UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXHANGE ACT OF 1934**

For the quarterly period ended March 31, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 33-42125

CHUGACH ELECTRIC ASSOCIATION, INC.
(Exact name of registrant as specifies in its charter)

State of Alaska (State or other jurisdiction of incorporation or organization)	**92-0014224** (I.R.S. Employer Identification No.)
5601 Electron Drive, Anchorage, AK (Address of principal executive offices)	**99518** (Zip Code)

(907) 563-7494
(Registrant's telephone number, including area code)

None
(Former name, former address, and former fiscal year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☐ Yes ☒ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

NONE

CHUGACH ELECTRIC ASSOCIATION, INC.
TABLE OF CONTENTS

	Caution Regarding Forward-Looking Statements	2
Part I. Financial Information		
Item 1.	Financial Statements (unaudited)	2
	Balance Sheets - as of March 31, 2016 and December 31, 2015	3
	Statements of Operations - Three months ended March 31, 2016 and March 31, 2015	5
	Statements of Cash Flows - Three months ended March 31, 2016 and March 31, 2015	6
	Notes to Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	33
Item 4.	Controls and Procedures	34
Part II. Other Information		
Item 1.	Legal Proceedings	34
Item 1A.	Risk Factors	34
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	35
Item 3.	Defaults Upon Senior Securities	35
Item 4.	Mine Safety Disclosures	35
Item 5.	Other Information	35
Item 6.	Exhibits	36
	Signatures	37
	Exhibits	38

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Statements in this report that do not relate to historical facts, including statements relating to future plans, events or performance, are forward-looking statements that involve risks and uncertainties. Actual results, events or performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of this report and the accuracy of which is subject to inherent uncertainty. It is suggested that these statements be read in conjunction with the audited financial statements for Chugach Electric Association Inc. (Chugach) for the year ended December 31, 2015, filed as part of Chugach's annual report on Form 10-K. Chugach undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances that may occur after the date of this report or the effect of those events or circumstances on any of the forward-looking statements contained in this report, except as required by law.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The unaudited financial statements and notes to the unaudited financial statements of Chugach as of and for the quarter ended March 31, 2016, follow.

Chugach Electric Association, Inc.
Balance Sheets
(Unaudited)

Assets	March 31, 2016	December 31, 2015
Utility Plant:		
Electric plant in service	$ 1,131,827,669	$ 1,128,474,292
Construction work in progress	16,377,052	15,601,374
Total utility plant	1,148,204,721	1,144,075,666
Less accumulated depreciation	(476,738,753)	(469,199,226)
Net utility plant	671,465,968	674,876,440
Other property and investments, at cost:		
Nonutility property	76,889	76,889
Investments in associated organizations	9,317,355	9,635,519
Special funds	5,344,422	763,913
Restricted cash equivalents	1,855,094	1,705,760
Total other property and investments	16,593,760	12,182,081
Current assets:		
Cash and cash equivalents	14,306,906	15,626,919
Special deposits	74,416	74,416
Restricted cash equivalents	994,177	1,143,467
Accounts receivable, net	25,658,982	28,232,930
Materials and supplies	28,143,142	27,611,184
Fuel stock	5,805,950	7,063,541
Prepayments	2,873,946	1,466,301
Other current assets	342,048	225,079
Total current assets	78,199,567	81,443,837
Deferred charges, net	16,420,316	16,564,275
Total assets	$ 782,679,611	$ 785,066,633

Chugach Electric Association, Inc.
Balance Sheets (continued)
(Unaudited)

Liabilities, Equities and Margins	March 31, 2016	December 31, 2015
Equities and margins:		
Memberships	$ 1,667,979	$ 1,661,744
Patronage capital	170,050,276	167,447,781
Other	12,535,665	12,527,856
Total equities and margins	184,253,920	181,637,381
Long-term obligations, excluding current installments:		
Bonds payable	405,249,998	426,666,665
National Bank for Cooperatives bond payable	20,834,341	22,241,852
Less unamortized debt issuance costs	(2,846,190)	(2,928,378)
Total long-term obligations	423,238,149	445,980,139
Current liabilities:		
Current installments of long-term obligations	24,233,819	24,115,980
Commercial paper	43,000,000	20,000,000
Accounts payable	9,162,154	9,701,088
Consumer deposits	4,803,439	5,000,684
Fuel cost over-recovery	4,600,622	5,135,745
Accrued interest	855,792	5,915,580
Salaries, wages and benefits	7,391,923	7,259,806
Fuel	5,175,845	4,942,310
Other current liabilities	8,237,005	8,076,903
Total current liabilities	107,460,599	90,148,096
Other non-current liabilities:		
Deferred compensation	784,422	763,913
Other liabilities, non-current	1,737,253	1,555,329
Deferred liabilities	1,376,125	1,802,389
Patronage capital payable	11,108,071	11,108,071
Cost of removal obligation	52,721,072	52,071,315
Total other non-current liabilities	67,726,943	67,301,017
Total liabilities, equities and margins	$ 782,679,611	$ 785,066,633

See accompanying notes to financial statements.

Chugach Electric Association, Inc.
Statements of Operations
(Unaudited)

	Three months ended March 31,	
	2016	**2015**
Operating revenues	$ 50,250,135	$ 74,973,117
Operating expenses:		
Fuel	13,888,937	29,831,997
Production	3,848,269	4,567,682
Purchased power	3,949,228	6,606,602
Transmission	1,376,867	1,563,682
Distribution	3,345,943	3,250,564
Consumer accounts	1,632,213	1,541,591
Administrative, general and other	5,829,967	6,095,346
Depreciation and amortization	8,487,648	9,993,812
Total operating expenses	$ 42,359,072	$ 63,451,276
Interest expense:		
Long-term debt and other	5,483,764	5,708,912
Charged to construction	(98,553)	(119,539)
Interest expense, net	$ 5,385,211	$ 5,589,373
Net operating margins	$ 2,505,852	$ 5,932,468
Nonoperating margins:		
Interest income	81,116	68,097
Allowance for funds used during construction	40,762	44,965
Capital credits, patronage dividends and other	1,200	1,200
Total nonoperating margins	$ 123,078	$ 114,262
Assignable margins	$ 2,628,930	$ 6,046,730

See accompanying notes to financial statements.

Chugach Electric Association, Inc.
Statements of Cash Flows
(Unaudited)

	Three months ended March 31, 2016	2015
Cash flows from operating activities:		
Assignable margins	$ 2,628,930	$ 6,046,730
Adjustments to reconcile assignable margins to net cash provided by operating activities:		
Depreciation and amortization	8,487,648	9,993,812
Amortization and depreciation cleared to operating expenses	1,130,842	1,092,898
Allowance for funds used during construction	(40,762)	(44,965)
Write off of inventory, deferred charges and projects	112,223	65,228
(Increase) decrease in assets:		
Accounts receivable, net	2,707,744	(3,415,064)
Materials and supplies	(594,700)	(657,211)
Fuel stock	1,257,591	6,642,649
Prepayments	(1,407,645)	(829,434)
Other assets	(116,969)	(73,820)
Deferred charges	(323,070)	(18,911)
Increase (decrease) in liabilities:		
Accounts payable	638,452	1,256,268
Consumer deposits	(197,245)	(336,438)
Fuel cost over-recovery	(535,123)	5,265,285
Accrued interest	(5,059,788)	(5,296,839)
Salaries, wages and benefits	132,117	612,384
Fuel	233,535	(6,398,009)
Other current liabilities	(201,989)	(493,922)
Deferred liabilities	(1,518)	(105,066)
Net cash provided by operating activities	8,850,273	13,305,575
Cash flows from investing activities:		
Return of capital from investment in associated organizations	318,164	352,420
Investment in restricted cash equivalents	(44)	0
Investment in special funds	(4,560,000)	0
Proceeds from capital grants	114,775	845,950
Extension and replacement of plant	(7,326,570)	(5,011,952)
Net cash used in investing activities	(11,453,675)	(3,813,582)
Cash flows from financing activities:		
Proceeds from short-term obligations	23,000,000	9,000,000
Repayments of long-term obligations	(22,706,339)	(22,598,264)
Memberships and donations received	14,044	2,215
Retirement of patronage capital and estate payments	(26,435)	0
Net receipts on consumer advances for construction	1,002,119	970,909
Net cash provided by (used in) financing activities	1,283,389	(12,625,140)
Net change in cash and cash equivalents	(1,320,013)	(3,133,147)
Cash and cash equivalents at beginning of period	$ 15,626,919	$ 16,364,962
Cash and cash equivalents at end of period	$ 14,306,906	$ 13,231,815
Supplemental disclosure of non-cash investing and financing activities:		
Cost of removal obligation	$ 649,757	$ 794,822
Extension and replacement of plant included in accounts payable	$ 1,205,855	$ 770,183
Supplemental disclosure of cash flow information - interest expense paid, net of amounts capitalized	$ 10,150,305	$ 10,575,885

See accompanying notes to financial statements.

1. PRESENTATION OF FINANCIAL INFORMATION

The accompanying unaudited interim financial statements include the accounts of Chugach and have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by United States of America generally accepted accounting principles (U.S. GAAP) for complete financial statements. They should be read in conjunction with Chugach's audited financial statements for the year ended December 31, 2015, filed as part of Chugach's annual report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of the results that may be expected for an entire year or any other period.

