



# ANNUAL REPORT 2023



# TO OUR MEMBERS



**ARTHUR MILLER**  
CHIEF EXECUTIVE OFFICER

As Alaska's largest electric utility and a leader in the Railbelt, Chugach carries the responsibility of ensuring safe, reliable, and affordable power to its membership and the state. We recognize that the reliability and affordability of our power supply has a direct impact on our members and is a critical part of a resilient economy.



**SAM CASON**  
BOARD CHAIR

Meeting the electric power needs of our retail and wholesale members in the Railbelt is a fundamental responsibility and one that we take seriously. The Chugach Board of Directors and the 450 plus employees of the Association work tirelessly to ensure high quality standards of electric service are provided.

Looking ahead, we know a stable gas supply is critical to meeting the mission of reliable, affordable power. Chugach has spent the past year analyzing the best options for fulfilling that gas supply need, while also working on extending the supply by adding reliable clean energy projects that support our goal of decarbonization and diversity of generation.

The future of the power industry is tied directly to clean energy solutions that

include wind, solar, and hydroelectric power. We are committed to advancing renewable energy sources and integrating these resources into our system in a cost-effective manner and without negatively impacting reliability.

In our dynamic industry, staying innovative is essential for success. Innovation empowers us to navigate change effectively, helping ensure continuous growth and prosperity. Chugach's strategic planning serves as the compass that directs us toward our objectives. We plan not just for immediate needs, but also for the future. This means foreseeing future trends, understanding market dynamics, and adopting a proactive stance in resource management. By embracing a strategic and forward-looking mindset, we continue to position ourselves as leaders in the electric energy industry, setting the standard for others to follow.

At Chugach, we prioritize engaging with and listening to our members as an integral part of our decision-making process. The board is grateful for input from our members. It is helpful to hear from those we serve as we strive to fulfill our mission of providing reliable and affordable electricity through superior service consistent with our values of safety, accountability, and sustainability.

Moving forward, we remain committed to advancing the interests of our members through innovation, strategic planning, and meeting energy needs responsibly. Together, we are leading the way toward a brighter and sustainable energy future for generations to come.

*2023 Chugach Board of Directors L to R:*



*Director Mark Wiggin, Director Bettina Chastain, Vice Chair Sisi Cooper, Chair Sam Cason, Treasurer Rachel Morse, Director Jim Nordlund, Secretary Susanne Fleek-Green*

*2023 Chugach Management L to R:*



*Front row: Sherri Highers, Chief Financial Officer; Arthur Miller, Chief Executive Officer; Tiffany Wilson, Chief Human Resources Officer  
Back row: Andrew Laughlin, Chief Operating Officer; Allan Rudeck, Chief Strategic Officer; Matthew Clarkson, Chief Legal Officer*

# 2023 IN REVIEW

## Safety

Safety is a core value at Chugach, and 2023 marked another successful year of safety for our member-owned electric cooperative. We measure safety not only by outcomes like the injury rate, but also by our proactive efforts such as communications, training, and safe work practices. Similar to 2022, our injury and lost time rates in 2023 remained lower than those of our industry peers in Alaska. We are proud of our health and safety performance and are dedicated to maintaining a safe workplace for our employees. Our commitment extends to delivering our services with a steadfast focus on achieving zero injuries.



## Improving reliability in Cooper Landing and Moose Pass

In Cooper Landing, Chugach has focused heavily on line clearing since the fall of 2023. Following the clearing of Rights-of-Way and easements edge to edge in 2022, the focus in 2023 and throughout 2024 will be the removal of danger trees. These trees, located outside of the utility easement, are structurally unsound and pose a risk of falling on overhead power lines, potentially causing outages. Chugach has successfully removed over 7,400 danger trees in Cooper Landing.

The overhead power line serving Moose Pass originates from the Daves Creek Substation. Chugach has started to replace pole top hardware along this roughly 15-mile-long line. Currently, approximately half of the hardware has been replaced, starting from the townsite and moving north toward the substation off the Sterling Highway. The second half of the line is scheduled to be addressed in 2024. Additionally, Chugach has been clearing the Rights-of-Way and easements edge to edge, and these combined efforts are expected to significantly improve reliability in Moose Pass.



## Securing gas for the future

The Beluga River Unit (BRU) remains a critical asset for natural gas supply in Chugach's energy portfolio and power security. Evaluation of gas supply and storage options remain at the forefront of activity at Chugach. With declining gas supply in most of the Cook Inlet region, our focus has been on identifying additional reliable sources for the future. In 2023, activities included studying opportunities to import liquefied natural gas as part of our transition from thermal sources to cleaner,

renewable energy options in the years ahead. Chugach's 67% ownership in the BRU gas field continues to provide significant benefits to our members. We recently drilled five new development wells in the field and continue to realize savings from our working interest position. The cumulative savings from this ownership, from 2016 through 2023, now exceeds \$93 million.



