; reduce carbon emissions; support beneficial electrification of buildings, equipment and vehicles

KEY THEMES & OBJECTIVES:

- **Establish long-term carbon reduction goals, including the attainment of net zero generation emissions**
- **Continue advancing beneficial electrification initiatives, including electric vehicle charging infrastructure, battery operated tools and equipment, and air / ground source heat pumps;**
- **Adopt business practices that reduce carbon; increase education to members and stakeholders on carbon reduction initiatives**
- **Recognizing the challenge of abnormal load patterns in a pandemic environment, establish rate designs that change energy-usage patterns and incentivize the use of beneficial electrification that reduce carbon. It is not known if the changes in load patterns are temporary or permanent.**
- **In coordination with other Railbelt stakeholders, develop and advance long-term generation decarbonization plans**
- **By March 31, 2025, increase renewable generation on the Chugach system by 100,000 MWh**
- **Support renewable generation, with no net loss in sustainable resources**
- **Ensure continued compliance with the requirements of the 1991 Eklutna Agreement, balancing renewable energy against alternative uses for Eklutna Lake water¹**

Decarbonization is critical to managing reductions in global greenhouse gas emissions. A decarbonization plan that takes into consideration both supply and demand side impacts is far more reaching than a plan that only considers carbon reduction impacts at the generation (supply) level. A decarbonization plan supports the development of new load through electrification, allows for the conservation of existing resources, extends the current fuel supply, reduces fuel supply risk through diversification, and potentially provides financial benefit attributed to changes in future policy requirements on fossil fuel generation.



¹ The balancing of alternative uses includes consideration of efficient and economical power production; energy conservation; the protection, mitigation of damage to, and enhancement of fish and wildlife (including related spawning grounds and habitat); the protection of recreation opportunities; municipal water supplies; the preservation of other aspects of environmental quality; other beneficial public uses; and requirements of state law.

STRATEGIC PRIORITY 7: BELUGA RIVER UNIT

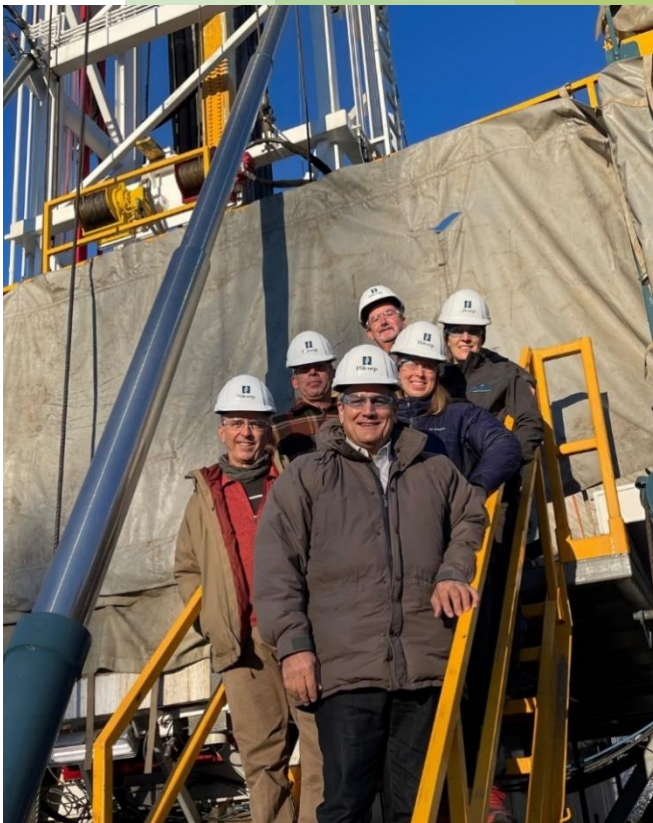
PRIORITY GOAL:

Maximize the value of the Beluga River Unit (BRU) gas field

KEY THEMES & OBJECTIVES:

- **Develop and implement BRU development plan to meet long-term gas production targets**
- **Evaluate BRU business structure**

Chugach's BRU strategy is to maximize the value of the BRU gas field. Chugach has a commitment with the operator to execute a multi-year field development program. Chugach intends to manage this development program to provide Chugach additional gas reserves, enhance gas deliverability, and maximize value of BRU assets.



Chugach Electric Association, Inc.
5601 Electron Drive / PO Box 196300
Anchorage, AK 99519
Anchorage, Alaska
www.chugachelectric.com