2. DESCRIPTION OF BUSINESS

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

Chugach's retail and wholesale members are the consumers of the electricity sold. Chugach supplies much of the power requirements of the City of Seward (Seward), as a wholesale customer. Chugach also served Matanuska Electric Association, Inc. (MEA), as a wholesale customer, through April 30, 2015, and Golden Valley Electric Association, Inc. (GVEA), as an economy, non-firm, energy customer, through March 31, 2015. Periodically, Chugach sells available generation, in excess of its own needs, to MEA, GVEA and Anchorage Municipal Light & Power (ML&P).

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 regulatory authority of the Regulatory Commission of Alaska (RCA).

Chugach has three Collective Bargaining Agreements (CBA's) with the International Brotherhood of Electrical Workers (IBEW), representing approximately 70% of its workforce. Chugach also has an agreement with the Hotel Employees and Restaurant Employees (HERE). All three IBEW CBA's have been renewed through June 30, 2017. The three CBA's provide for wage increases in all years and include health and welfare premium cost sharing provisions. The HERE contract has been renewed through June 30, 2016. This contract provides for wage increases in all years.

3. 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 allowance for doubtful accounts, workers' compensation liability, deferred charges and credits, unbilled revenue, the estimated useful life of utility plant and the cost of removal obligation. Actual results could differ from those estimates.

b. Regulation

The accounting records of Chugach conform to the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission (FERC). Chugach meets the criteria, and accordingly, follows the accounting and reporting requirements of Financial Accounting Standards Board (FASB) 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. Chugach's regulated rates are established to recover all of the specific costs of providing electric service. In each rate filing, rates are set at levels to recover all of the specific allowable costs and those rates are then collected from retail and wholesale customers. The regulatory assets or liabilities are then reduced as the cost or credit is reflected in earnings and rates.

c. 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 three month periods ended March 31, 2016 and 2015 was in compliance with that provision. In addition, Chugach collects sales tax and is assessed gross revenue and excise taxes which are presented on a net basis in accordance with FASB ASC 605-45-50, "Topic 605 - Revenue Recognition – Subtopic 45 - Principal Agent Considerations – Section 50 - Disclosure."

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 percent likelihood of being sustained upon examination by the taxing authorities. Chugach's management reviewed Chugach's tax positions and determined there were no outstanding or retroactive tax positions that were not highly certain of being sustained upon examination by the taxing authorities.

d. Special Funds

Special funds include funds on deposit for deferred compensation plan assets, which amounted to $0.8 million at March 31, 2016, and December 31, 2015. In addition, special funds include funds on deposit for Chugach's investment in the Beluga River Unit, which amounted to $4.6 million at March 31, 2016.

e. Restricted Cash Equivalents

Restricted cash equivalents include funds on deposit for future workers' compensation claims, which amounted to $2.8 million at March 31, 2016, and December 31, 2015.

f. Accounts Receivable

Included in accounts receivable are invoiced amounts to ML&P for their proportionate share of current Southcentral Power Project (SPP) costs, which amounted to $1.2 million and $1.1 million at March 31, 2016, and December 31, 2015, respectively. In addition, accounts receivable includes invoiced amounts for grants to support the construction of facilities to divert water and safely transmit electricity, which amounted to $0.3 million and $0.2 million at March 31, 2016, and December 31, 2015, respectively.

g. Fuel Stock

Fuel Stock is the weighted average cost of fuel injected into the Cook Inlet Natural Gas Storage Alaska (CINGSA). Chugach's fuel balance in storage amounted to $5.8 million and $7.1 million at March 31, 2016, and December 31, 2015, respectively.

h. Corrections

For the period ended March 31, 2016, Chugach recorded the following correction for the period ended March 31, 2015:

A correction representing the cash received from customers for the undergrounding ordinance, included in net receipts on consumer advances for construction, previously reported as other current liabilities. The impact of this correction was a decrease in cash provided by operating activities and cash used in financing activities of $0.9 million for the three months ended March 31, 2015.

4. REGULATORY MATTERS

Amended Eklutna Generation Station 2015 Dispatch Services Agreement

On February 13, 2015, Chugach submitted the Amended Eklutna Generation Station 2015 Dispatch Services Agreement (Dispatch Services Agreement) to the RCA for dispatch services to be provided by Chugach to MEA for a one-year period. Under the Dispatch Services Agreement, Chugach provides electric and natural gas dispatch services for MEA's Eklutna Generation Station (EGS), electric dispatch services for the Bradley Lake Hydroelectric Project (Bradley Lake), and electric dispatch coordination services for the Eklutna Hydroelectric Project (Eklutna Hydro) beginning with EGS' full commercial operation.

On March 23, 2015, the RCA approved the Dispatch Agreement, conditioned on the requirements that 1) MEA and Chugach notify the RCA at least one month prior to forming separate Load Balancing Authorities and include in any such notification details on the tie points and any written agreements contemplated by the utilities; and, 2) Chugach file an update to its tariff to reflect any extension of the Dispatch Services Agreement one week from the receipt of such a request from MEA. The Dispatch Services Agreement was in effect through March 31, 2016.

In December 2015, MEA notified Chugach that it would not be extending the Dispatch Services Agreement for the dispatch of electric service. Subsequently, Chugach and MEA entered into an agreement entitled, "Gas Dispatch Agreement" in which Chugach provides gas scheduling and dispatch services to MEA. The term of the agreement is April 1, 2016, through March 31, 2017, with a provision to extend the agreement through March 31, 2018 upon mutual consent prior to August 1, 2016. The agreement is subject to the approval of the RCA.

June 2014 Test Year General Rate Case

Chugach's June 2014 Test Year General Rate Case was submitted to the RCA on February 13, 2015. Chugach requested a system base rate increase of approximately $21.3 million, or 20%, on total base rate revenues for rates effective in April 2015. The filing also included updates to firm and non-firm transmission wheeling rates and attendant ancillary services in support of third-party transactions on the Chugach transmission system. The primary driver of the rate changes is the reduction and shift in fixed-cost responsibility resulting from the expiration of the Interim Power Sales Agreement between Chugach and MEA on April 30, 2015.

Chugach submitted proposed adjustments to its fuel and purchased power rates under a separate tariff advice letter to become effective at the same time which allows interim base rate increases to be synchronized with reductions in fuel costs resulting from system heat rate improvements and a greater share of hydroelectric generation used to meet the load requirements of the remaining customers on the system. In combination with Chugach's fuel and purchased power rate adjustment filing for rates effective in April 2015, the effective increase to retail customer bills was approximately between two and five percent.

The RCA issued Order U-15-081(1) on April 30, 2015, suspending the filing and granting Chugach's request for interim and refundable rate increases effective May 1, 2015. A scheduling conference was held on May 27, 2015. On June 4, 2015, the RCA issued Order U-15-081(2), granting approval for intervention by Homer Electric Association (HEA), MEA and GVEA. The RCA has indicated that a final order in the case will be issued by May 8, 2016. Intervenor responsive testimony was filed by the Attorney General (AG) and MEA on October 28, 2015. The AG's testimony focused on revenue requirement matters and MEA's testimony focused on transmission cost allocation issues. Chugach's responsive testimony was filed on December 15, 2015.

In January 2016, Chugach and the Attorney General (AG) for the State of Alaska entered into settlement discussions to resolve revenue requirement matters in the case, which resulted in settlement of all outstanding matters related to the determination of Chugach's system revenue requirement for both the interim and permanent rate periods. As a result, Chugach agreed to reduce its revenue requirement by 0.5% (approximately $0.6 million). In addition, the stipulation provides for a permanent increase in Chugach's system Times Interest Earned Ratio (TIER) from 1.30 to 1.35, which represents an approximate margin increase of $1.0 million per year. The stipulation was filed with the RCA on January 21, 2016. The RCA has not issued a ruling on the settlement. If the settlement is accepted, Chugach will reduce its revenue requirement by $0.6 million and expects to issue refunds on demand and energy rates for bills issued during the interim rate period.

The adjudicatory hearing was held from January 25 through January 28, 2016, to address transmission-related matters identified by MEA. Because of the settlement, no revenue requirement matters were addressed during the hearing.

On May 2, 2016, the RCA issued Order U-15-081(8) accepting the stipulation between Chugach and the AG. The order required Chugach to submit by June 1, 2016, updated revenue requirement and cost of service results reflecting the adjustments contained in the stipulation, as well as updated tariff sheets and a refund plan. The stipulation does not resolve issues related to the pricing of transmission and ancillary services, which will be addressed in a future order in the docket.

On May 4, 2016, the RCA issued an order extending the statutory timeline for issuance of a final order in the case from May 8 to August 8, 2016. All parties in the case consented to the extension.

Chugach expects to resume its participation in the Simplified Rate Filing (SRF) process at the conclusion of this case. SRF is an expedited process available to electric cooperatives in Alaska for routine updates to demand and energy rates.

Cook Inlet Natural Gas Storage Alaska (CINGSA): Found Gas

On January 30, 2015, CINGSA submitted a filing to the RCA providing notice that it had found 14.5 Bcf of gas as a result of directional drilling in the storage facility and now proposes to establish guidelines for commercial sales of at least 2 Bcf of this gas. Chugach submitted comments to the RCA regarding CINGSA's proposed treatment of found gas. Chugach does not believe CINGSA's proposal to retain revenues for the sale of found gas should be permitted in recognition of the risk-sharing agreements made by CINGSA and its storage customers that resulted in the development of the CINGSA storage facility.

The RCA issued an order in March 2015 suspending the filing for further investigation. CINGSA filed direct testimony in the case on April 13, 2015. Chugach and other intervenors in the case submitted responsive testimony on June 5, 2015. CINGSA submitted its reply testimony on June 29, 2015. The evidentiary hearing was held in September 2015.