## Members benefit from energy efficiency incentives

In 2023, Chugach initiated the Beneficial Electrification and ENERGY STAR® (BEES) Incentive Program, approving 115 members for participation. This initiative, funded by the Urban Sustainability Directors Network, offered qualifying low-to-moderate-income Chugach members a bill credit for up to \$1,000 for specified BEES yard tools and appliances. Landlords serving these residents could receive incentives of up to \$5,000 for qualifying appliances. The program provided \$75,000 in incentives, benefiting members who appreciated the convenience and reduced emissions of battery-operated yard tools, and the energy savings gained by replacing old appliances.

# 2023 IN REVIEW



## Old Seward Hwy. undergrounding

In 2023, significant progress was made in undergrounding overhead power lines, with 1.3 miles of line buried along the Old Seward Highway between Dimond Boulevard and O'Malley Road. This project improves the safety and load capacity of the distribution and sub-transmission circuits along the highway. Undergrounding the lines also

reduces conflicts with commercial development along the roadway, improves load transfer capability between substations, and removes aged poles that can no longer safely support the necessary infrastructure.



## New payment processes and new app

Chugach introduced three key features to simplify payment processes for its members. A new and improved payment system went online in March, enabling easier setup of automatic payments, access to real-time account balance information, and the use of new payment methods such as Apple Pay and Pay Pal. The cooperative rolled out a new mobile app with improved performance, optimized functionality, and a redesigned interface for improved use. We were also pleased to install a payment kiosk outside our headquarters office.

## Battery storage project moves forward



With a goal of improving reliability and efficiency, the Battery Energy Storage System (BESS) arrived in June 2023. This technology enables utilities to store energy for future use, improving the efficiency of natural gas utilization and facilitating the integration of high levels of variable renewable generation such as wind and solar. The BESS, rated at 40 megawatts for two hours, is jointly owned with Matanuska Electric Association, which holds a 25% interest in the project. Commercial operation of the BESS is expected in the latter part of 2024.



## Connecting with community

Community engagement is a top priority at Chugach. We organize multiple events throughout the year, participate in job fairs and conferences, offer tours and safety demonstrations to students, and engage in other activities to connect with the communities that we serve. Through our Employee Volunteer Program, our employees are encouraged to volunteer 16 hours each year at a non-profit organization of their choice during work hours. These connections help us build stronger partnerships with our members.



## Members receive Capital Credits

Over 24,000 current and former Chugach members received their share of a capital credit retirement in the form of a bill credit or check. Following approval from the Chugach Board of Directors, the cooperative returned the remaining amount of 1991 margins to current and former members totaling nearly \$3.4 million. This distribution adds to previous returns of capital credits. One of the advantages of membership in a not-for-profit cooperative is sharing in the financial success of the company through the retirement of capital credits. Each year, Chugach allocates margins to members based on the amount of electric service purchased, and these funds are returned in the form of capital credits when financial conditions allow.

# CHUGACH AT A GLANCE

**NOT-FOR-PROFIT  
MEMBER-OWNED  
ELECTRIC COOPERATIVE**

## Corporate Information

Chugach Electric Association, Inc.  
P.O. Box 196300  
Anchorage, AK 99519-6300  
(907) 762-4489  
www.chugachelectric.com

## Investor Information

Chugach Electric Association, Inc.  
Chief Financial Officer  
P.O. Box 196300  
Anchorage, AK 99519-6300  
(907) 762-4511