The RCA issued a final order in the case on December 4, 2015, ruling significantly in favor of the intervenors in the case. The RCA granted approval for CINGSA to sell 2 Bcf with 87% of the proceeds allocated to CINGSA's Firm Storage Service (FSS) customers and 13% to CINGSA. The RCA also required CINGSA to file a reservoir engineering study by June 30, 2016, and required CINGSA to file notice of all gas sales within 30 days of any sales, including the transaction price, purchaser, quantities, and the terms and conditions of the sale. The RCA also required that all proceeds to the FSS customers be treated as a reduction in fuel costs that are paid by CINGSA's customers.

On January 4, 2016, CINGSA filed an appeal in Superior Court to Order U-15-016(14), stating the RCA violated CINGSA's right to due process of law, errored, and/or acted unreasonably, unfairly, arbitrarily, capriciously, or contrary to applicable law. CINGSA believes additional proceeds resulting from the sale of found native gas should remain with CINGSA. Chugach filed an entry of appearance in the case on January 14, 2016.

On April 12, 2016, CINGSA filed a motion for a 6-week extension of time to file its brief in the appeal. A decision on the motion has not yet been issued.

Beluga River Unit

In July 2015, ConocoPhillips Alaska, Inc. (COP) announced the marketing for sale of its North Cook Inlet Unit; its interest in the Beluga River Unit (BRU); and its interest in 5,700 acres of exploration prospects in the Cook Inlet region. In October 2015, Chugach submitted a joint bid with the Municipality of Anchorage d/b/a Municipal Light & Power (ML&P) for acquisition of COP's working interest in the BRU.

As discussed in "*Note 9 – Commitments and Contingencies – Beluga River Unit,*" Chugach entered into an agreement entitled, "Purchase and Sale Agreement between ConocoPhillips Alaska, Inc. and Municipality of Anchorage d/b/a Municipal Light & Power and Chugach Electric Association, Inc." (Purchase and Sale Agreement) on February 4, 2016. The Purchase and Sale Agreement transfers COP's interest in the BRU to Chugach and ML&P. The acquisition and attendant recovery of costs in electric rates is subject to RCA approval.

On March 11, 2016, Chugach and ML&P submitted a joint request to the RCA for approval of the acquisition of ConocoPhillips Alaska, Inc.'s interest in the BRU and the attendant recovery of the acquisition costs in electric rates. Chugach and ML&P requested expedited consideration, asking the RCA to issue a bench ruling by April 21, 2016. The request for expedited consideration was made to provide additional certainty regarding Chugach's eligibility for a State of Alaska production tax credit.

The RCA opened docket U-15-081 and established an expedited procedural schedule for the case. The RCA held a hearing from April 18 through April 20, 2016, and issued a bench ruling on April 20, 2016, approving the joint request for approval of the Purchase and Sale Agreement. A written order affirming the bench ruling was issued on April 21, 2016.

Separate filings detailing the specific rate recovery process are expected to be filed in the second quarter of 2016. Under the recovery structure that will be proposed by Chugach, costs associated with the BRU, including acquisition and on-going operations, maintenance and capital investment, will be recovered on a dollar-for-dollar basis through Chugach's quarterly fuel adjustment process. Chugach recovers its fuel and purchased power costs as a direct pass-through from its retail and wholesale customers with minimal lag between cost incurrence and recovery.

5. DEBT

Lines of Credit

Chugach maintains a $50.0 million line of credit with National Rural Utilities Cooperative Finance Corporation (NRUCFC). Chugach did not utilize this line of credit in the three months ended March 31, 2016. In addition, Chugach did not utilize this line of credit during 2015 and had no outstanding balance at December 31, 2015. The borrowing rate is calculated using the total rate per annum and may be fixed by NRUCFC. The borrowing rate was 2.90 percent at March 31, 2016, and December 31, 2015. 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 expires October 12, 2017. This line of credit is immediately available for unconditional borrowing.

Commercial Paper

Chugach maintains a $100.0 million Amended Unsecured Credit Agreement, which is used to back Chugach's Commercial Paper Program. The pricing includes an all-in drawn spread of one month London Interbank Offered Rate (LIBOR) plus 107.5 basis points, along with a 17.5 basis points facility fee (based on an A- unsecured debt rating). The Amended Unsecured Credit Agreement expires on November 17, 2016. The participating banks include NRUCFC, KeyBank National Association, Bank of America, N.A., Bank of Montreal, CoBank and Chang Hwa Commercial Bank, Ltd., Los Angeles Branch. The commercial paper can be repriced between one day and 270 days. Chugach is expected to continue to issue commercial paper in 2016, as needed. Chugach had $43.0 million and $20.0 million of commercial paper outstanding at March 31, 2016, and December 31, 2015, respectively.

The following table provides information regarding average commercial paper balances outstanding for the quarters ended March 31, 2016, and 2015 (dollars in millions), as well as corresponding weighted average interest rates:

2016		2015	
Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
$21.3	0.60 %	$15.3	0.27 %

Term Loan

Chugach has a term loan facility with CoBank. Loans made under this facility are evidenced by the 2011 CoBank Bond, which is governed by the Amended and Restated Master Loan Agreement dated January 19, 2011, and secured by the Second Amended and Restated Indenture (Indenture). Chugach had $23.7 million and $24.9 million outstanding with CoBank at March 31, 2016, and December 31, 2015, respectively.

Debt Issuance Costs

The following table outlines the debt issuance costs at March 31, 2016.

	Principal	Unamortized Debt Issuance Costs
2011 Series A Bonds	$ 210,999,998	$ 1,448,456
2012 Series A Bonds	194,250,000	1,174,345
CoBank Bonds	20,834,341	179,035
Amended and Unsecured Credit Agreement	0	44,354
	$ 426,084,339	$ 2,846,190

The following table outlines the debt issuance costs at December 31, 2015.

	Principal	Unamortized Debt Issuance Costs
2011 Series A Bonds	$ 221,666,665	$ 1,482,791
2012 Series A Bonds	205,000,000	1,198,105
CoBank Bonds	22,241,852	186,495
Amended and Unsecured Credit Agreement	0	60,987
	$ 448,908,517	$ 2,928,378

6. RECENT ACCOUNTING PRONOUNCEMENTS

Issued and adopted:

ASC Update 2015-03 "*Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*"

In April 2015, the FASB issued ASC Update 2015-03, "Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." ASC Update 2015-03 revises the presentation guidance for debt issuance costs related to a recognized debt liability. The effect of this update is to present the debt issuance costs as a direct deduction to the liability on the balance sheet and retrospective application is required. This update does not change the recognition and measurement guidance for debt issuance costs. This update is effective for fiscal years beginning after December 15, 2015, and interim periods within those years, with early adoption permitted. Chugach began application of ASC 2015-03 with the fiscal year beginning January 1, 2016. Adoption did not have a material effect on its results of operations, financial position, and cash flows.

ASC Update 2015-15 "*Interest – Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*"

In September 2015, the FASB issued ASC Update 2015-15, "Interest – Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements." ASC Update 2015-15 amends guidance related to the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements for SEC reporting. This update is effective for fiscal years beginning after December 15, 2015, and interim periods within those years, with early adoption permitted. Chugach began application of ASC 2015-15 with the fiscal year beginning January 1, 2016. Adoption did not have a material effect on its results of operations, financial position, and cash flows.

Adoption of the above guidance was applied retrospectively and reduced deferred charges and long-term debt by the unamortized debt issuance costs of $2.8 million and $2.9 million at March 31, 2016, and December 31, 2015, respectively.

Issued, not yet adopted:

ASC Update 2014-09 "*Revenue from Contracts with Customers (Topic 606)*" and ASC 2014-14 "*Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*"

In May 2014, the FASB issued ASC Update 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASC Update 2014-09 provides guidance for the recognition, measurement and disclosure of revenue related to the transfer of promised goods or services to customers. This update was effective for fiscal years beginning after December 15, 2016, for which early application was prohibited. However, in August 2015, the FASB issued ASC Update 2014-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," deferring the effective date of ASC Update 2014-09 to fiscal years beginning after December 15, 2017, and permitting early adoption of this update, but only for annual reporting periods beginning after December 15, 2016, and interim reporting periods within that reporting period. The standard permits the use of either the retrospective or cumulative effect transition method. Chugach has not yet selected a transition method and is evaluating the effect on its results of operations, financial position, and cash flows.

ASC Update 2016-08 *"Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net"*

In March 2016, the FASB issued ASC Update 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net." ASC Update 2016-08 clarifies the implementation guidance in Topic 606 on principal versus agent considerations. This update affects the guidance in ASC Update 2014-09 and follows the same effective date and transition requirements. Chugach has not yet selected a transition method and is evaluating the effect on its results of operations, financial position, and cash flows.

ASC Update 2016-01 "*Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*"

In January 2016, the FASB issued ASC Update 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." ASC Update 2016-01 amends guidance related to certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. This update is effective for fiscal years beginning after December 15, 2018, and interim periods beginning after December 15, 2019, with early adoption not permitted with certain exceptions. Chugach will begin application of ASC 2016-01 with the annual report for the year ended December 31, 2018. Adoption is not expected to have a material effect on its results of operations, financial position, and cash flows.

ASC Update 2016-02 "*Leases (Topic 842): Section A – Leases: Amendments to the FASB Accounting Standards Codification; Section B – Conforming Amendments Related to Leases: Amendments to the FASB Accounting Standards Codification; Section C – Background Information and Basis for Conclusions*"

In February 2016, the FASB issued ASC Update 2016-02, "Leases (Topic 842): Section A – Leases: Amendments to the FASB Accounting Standards Codification; Section B – Conforming Amendments Related to Leases: Amendments to the FASB Accounting Standards Codification; Section C – Background Information and Basis for Conclusions." ASC Update 2016-02 amends guidance related to the recognition, measurement, presentation and disclosure of leases for lessors and lessees. This update is effective for fiscal years beginning after December 15, 2018, including the interim periods within those years, with early adoption permitted. Chugach will begin application of ASC 2016-02 on January 1, 2019. Chugach is evaluating the effect on its results of operations, financial position, and cash flows.

7. FAIR VALUES OF ASSETS AND LIABILITIES

Fair Value Hierarchy

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

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes United States Treasury and federal agency securities, which are traded by dealers or brokers in active 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.

Chugach had no Level 1, Level 2 or Level 3 assets or liabilities measured at fair value on a recurring basis. Fair value estimates are dependent upon subjective assumptions and involve significant uncertainties resulting in variability in estimates with changes in assumptions. The fair value of cash and cash equivalents, accounts receivable and payable, and other short-term monetary assets and liabilities approximate carrying value due to their short-term nature.

Fair Value of Financial Instruments

The estimated fair values (in thousands) of long-term obligations included in the financial statements at March 31, 2016, are as follows:

	Measurement	Carrying Value		Fair Value	
2011 CoBank Bonds	Level 2	$	23,651	$	23,651
2011 Series A Bonds	Level 2		221,667		233,565
2012 Series A Bonds	Level 2		205,000		213,481
Long-term obligations (including current installments)		$	450,318	$	470,697

8. ENVIRONMENTAL MATTERS

Since January 1, 2007, transformer manufacturers have been required to meet the US Department of Energy (DOE) efficiency levels as defined by the Energy Act of 2005 (Energy Act) for all “Distribution Transformers.” As of January 1, 2016, the specific efficiency levels are increasing from the original “TP1” levels to the new “DOE-2016” levels. The Energy Act mandates specific types of low voltage dry-type transformers manufactured and sold in the USA to have efficiencies as defined by the 10 CFR Part 431 standard when loaded to 35% of maximum capacity. Chugach is in the process of evaluating our transformer specifications and will make modifications as necessary with our alliance transformer manufacturers to ensure DOE-2016 is met. At this time a small increase in capital costs is anticipated along with a reduction in energy losses.

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. New Clean Air Act regulations impacting electric utilities may result from future events or new regulatory programs. On August 3, 2015, the EPA released the final 111(d) regulation language aimed at reducing emissions of carbon dioxide (CO_2) from existing power plants that provide electricity for utility customers. In the final rule, the EPA took the approach of making individual states responsible for the development and implementation of plans to reduce the rate of CO_2 emissions from the power sector. The EPA initially applied the final rule to 47 of the contiguous states. At this time, Alaska, Hawaii, Vermont, Washington D.C. and two U.S. territories are not bound by the regulation. Alaska may be required to comply at some future date. On February 9, 2016 the U.S. Supreme Court issued a stay on the proposed EPA 111(d) regulations until the DC Circuit decides the case, or until the disposition of a petition to the Supreme Court on the issue. The EPA 111(d) regulation, in its current form, is not expected to have a material effect on Chugach’s financial condition, results of operations, or cash flows. 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 has obtained or applied for all Clean Air Act permits currently required for the operation of generating facilities.

Chugach is subject to numerous other environmental statutes including the Clean Water Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Endangered Species Act, and the Comprehensive Environmental Response, Compensation and Liability Act and to the regulations implementing these statutes. Chugach does not believe that compliance with these statutes and regulations to date has had a material impact on its financial condition, results of operation or cash flows. However, the implementation of any additional new law or regulation, or the limitations thereof, or changes in or new interpretations of laws or regulations could result in significant additional capital or operating expenses. Chugach monitors proposed new regulations and existing regulation changes through industry associations and professional organizations.

9. 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 March 31, 2016, 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 70 percent of Chugach's employees are members of the IBEW. Chugach has three CBA's with the IBEW. Chugach also has an agreement with the HERE. All three IBEW CBA's have been renewed through June 30, 2017. The HERE contract has been renewed through June 30, 2016.

Chugach was the principal supplier of power under an Interim Power Sales Agreement with MEA. Including the fuel component, this contract represented $26.2 million of sales revenue through its expiration on April 30, 2015.

<u>Commitments</u>

<u>Fuel Supply Contracts</u>

Chugach has fuel supply contracts from various producers at market terms. A gas supply contract between Chugach and ConocoPhillips Alaska, Inc. and ConocoPhillips, Inc. (collectively "ConocoPhillips"), was approved by the RCA effective August 21, 2009. This contract began providing gas in 2010 and will terminate December 31, 2016. The total amount of gas under this contract is estimated to be 62 Bcf. Chugach entered into a gas contract with Hilcorp effective January 1, 2015, to provide gas through March 31, 2018. On September 15, 2014, the RCA approved an amendment to the Hilcorp gas purchase agreement extending gas delivery and subsequently filling 100 percent of Chugach's needs through March 31, 2019. On September 8, 2015, the RCA approved another amendment to the Hilcorp gas purchase agreement extending the term of the agreement, thus filling up to 100 percent of Chugach's needs through March 31, 2023. The total amount of gas under this contract is estimated to be 60 Bcf. All of the production is expected to come from Cook Inlet, Alaska. The terms of the ConocoPhillips and Hilcorp agreements require Chugach to manage the natural gas transportation over the connecting pipeline systems. Chugach has gas transportation agreements with ENSTAR Natural Gas Company (ENSTAR) and Hilcorp.

<u>Beluga River Unit</u>

On February 4, 2016, Chugach entered into an agreement entitled, "Purchase and Sale Agreement between ConocoPhillips Alaska, Inc. and Municipality of Anchorage d/b/a Municipal Light & Power and Chugach Electric Association, Inc." The Purchase and Sale Agreement transfers COP's working interest in the BRU to Chugach and ML&P. The total purchase price is $152 million, with Chugach's portion totaling $45.6 million.

Under the joint bid arrangement, Chugach's ownership of COP's working interest is 30% and ML&P's ownership is 70%. 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 COP's 67% working interest in deep oil resources. On April 21, 2016, the acquisition was approved by the RCA (see "*Note 5 – Regulatory Matters – Beluga River Unit*") and the agreement closed on April 22, 2016.

Chugach has a firm gas supply contract with COP, as previously discussed under "*Fuel Supply Contracts*". In addition to Chugach, COP had contractual gas sales obligations to ENSTAR through 2017. These contracts are assumed by ML&P and Chugach on the basis of ownership share.

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. Currently, the BRU is jointly owned (one-third) by COP, Hilcorp, and ML&P. If the transaction is approved, ML&P's ownership of the BRU would increase to approximately 56.7%, Hilcorp's ownership would remain unchanged at 33.3%, and Chugach's ownership would be 10.0%.

Patronage Capital

In 2007, Chugach entered into an agreement with HEA to return all of its patronage capital within five years after expiration of its power sales agreement, which was December 31, 2013. This patronage capital retirement was related to a settlement agreement associated with the 2005 Test Year General Rate Case (Docket U-06-134) and accepted by the RCA on August 7, 2007. HEA's patronage capital was $7.9 million at March 31, 2016, and December 31, 2015, and is classified as patronage capital payable on Chugach's Balance Sheet.

In an agreement reached in May 2014 with MEA, capital credits retired to MEA are classified as patronage capital payable on Chugach's Balance Sheet. MEA's patronage capital payable was $3.2 million at March 31, 2016, and December 31, 2015.

Legal Proceedings

Chugach has certain litigation matters and pending claims that arise in the ordinary course of Chugach's business. In the opinion of management, none of these matters, individually or in the aggregate, is or are likely to have a material adverse effect on Chugach's results of operations, financial condition or cash flows.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reference is made to the information contained under the caption "CAUTION REGARDING FORWARD-LOOKING STATEMENTS" at the beginning of this report.

OVERVIEW

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

Chugach directly serves retail customers in the Anchorage and Kenai Peninsula areas and supplies much of the power requirements of the City of Seward, as a wholesale customer. Chugach also supplied power to Matanuska Electric Association, Inc. (MEA) through April 30, 2015, as a wholesale customer. Periodically, Chugach sells available generation in excess of its own needs to MEA, Golden Valley Electric Association, Inc. (GVEA) and to Anchorage Municipal Light & Power (ML&P).

Chugach is an Alaska electric cooperative operating on a not-for-profit basis and is subject to the regulatory authority of the Regulatory Commission of Alaska (RCA).

Chugach's customers' requirements for capacity and energy generally increase in fall and winter as home heating and lighting needs increase and decline in spring and summer as the weather becomes milder and daylight hours increase.

Chugach Operations

In the near term, Chugach continues to face the challenges of operating in a flat load growth environment and securing replacement revenue sources. These challenges, along with energy issues and plans at the state level, will shape how Chugach proceeds into the future.

Chugach has been preparing for the expiration of its second wholesale power contract for some time and has taken steps to reduce costs in order to mitigate the rate impacts to its remaining customers. Despite the loss of these two wholesale power contracts which accounted for approximately 50% of energy sales and 40% of sales revenue, the net system rate increase for Chugach's remaining customers was approximately 20%. Chugach's 10-year financial forecast indicates it can sustain operations and meet financial covenants without these wholesale contracts. In addition, because Chugach's rates are established by the RCA, Chugach expects to maintain its ability to recover Chugach's specific costs of providing service despite the loss of these customers.