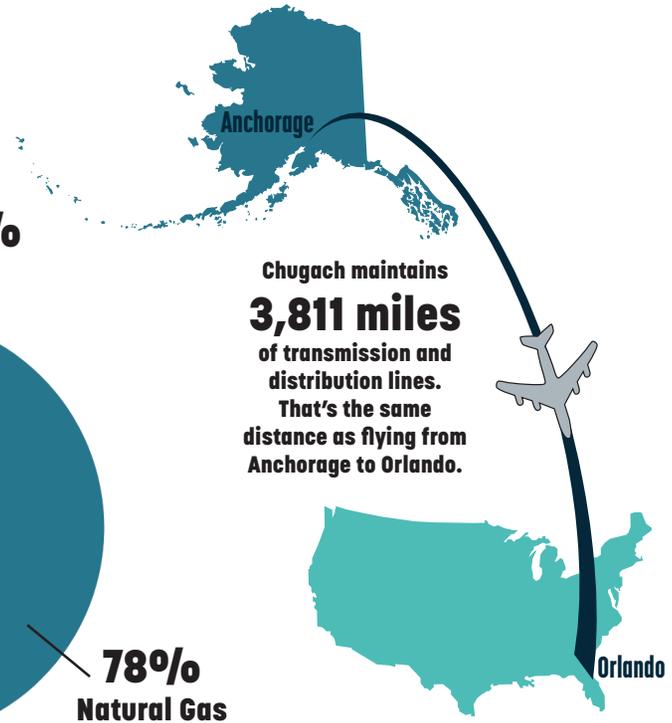
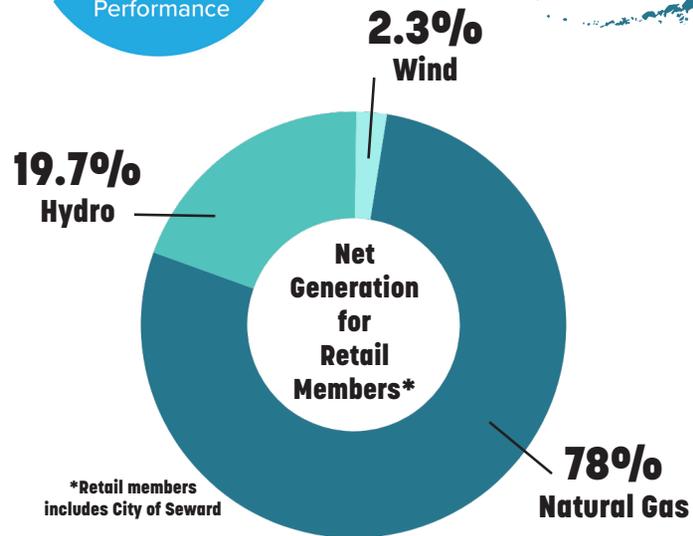
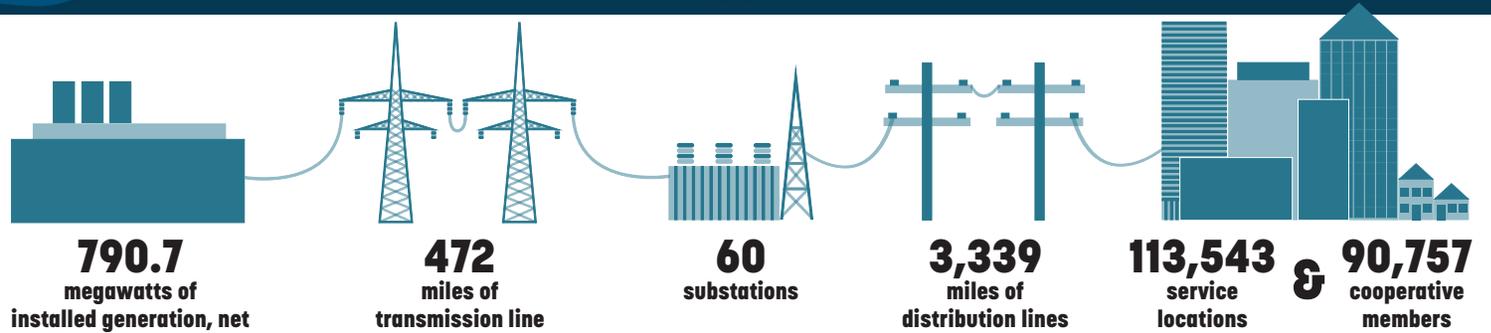
## Independent Auditor

KPMG LLP  
3800 Centerpoint Dr., Ste. 200  
Anchorage, AK 99503

Follow us on

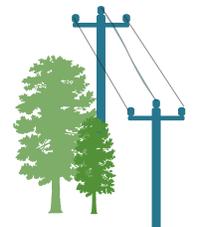


@chugachelectric



## Reliability

**3.15 hours**  
average outage length  
per customer in 2023,  
up 0.64 from 2.51 in 2022



**212 miles**  
of line cleared  
of trees to increase  
reliability

**2.41 hours**  
5-year average outage  
length per customer,  
down 0.13 from 2.54 in 2022

## Incorporation

Chugach Electric Association, Inc. was incorporated in Alaska on March 1, 1948, with funding under the Rural Electrification Act of 1936, as amended. In 1991, Chugach refinanced and paid off its federal debt, leaving the Rural Electrification Administration. 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



**RACHEL MORSE**  
TREASURER

As a cooperative, our bottom line, or revenues in excess of current costs, is called margins. Chugach's 2023 margins totaled \$8.1M, which was on par with our margin performance of \$8.1M in 2022 but slightly lower than \$8.4M in our 2023 budget.

Energy sales to retail, wholesale, economy, and power pool customers were 2.3 billion kilowatt-hours (kWh) compared to 2.2 billion kWh in the 2023 budget and 2.3 billion kWh in 2022. Current year system sales were higher than budget by 1.7%, due primarily to higher economy energy sales; however, current year system sales were not materially different from 2022 levels.