Chugach is also pursuing replacement sources of revenue through potential new power sales and dispatch agreements, as well as transmission wheeling and ancillary services tariff revisions. Chugach has updated and expanded its operating tariff to include both firm and non-firm transmission wheeling services and attendant ancillary services in support of third-party transactions on the Chugach system. Chugach believes that cost reduction and containment, successful implementation of new power sales and dispatch agreements and revised tariffs will mitigate additional rate increases. However, Chugach cannot assure that it will be able to replace sources of revenue or that any replacement of revenue sources, revised tariffs or cost reduction and containment measures will fully offset any rate increases in this timeframe.

Railbelt Grid Unification

Chugach is focused on efforts in the Railbelt to explore the benefits of grid unification. Currently, each of the six electric utilities in the Railbelt own a portion of the transmission grid, as does the Alaska Energy Authority (AEA). Chugach is a proponent of following other successful business models to effectively unify the grid. Discussions on the issue led the Alaska State Legislature in 2014 to appropriate $250,000 to the RCA to explore the issue and report back to legislators. The RCA expects to analyze and review present efforts in order to assess the organizational and governance structure needed for an independent consolidated system operator Beginning in 2016, progress reports associated with system-wide economic dispatch are required. With the support of the RCA, Chugach and several other Railbelt utilities are evaluating possible transmission business model opportunities and associated economic dispatch models that Chugach believes may lead to more optimal Railbelt-wide system operations. Chugach intends to finalize this review and evaluation in the third quarter of 2016. While Chugach cannot determine the materiality of any effect on its results of operations, financial condition, and cash flows until a business model and plan are adopted, it anticipates a positive outcome.

Fuel Supply

Chugach actively manages its fuel supply needs and currently has contracts in place to meet up to 100% of its anticipated needs through March of 2023. Chugach continues its efforts to secure long-term reliable gas supply solutions and encourage new development and continued investment in Cook Inlet. The State of Alaska’s Department of Natural Resources (DNR) published a study in September 2015, “Updated Engineering Evaluation of Remaining Cook Inlet Gas Reserves,” to provide an estimate of Cook Inlet’s gas supply. The study estimated there are 1,183 Bcf of proved and probable reserves remaining in Cook Inlet’s legacy fields. This is higher than the 2009 DNR study estimate of 1,142 Bcf. Effectively, Cook Inlet gas supply has slightly increased from 2009. The 2015 DNR estimate does not include reserves from a large gas field under development by Furie Operating Alaska, LLC (Furie) and another considered for development by BlueCrest Energy, Inc. Furie has constructed an offshore gas production platform and has begun production. The platform and other production facilities are designed for up to 200 MMcf per day. Other gas producers are actively developing gas supplies in the Cook Inlet. Chugach is encouraged with these developments but continues to explore other alternatives to diversify its portfolio.

On April 21, 2016, the RCA approved the acquisition of the Beluga River Unit effective January 1, 2016, as discussed in "*Item 1 – FINANCIAL STATEMENTS – Note 4 – Regulatory Matters – Beluga River Unit and Note 9 – Commitments and Contingencies – Commitments – Beluga River Unit*." Chugach's interest in the BRU is 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 complements existing gas supplies and is expected to provide greater fuel diversity at an effective annual cost that is $2 million to $3 million less than alternative sources of gas in the Cook Inlet region. Approximately 80% of Chugach's current generation requirements are met from natural gas, 16% are met from hydroelectric, and 4% are met from wind.

The acquisition is expected to provide gas to meet Chugach's on-going generation requirements over an approximate 18-year period, or from 2016 to 2033. Gas associated with the acquisition is expected to provide about 15% of Chugach's gas requirements through 2033, although actual gas quantities produced are expected to vary on a year-by-year basis.

Chugach has firm gas supply contracts with COP and Hilcorp, see "*Item 1 – FINANCIAL STATEMENTS – Note 9 – Commitments and Contingencies - Fuel Supply Contracts*". In addition to Chugach, COP had contractual gas sales obligations to ENSTAR through 2017. These contracts are assumed by ML&P and Chugach on the basis of ownership share. In addition to these firm contracts, Chugach has gas supply agreements with Aurora Gas LLC through September 30, 2016, AIX Energy LLC through March 31, 2024 (with an option to extend the term an additional 5-year period through March 31, 2029), and with Cook Inlet Energy LLC through March 31, 2018 (with an option to extend the term an additional 5-year period through March 31, 2023). Collectively, these agreements provide added diversification and optionality for Chugach to minimize costs within its gas supply portfolio.

Renewable Energy Goals

A State of Alaska Energy Policy approved by the legislature in 2010 included legislative intent that the state achieve a 15% increase in energy efficiency on a per capita basis between 2010 and 2020, receive 50% of its electric generation from renewable and alternative energy sources by 2025, work to ensure reliable in-state gas supply for residents of the state, and that the state power project fund serve as the main source of state assistance for energy projects, remain a leader in petroleum and natural gas production and become a leader in renewable and alternative energy development.

The main project moving Alaska toward its renewable energy goals is the Susitna-Watana Hydroelectric Project which is currently planned to be located on the Susitna River, approximately halfway between Anchorage and Fairbanks. The State of Alaska began appropriating funds to the AEA for this project in the state's 2012 fiscal year budget, totaling approximately $180.7 million through the spring of 2014. However, on December 26, 2014, the Governor of the State of Alaska (Governor) issued an Administrative Order suspending discretionary spending on a number of capital projects, including this project, due to the large state budget deficit. In July 2015, the Governor approved using $6.6 million in uncommitted funds from a prior Susitna-Watana appropriation to continue moving the project forward. In October 2015, the state's Office of Management and Budget lifted the spending freeze on the Susitna-Watana Hydroelectric Project providing AEA with access to funds representing approximately three percent of the total allocation to the current project proposal to date. AEA estimates the project's cost at over $5.5 billion and plans to act based on the funding the state's fiscal reality allows. AEA continued the pre-licensing study process with the FERC and filed Part D of the Initial Study Report on November 6, 2015. On December 2, 2015, the FERC published an updated licensing schedule, including stakeholder meetings that began in March 2016. Chugach has been working with and will continue to work with AEA and other parties on this effort.

RESULTS OF OPERATIONS

Current Year Quarter versus Prior Year Quarter

Assignable margins decreased $3.4 million, or 56.5%, during the first quarter of 2016 compared to the first quarter of 2015, primarily due to lower energy sales, which was somewhat offset by decreases in production, administrative, general and other expenses, and depreciation.

Operating revenues, which include sales of electric energy to retail, wholesale and economy energy customers and other miscellaneous revenues, decreased $24.8 million, or 33.1%, in the first quarter of 2016 compared to the first quarter of 2015. This decrease was primarily due to the expiration of MEA's interim wholesale contract and GVEA's economy sales contract.

Retail revenue increased $3.9 million, or 8.9%, in the first quarter of 2016 compared to the first quarter of 2015. Base revenue increased due to an increase in rates charged to retail customers as a result of Chugach's June 2014 Test Year General Rate Case, which was somewhat offset by lower energy sales and lower fuel expense recovered through the fuel and purchased power surcharge process.

Wholesale revenue decreased $20.5 million, or 94.5%, in the first quarter of 2016 compared to the first quarter of 2015, primarily due to the expiration of MEA's interim wholesale contract on April 30, 2015.

Economy energy revenue decreased $8.0 million, or 100.0%, in the first quarter of 2016 compared to the first quarter of 2015 due to the expiration of GVEA's economy sales contract at the end of the first quarter of 2015.

Based on the results of fixed and variable cost recovery established in Chugach's last rate case, wholesale sales to Seward contributed approximately $0.3 million to Chugach's fixed costs for the quarters ended March 31, 2016 and 2015. Wholesale sales to MEA contributed approximately $7.6 million to Chugach's fixed costs for the quarter ended March 31, 2015.

The following table shows the base rate sales revenue and fuel and purchased power revenue by customer class that is included in revenue for the quarters ended March 31, 2016 and 2015:

	Base Rate Sales Revenue			Fuel and Purchased Power Revenue			Total Revenue		
	2016	**2015**	**% Variance**	**2016**	**2015**	**% Variance**	**2016**	**2015**	**% Variance**
Retail									
Residential	$ 17.5	$ 15.2	15.1 %	$ 7.3	$ 7.7	(5.2 %)	$ 24.8	$ 22.9	8.3 %
Small Commercial	$ 3.1	$ 2.7	14.8 %	$ 1.7	$ 1.8	(5.6 %)	$ 4.8	$ 4.5	6.7 %
Large Commercial	$ 11.0	$ 9.1	20.9 %	$ 6.4	$ 6.7	(4.5 %)	$ 17.4	$ 15.8	10.1 %
Lighting	$ 0.4	$ 0.3	33.3 %	$ 0.1	$ 0.1	0.0 %	$ 0.5	$ 0.4	25.0 %
Total Retail	**$ 32.0**	**$ 27.3**	**17.2 %**	**$ 15.5**	**$ 16.3**	**(4.9 %)**	**$ 47.5**	**$ 43.6**	**8.9 %**
Wholesale									
MEA	$ 0.0	$ 10.1	(100.0 %)	$ 0.0	$ 10.4	(100.0 %)	$ 0.0	$ 20.5	(100.0 %)
SES	$ 0.5	$ 0.5	0.0 %	$ 0.7	$ 0.7	0.0 %	$ 1.2	$ 1.2	0.0 %
Total Wholesale	**$ 0.5**	**$ 10.6**	**(95.3 %)**	**$ 0.7**	**$ 11.1**	**(93.7 %)**	**$ 1.2**	**$ 21.7**	**(94.5 %)**
Economy	$ 0.0	$ 0.7	(100.0 %)	$ 0.0	$ 7.3	(100.0 %)	$ 0.0	$ 8.0	(100.0 %)
Miscellaneous	$ 0.6	$ 0.6	0.0 %	$ 0.9	$ 1.1	(18.2 %)	$ 1.5	$ 1.7	(11.8 %)
Total Revenue	**$ 33.1**	**$ 39.2**	**(15.6 %)**	**$ 17.1**	**$ 35.8**	**(52.2 %)**	**$ 50.2**	**$ 75.0**	**(33.1 %)**