Total revenue in 2023 was \$362.7M compared to \$355.0M in the 2023 budget and \$354.4M in 2022. Current year revenue was higher than budget by 2.2%, due primarily to higher economy energy revenue, and higher than 2022 by 2.3%, caused primarily by the change in base rates associated with our general rate case.

In addition to investing in utility plant, we repaid approximately \$50M in long-term debt during 2023. We ended the year with a margins-for-interest-to-interest ratio of 1.18, above our indenture metric of 1.10 and an equity-to-total-capitalization ratio (equity ratio) of 16.64%, which was higher than our 2022 equity ratio of 15.68%.

Chugach's credit ratings with S&P Global Ratings and Fitch Ratings remained unchanged at "A" (Stable) and "A-" (Stable), respectively.

## Consolidated Statements of Operations (in thousands)

	2023	2022
Operating revenues	\$ 362,720	\$354,419
Fuel	81,591	83,474
Production	40,744	37,961
Purchased power	31,643	23,268
Transmission	8,714	9,690
Distribution	27,150	26,319
Consumer accounts	10,591	10,299
Administrative, general and other	52,318	52,204
Depreciation and amortization	62,722	64,661
Total operating expenses	315,473	307,876
Interest expense, net	41,599	39,086
Net operating margins	5,648	7,457
Total nonoperating margins	2,452	667
Assignable margins	\$8,100	\$8,124

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

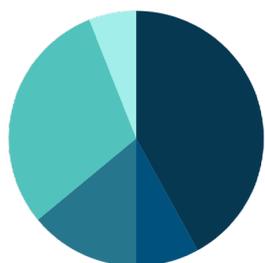
Balance, January 1, 2023	\$212,336
Assignable margins	8,100
Retirement/net transfer of capital credits	(3,646)
Unclaimed capital credit retirements	1,088
Memberships and donations received	183
Balance, December 31, 2023	\$218,061

## Consolidated Statements of Cash Flows (in thousands)

	2023	2022
Cash flows from operating activities:		
Assignable margins	\$8,100	\$8,124
Adjustments to reconcile assignable margins to net cash provided by operating activities:		
Depreciation and amortization	75,751	77,319
Allowance for funds used during construction	(244)	(96)
Other	(650)	1,550
(Increase) decrease in assets:	(20,894)	(21,985)
Increase (decrease) in liabilities:	(1,978)	(21,072)
<b>Net cash provided by operating activities</b>	<b>\$60,085</b>	<b>\$43,840</b>
Cash flows from investing activities:		
Investment in special funds	(4,606)	(1,412)
Extension and replacement of plant	(132,883)	(56,854)
Other/proceeds from capital grants	360	136
<b>Net cash used in investing activities</b>	<b>\$(137,129)</b>	<b>\$(58,130)</b>
Cash flows from financing activities:		
Net increase (decrease) in short-term obligations	93,000	23,000
Repayments of long-term obligations	(48,921)	(42,193)
Other	22,496	11,713
<b>Net cash (used in) provided by financing activities</b>	<b>\$66,575</b>	<b>\$(7,480)</b>
Net change in cash and cash equivalents	(10,469)	(21,770)
Cash* at beginning of period	15,885	37,655
Cash* at end of period	\$5,416	\$15,885

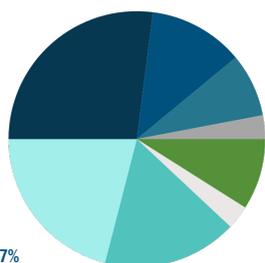
\*Cash includes cash, cash equivalents and restricted cash

### 2023 NET UTILITY PLANT \$1,484,897 (in thousands)



- Generation/Storage: 42%
- BRU: 8%
- Transmission: 14%
- Distribution: 30%
- General & Other: 6%

### 2023 TOTAL OPERATING EXPENSES \$315,473 (in thousands)



- Fuel: 27%
- Production: 12%
- Purchased Power: 8%
- Transmission: 3%
- Distribution: 9%
- Consumer Accounts: 3%
- Administrative, General & Other: 17%
- Depreciation & Amortization: 21%

## FINANCIAL RESULTS

### Consolidated Balance Sheets as of December 31 (in thousands)

Assets	2023	2022
Net Utility Plant	\$1,484,897	\$1,459,892
Other Property & Investments	39,915	37,731
Current Assets	180,134	161,400
Deferred Charges, net	102,974	108,557
Total Assets	\$1,807,920	\$1,767,580
<b>Liabilities, Equities and Margins</b>		
Equities and Margins	\$218,061	\$212,336
Long-Term Obligations	1,096,529	1,145,301
Current Liabilities	263,039	178,682
Long-Term and Deferred Liabilities	230,291	231,261
Total Liabilities, Equities and Margins	\$1,807,920	\$1,767,580