The following table summarizes kWh sales for the quarters ended March 31:

Customer	2016 kWh	2015 kWh
Retail	297,176,263	307,159,468
Wholesale	15,218,221	229,039,644
Economy Energy	0	96,165,000
Total	312,394,484	632,364,112

Base rates charged to retail and wholesale customers in the first quarter of 2016 include base rate changes effective May 1, 2015, as a result of Chugach's June 2014 Test Year General Rate Case. Effectively, base rates increased 21.8% to retail customers and 16.9% to Seward in the first quarter of 2016 compared to the first quarter of 2015.

Total operating expenses decreased $21.1 million, or 33.2%, in the first quarter of 2016 compared to the first quarter of 2015.

Fuel expense decreased $15.9 million, or 53.4%, in the first quarter of 2016 compared to the first quarter of 2015, primarily due to a decrease in the volume of natural gas used as a result of the expiration of contracts with MEA and GVEA, which was somewhat offset by a higher average effective delivered price. In the first quarter of 2016, Chugach used 2,195,688 MCF of fuel at an average effective delivered price of $5.82 per MCF. In the first quarter of 2015, Chugach used 5,419,260 MCF of fuel at an average effective delivered price of $5.29 per MCF.

Production expense decreased $0.7 million, or 15.8%, in the first quarter of 2016 compared to the first quarter of 2015, primarily due to a decrease in operating and maintenance costs at Beluga, as a result of the retirement of Beluga Unit 8 during the first quarter of 2015.

Purchased power expense decreased $2.7 million, or 40.2%, in the first quarter of 2016 compared to the first quarter of 2015, primarily due to purchases required as a result of the expiration of MEA’s interim wholesale contract, which was somewhat offset by a higher average effective price. In the first quarter of 2016, Chugach purchased 49,271 megawatt hours (MWh) of energy at an average effective price of 6.88 cents per kWh. In the first quarter of 2015, Chugach purchased 124,856 MWh of energy at an average effective price of 4.75 cents per kWh.

Transmission expense decreased $0.2 million, or 11.9%, in the first quarter of 2016 compared to the first quarter of 2015, primarily due to a shift in labor from transmission to distribution maintenance.

While distribution expense did not materially change overall in the first quarter of 2016 compared to the first quarter of 2015, a shift in labor from transmission to distribution maintenance was offset by lower costs associated with overhead line clearing.

Consumer accounts and administrative, general and other expense did not materially change in the first quarter of 2016 compared to the first quarter of 2015.

Depreciation and amortization expense decreased $1.5 million, or 15.1%, in the first quarter of 2016 compared to the first quarter of 2015, primarily due to the retirement of IGT Unit 3 and Beluga Unit 8, as well as a change in depreciation rates associated with the use of Beluga's remaining units from base load to peaking units, coinciding with the expiration of MEA's interim wholesale contract.

Interest on long-term and other debt and interest charged to construction did not materially change in the first quarter of 2016 compared to the first quarter of 2015.

Non-operating margins did not materially change in the first quarter of 2016 compared to the first quarter of 2015.

Financial Condition

Assets

Total assets did not materially change from December 31, 2015 to March 31, 2016. Decreases at March 31, 2016, from December 31, 2015, in net utility plant, cash and cash equivalents, accounts receivable, and fuel stock, were somewhat offset by increases in special funds and prepayments over the same period. Net utility plant decreased $3.4 million, or 0.5%, primarily due to depreciation expense in excess of extension and replacement of plant. Cash and cash equivalents decreased $1.3 million, or 8.4%, and accounts receivable decreased $2.6 million, or 9.1%, primarily due to a decrease in energy sales from winter to spring. Fuel stock decreased $1.3 million, or 17.8%, due to the use of fuel from the fuel storage facility. Special funds increased $4.4 million, primarily due to the funds held in escrow for Chugach's investment in the Beluga River Field, and prepayments increased $1.4 million, or 96.0%, due primarily to the prepayment of insurance.

Liabilities and Equity

Total liabilities, equities and margins did not materially change from December 31, 2015 to March 31, 2016. Decreases at March 31, 2016, from December 31, 2015, in long-term obligations, accrued interest, and fuel cost over-recovery were somewhat offset by increases in commercial paper and total equities and margins over the same period. Long-term obligations decreased $22.7 million, or 5.1%, primarily due to the principal payments on Chugach's existing debt. Accrued interest decreased $5.1 million, or 85.5%, due to the semi-annual interest payment on the 2011 and 2012 Series A Bonds. Fuel cost over-recovery decreased $0.5 million, or 10.4%, due to the refund of the prior quarter's over-recovery of fuel and purchased power costs. Commercial paper increased $23.0 million, or 115.0%, primarily due to the funds needed for principal payments associated with the 2011 and 2012 bonds and a portion of Chugach's investment in the Beluga River Field. Total equities and margins increased $2.6 million, or 1.4%, primarily due to the margins generated in the three months ended March 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Summary

Chugach ended the first quarter of 2016 with $14.3 million of cash and cash equivalents, down from $15.6 million at December 31, 2015. Chugach did not utilize its $50.0 million line of credit maintained with NRUCFC in the three months ended March 31, 2016, therefore, this line of credit had no outstanding balance and the available borrowing capacity under this line was $50.0 million at March 31, 2016. Chugach issued commercial paper in the three months ended March 31, 2016 and had $43.0 million of commercial paper outstanding at March 31, 2016, thus the available borrowing capacity under the Commercial Paper Program at March 31, 2016, was $57.0 million.

Cash equivalents consist of all highly liquid debt instruments, with a maturity of three months or less when purchased, and a concentration account with First National Bank Alaska (FNBA).

Cash Flows

The following table summarizes Chugach's cash flows from operating, investing and financing activities for the three months ended March 31, 2016 and 2015.

	2016	2015
Total cash provided by (used in):		
Operating activities	$ 8,850,273	$ 13,305,575
Investing activities	(11,453,675)	(3,813,582)
Financing activities	1,283,389	(12,625,140)
Decrease in cash and cash equivalents	$ (1,320,013)	$ (3,133,147)

Operating Activities

Cash provided by operating activities was $8.9 million for the three months ended March 31, 2016, compared with $13.3 million for the three months ended March 31, 2015.

The decrease in cash provided by operating activities in the first quarter of 2016 from the first quarter of 2015 was primarily due to the expiration of the MEA and GVEA contracts in 2015. These resulted in a decrease in assignable margins and accounts receivable, as well as decreases associated with natural gas primarily for operations and from the fuel storage facility, which was somewhat offset by the refund associated with the over-collection of fuel through the fuel and purchased power adjustment process.

Investing Activities

Cash used in investing activities was $11.5 million for the three months ended March 31, 2016, compared with $3.8 million for the three months ended March 31, 2015. The change in cash used in investing activities was primarily due to an increase in special funds caused by a portion of Chugach's investment in the Beluga River Field held in escrow. An increase in cash used for the extension and replacement of plant also contributed to the increase primarily due to distribution substation projects.

Capital construction through March 31, 2016, was $7.3 million and is estimated to be $30.2 million for the full year. Once funding from other sources is collected, the total cash requirement is estimated to be $23.7 million for 2016. Capital improvement expenditures are expected to increase during the second quarter as the construction season begins.

Financing Activities

Cash provided by financing activities was $1.3 million for the three months ended March 31, 2016, compared to cash used of $12.6 million for the three months ended March 31, 2015. The change in cash used in financing activities was primarily due to the increase in proceeds from commercial paper, as a result of cash required to make the annual principal payments on Chugach's 2011 and 2012 bonds and a portion of Chugach's investment in the Beluga River Field.

Sources of Liquidity

Chugach satisfies its operational and capital cash requirements through internally generated funds, a $50.0 million line of credit from NRUCFC and a $100.0 million Commercial Paper Program. At March 31, 2016, there was no outstanding balance on the NRUCFC line of credit and $43.0 million of outstanding commercial paper. At March 31, 2016, the available borrowing capacity under Chugach's line of credit with NRUCFC was $50.0 million and the available commercial paper capacity was $57.0 million.

Commercial paper can be repriced between one day and 270 days. The average commercial paper balance for the three months ended March 31, 2016, was $21.3 million with a corresponding weighted average interest rate of 0.60%. The maximum amount of outstanding commercial paper for the three months ended March 31, 2016, was $43.0 million.

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

Month	**Average Balance**	**Weighted Average Interest Rate**
January 2016	$ 16.1	0.61
February 2016	$ 16.9	0.60
March 2016	$ 30.5	0.60

Chugach has a term loan facility with CoBank. Loans made under this facility are evidenced by the 2011 CoBank Bond, which is governed by the Amended and Restated Master Loan Agreement dated January 19, 2011 and secured by the Indenture. At March 31, 2016, Chugach had the following bond outstanding with this facility:

	Principal Balance	Interest Rate at March 31, 2016	Maturity Date	Principal Payment Dates
2011 CoBank Bond	$ 23,651,493	2.78%	2022	2016-2022

Under the Indenture, additional obligations may be sold by Chugach upon the basis of bondable additions and the retirement or defeasance of or principal payments on previously outstanding obligations. Chugach's ability to sell additional debt obligations will be dependent on the market's perception of Chugach's financial condition and Chugach's continuing compliance with financial covenants contained in its debt agreements.

Chugach management continues to expect that cash flows from operations and external funding sources, including additional commercial paper borrowings, will be sufficient to cover operational, financing and capital funding requirements in 2016 and thereafter.

CRITICAL ACCOUNTING POLICIES

As of March 31, 2016, there have been no significant changes in Chugach's critical accounting policies as disclosed in Chugach's 2015 Annual Report on Form 10-K. These policies include electric utility regulation and unbilled revenue.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Information required by this Item is contained in Note 6 to the "Notes to Financial Statements" within Part I of this Form 10-Q.

ENVIRONMENTAL MATTERS

Compliance with Environmental Standards

Chugach's operations are subject to certain federal, state and local environmental laws and regulations, which seek to limit air, water and other pollution and regulate hazardous or toxic waste disposal. While Chugach monitors these laws and regulations to ensure compliance, they frequently change and often become more restrictive. When this occurs, costs of compliance generally increase.

Costs associated with environmental compliance are included in both the operating and capital budgets. Costs associated with environmental remediation obligations are accrued when probable and reasonably able to be estimated. It is not anticipated that expenditures associated with environmental matters will have a material effect on Chugach's financial condition, results of operations or cash flows. Chugach cannot, however, predict the nature, extent or cost of new laws or regulations relating to environmental matters.

Since January 1, 2007, transformer manufacturers have been required to meet the DOE efficiency levels as defined by the Energy Act for all "Distribution Transformers." As of January 1, 2016, the specific efficiency levels are increasing from the original "TP1" levels to the new "DOE-2016" levels. The Energy Act mandates specific types of low voltage dry-type transformers manufactured and sold in the USA to have efficiencies as defined by the 10 CFR Part 431 standard when loaded to 35% of maximum capacity. Chugach is in the process of evaluating our transformer specifications and will make modifications as necessary with our alliance transformer manufacturers to ensure DOE-2016 is met. At this time a small increase in capital costs is anticipated along with a reduction in energy losses.

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. New Clean Air Act regulations impacting electric utilities may result from future events or new regulatory programs. On August 3, 2015, the EPA released the final 111(d) regulation language aimed at reducing emissions of carbon dioxide (CO_2) from existing power plants that provide electricity for utility customers. In the final rule, the EPA took the approach of making individual states responsible for the development and implementation of plans to reduce the rate of CO_2 emissions from the power sector. The EPA has initially applied the final rule to 47 of the contiguous states. At this time, Alaska, Hawaii, Vermont, Washington D.C. and two U.S. territories are not bound by the regulation. Alaska may be required to comply at some future date. On February 9, 2016 the U.S. Supreme Court issued a stay on the proposed EPA 111(d) regulations until the DC Circuit decides the case, or until the disposition of a petition to the Supreme Court on the issue. The EPA 111(d) regulation, in its current form, is not expected to have a material effect on Chugach's financial condition, results of operations, or cash flows. 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 has obtained or applied for all Clean Air Act permits currently required for the operation of generating facilities.

Chugach is subject to numerous other environmental statutes including the Clean Water Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Endangered Species Act, and the Comprehensive Environmental Response, Compensation and Liability Act and to the regulations implementing these statutes. Chugach does not believe that compliance with these statutes and regulations to date has had a material impact on its financial condition, results of operation or cash flows. However, the implementation of any new law or regulation, or the limitations thereof, or changes in or new interpretations of laws or regulations could result in significant additional capital or operating expenses. Chugach monitors proposed new regulations and existing regulation changes through industry associations and professional organizations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Chugach is exposed to a variety of risks, including changes in interest rates and changes in commodity prices due to repricing mechanisms in a gas supply contract. In the normal course of its business, Chugach manages exposure to these risks as described below. Chugach does not engage in trading market risk-sensitive instruments for speculative purposes.

Interest Rate Risk

At March 31, 2016, short- and long- term debt was comprised of the 2011 and 2012 Series A Bonds, the CoBank Bond and outstanding commercial paper.

The interest rates of the 2011 Series A Bonds and the 2012 Series A Bonds are fixed and set forth in the table below with the carrying value and fair value (dollars in millions) at March 31, 2016.

	Maturing	Interest Rate	Carrying Value	Fair Value
2011 Series A, Tranche A	2031	4.20 %	$ 67,500	$ 68,603
2011 Series A, Tranche B	2041	4.75 %	154,167	164,961
2012 Series A, Tranche A	2032	4.01 %	60,000	60,251
2012 Series A, Tranche B	2042	4.41 %	95,000	98,853
2012 Series A, Tranche C	2042	4.78 %	50,000	54,377
Total			$ 426,667	$ 447,045

Chugach is exposed to market risk from changes in interest rates associated with other credit facilities. Chugach's credit facilities' interest rates may be reset due to fluctuations in a market-based index, such as the London Interbank Offered Rate (LIBOR) or the base rate or prime rate of lenders. At March 31, 2016, Chugach had $43.0 million of commercial paper outstanding and $23.7 million outstanding on its CoBank Bond. A 100 basis-point rise in interest rates would increase interest expense by approximately $0.7 million, and up to a 100 basis-point decline in interest rates would decrease interest expense by approximately $0.5 million, based on $66.7 million of variable rate debt outstanding at March 31, 2016.

Commodity Price Risk

A portion of Chugach's gas supply is subject to fluctuations in gas prices because the gas price is indexed to certain commodity prices. Because fuel and purchased power costs are passed directly to wholesale and retail customers through a fuel and purchased power recovery process, fluctuations in the price paid for gas pursuant to gas supply contracts does not normally impact margins.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures

As of the end of the period covered by this report, under the supervision and with the participation of Chugach management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), Chugach conducted an evaluation of the effectiveness of the design and operation of disclosure controls and procedures, as defined in the Securities Exchange Act of 1934 ("Exchange Act") Rule 13a-15(e). Based on this evaluation, the CEO and CFO each concluded that as of the end of the period covered by this report, disclosure controls and procedures are effective in timely alerting them to material information required to be disclosed in Chugach's periodic reports to the Securities and Exchange Commission (SEC), ensures that such information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and such information is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in Chugach's internal controls over financial reporting identified in connection with the evaluation that occurred during the first quarter of 2016 that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information required by this Item is contained in Note 9 to the "Notes to Financial Statements" within Part I of this Form 10-Q.

ITEM 1A. RISK FACTORS

Regulatory

Chugach's billing rates are approved by the RCA. Chugach filed its June 2014 General Rate Case on February 13, 2015, to reflect revenue and cost changes resulting from the April 30, 2015, expiration of the 2015 Interim Power Sales Agreement between MEA and Chugach. Chugach requested a system base rate increase of approximately $21.3 million on total base rate revenues. The RCA issued Order U-15-081(1) on April 30, 2015, suspending the filing and granting Chugach's request for interim and refundable rate increases effective May 1, 2015. On May 2, 2016, the RCA issued Order U-15-081(8) accepting the stipulation between Chugach and the AG. The order required Chugach to submit by June 1, 2016 updated revenue requirement and cost of service results reflecting the adjustments contained in the stipulation, as well as updated tariff sheets and a refund plan. See "*Item 1 FINANCIAL STATEMENTS – Note 4 – Regulatory Matters – June 2014 Test Year General Rate Case*."

Fuel Supply

On April 21, 2016, the RCA approved the acquisition of the Beluga River Unit effective January 1, 2016, as discussed in "*Item 1 – FINANCIAL STATEMENTS – Note 4 – Regulatory Matters – Beluga River Unit and Note 9 – Commitments and Contingencies – Commitments – Beluga River Unit*." The acquisition complements existing gas supplies and is expected to provide greater fuel diversity at an effective annual cost that is $2 million to $3 million less than alternative sources of gas in the Cook Inlet region. Approximately 80% of Chugach's current generation requirements are met from natural gas, 16% are met from hydroelectric, and 4% are met from wind.

The acquisition is expected to provide gas to meet Chugach's on-going generation requirements over an approximate 18-year period, or from 2016 to 2033. Gas associated with the acquisition is expected to provide about 15% of Chugach's gas requirements through 2033, although actual gas quantities produced are expected to vary on a year-by-year basis.

For information regarding additional risk factors, refer to Item 1A of Chugach's Annual Report on Form 10-K for the year ended December 31, 2015. Except as noted above, these risk factors have not materially changed as of March 31, 2016.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Employment Agreement between the Registrant and Lee D. Thibert dated effective May 1, 2016

Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

XBRL Instance Document

XBRL Taxonomy Extension Schema Document

XBRL Taxonomy Extension Calculation Linkbase Document

XBRL Taxonomy Extension Label Linkbase Document

XBRL Taxonomy Extension Presentation Linkbase Document

XBRL Taxonomy Extension Definition Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this quarterly report to be signed on its behalf by the undersigned thereunto duly authorized.

CHUGACH ELECTRIC ASSOCIATION, INC.

By: Bradley Evans
Bradley W. Evans
Chief Executive Officer

By: Sherri L. Highers
Sherri L. Highers
Chief Financial Officer

Date: May 13, 2016

EXHIBITS

Listed below are the exhibits, which are filed as part of this Report:

Exhibit Number	***Description***
10.78	Employment Agreement between the Registrant and Lee D. Thibert dated effective May 1, 2016
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

CONFIDENTIAL

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is entered into by and between Lee D. Thibert ("Thibert") and the Board of Directors of Chugach Electric Association, Inc., an Alaska electrical cooperative association headquartered in Anchorage, Alaska ("Chugach" or "Employer").

WITNESSETH:

WHEREAS, Chugach is engaged in the business of production, transmission and distribution of electricity in Alaska;

WHEREAS, Thibert has skills and experience in electric utility management transmission and distribution of electricity; and

WHEREAS, Chugach desires to obtain Thibert's services as the Chief Executive Officer of its business and Thibert desires to be employed in that position by Chugach;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein set forth, the parties hereto agree as follows:

1. <u>Employment</u>. Chugach hereby employs Thibert as its Chief Executive Officer and Thibert hereby accepts such employment upon the terms and conditions hereinafter set forth.

2. <u>Duties</u>.

a. Thibert shall serve as Chugach's Chief Executive Officer and shall perform his services as such within the framework of Chugach's bylaws, policies, procedures and goals as Chugach's Board of Directors shall from time to time determine, including but not limited to the following (including future versions of these policies as modified or renumbered):

(i) Board Policy 401, Delegations of Authority from the Board of Directors to the Chief Executive Officer, Appendix A hereto;

(ii) Board Policy 402, Board of Directors – Chief Executive Officer Relationship, Appendix B hereto; and

(iii) Board Policy 403, Delegation to the Chief Executive Officer of certain Secretary and Treasurer of the Board's duties, Appendix C hereto.

In such capacity, Thibert (i) shall exercise general supervisory responsibility and management authority over Chugach and all of its controlled affiliates, and (ii) shall perform such other duties commensurate with his position as may be assigned to him from time to time by the Chugach Board of Directors.

CONFIDENTIAL

b. Thibert shall devote substantially all his business time, attention and energies to the performance of his duties and functions under this Agreement and shall not during the term of his employment hereunder be engaged in any other substantial business activity for gain, profit or other pecuniary advantage. Thibert shall faithfully, loyally and diligently perform his assigned duties and functions and shall not engage in any activities whatsoever that conflict with his obligations to Chugach during the term of his employment hereunder. Notwithstanding the foregoing, nothing in the foregoing shall be construed so as to limit or prohibit personal investments by Thibert; provided that such investments shall not amount to a controlling interest in any entity (other than trusts, limited partnerships or other entities adopted by Thibert for estate planning purposes). Thibert also agrees that he will not participate in any political activity that will or may reflect adversely upon Chugach without obtaining the prior consent of Chugach's Board of Directors.

c. Chugach shall furnish Thibert with an office and other facilities at Chugach's headquarters location and services that are suitable to his position and adequate for the performance of his duties and functions hereunder.

3. Term of Agreement. The term of this Agreement shall be for a period of four (4) years commencing May 1, 2016, and ending April 30, 2020. If the board has not given notice of renewal/termination by October 31, 2019, the contract will extend for one additional year.

4. Compensation. Chugach shall pay to Thibert, in consideration of and as compensation for the services agreed to be rendered by Thibert hereunder, the following:

a. Salary: Chugach shall pay to Thibert an annual salary, payable in regular installments on Chugach's normal paydays, less any applicable withholdings required by law or any applicable deductions authorized by Thibert. Salary changes shall be effective May 1st , of each year of the agreement consistent with the following:

b. Starting Salary: Year one: an annual salary of Three Hundred Twenty Thousand Dollars ($320,000) (the "Base Salary").

c. Merit Increase: Based on the annual Performance Review completed by the Board, Thibert will be eligible for a merit increase consistent with the Boards' Interim Policy for CEO Appraisal and Compensation Performance Parameters, Objectives and Process (Appendix D to this Agreement).

The Board of Directors shall annually establish performance-based objectives in accordance with the Boards' Interim Policy for CEO Appraisal and Compensation Pay for Performance Objectives and Process (Appendix E to this Agreement) for Thibert. The Performance Payment shall be a percentage of Thibert's base salary for the successful achievement of those objectives. The stated objective(s) will be provided to Thibert by the Board of Directors and may be updated from time to time as the Board sees fit. The parties acknowledge that such Performance Payment to Thibert, are not considered compensation under any of the retirement plans offered by Chugach and therefore will not be considered in determining Thibert's retirement benefits.

5. Chugach Provided Benefits. During the term of this Agreement and if available then, Thibert shall be entitled to participate in all group health, pension, 401(k), deferred compensation plans, employer-paid long-term disability insurance and life insurance coverage and other fringe benefit programs maintained by Chugach and provided to its salaried administrative personnel, on the same terms as apply to participation therein by such personnel generally (except as otherwise provided herein). The Board of Directors agrees to adopt the attached Executive Benefit Restoration Plan not later than April 30, 2016.

6. Holidays, Sick Leave and Annual Leave. Thibert shall be entitled to such holidays, sick leave and annual leave as are provided to Chugach's salaried administrative personnel generally.

7. Expenses. During the term of this Agreement, Chugach shall reimburse Thibert for all reasonable travel, entertainment and other business expenses incurred or paid by Thibert in performing his duties and functions hereunder, subject to Thibert's accounting for and reporting such expenses pursuant to applicable Chugach policies.

8. Non-Competition. During the term of this Agreement, during any extension thereof, and for a period of one year after termination of this Agreement, Thibert shall not enter into or participate in any business competitive to the business carried on by Chugach in Alaska or at such additional locations, if any, outside Alaska at which Chugach conducts business. As used herein, the term "business competitive to the business carried on by Chugach" means any business that involves the production, transmission or distribution of electricity, and the words "Alaska" mean a business conducted in whole or in part within the boundaries of the State of Alaska. The provisions of this Section 8 shall survive the expiration and/or termination of this Agreement. If a court of competent jurisdiction should declare any or all of this provision unenforceable because of any unreasonable restriction of duration and/or geographical area, then such court shall have the express authority to reform this provision to provide for reasonable restrictions and/or to grant Chugach such other relief, at law or in equity, as is reasonably necessary to protect its interests.

9. Confidential Information. During the term of this Agreement and at all times thereafter, Thibert will not use for his own advantage or disclose to any unauthorized person any confidential information relating to the business operations or properties of Chugach and any affiliate of Chugach. Upon the expiration or termination of this Agreement, upon Chugach's request, Thibert will surrender and deliver to Chugach all documents and information of every kind relating to or connected with Chugach and its affiliates. As used herein "confidential information" means all information, whether written or oral, tangible or intangible, of a private, secret, proprietary or confidential nature, of or concerning Chugach and its business and operations, including without limitation, any trade-secrets or know-how, computer software programs in both source code and object code, information regarding any product or service, development, technology, technique, process or methodology, any sales, promotional or marketing

plans, programs, techniques, practices or strategies, any expansion or acquisition plans, any operational and management guidelines, any cost, pricing or other financial data or projections, and any other information which is to be treated as confidential because of any duty of confidentiality owed by Chugach to any third party or any other information that Chugach shall, in the ordinary course of its business, possess or use and not release externally without restriction on use or disclosure. The foregoing confidential information provision shall not apply to information which: (i) is or becomes publically known through no wrongful act of Thibert, (ii) is rightfully received from any third party without restriction and without breach by Thibert of this Agreement, or (iii) is independently developed by Thibert after the term of his employment hereunder or is independently developed by a competitor of Chugach at any time. The provisions of this Section 9 shall survive the expiration and/or termination of this Agreement.

10. Termination.

a. Termination for Cause. Chugach may terminate Thibert's employment for "cause" immediately upon written notice to Thibert, provided, however, that Thibert must be given ten (10) days written notice of cause for termination and the opportunity to cure such cause within that time if the Board in its reasonable discretion determines that (1) the cause for termination is capable of being cured and (2) no similar conduct or failure that was previously cured has occurred. Such notice shall specify in reasonable detail the acts or omissions that constitute cause for termination. For purposes of this Agreement, "cause" means a business-related reason that is not arbitrary, capricious or illegal and which is based on facts (i) supported by substantial evidence, and (ii) reasonably believed by the Board of Directors to be true. Examples of "cause" for termination of employment are provided in Chugach Operating Policy 013 dated September 15, 2003, and are incorporated herein by reference to the extent they are consistent with this Agreement, and may also include the following: willful and repeated failure or refusal to carry out reasonable orders, instructions, or directives of the Board of Directors; material acts of dishonesty, disloyalty or competition related to the business of Chugach or its relationships with employees, suppliers, contractors, customers or others with whom Chugach does business; refusal or failure to furnish material information concerning Chugach's affairs as reasonably requested by or under the authority of the Board of Directors, or falsification or misrepresentation of such information, conviction of a crime constituting fraud, intentional dishonesty, moral turpitude, or other conduct that materially compromises the reputation of the employee or Chugach; or any other act, course of conduct, or omission that has or is reasonably likely to have a material adverse effect on Chugach, its business or financial position, or its goodwill or reputation.

In the event of the involuntary termination of his employment for cause, Thibert shall not be entitled to receive any compensation or benefits hereunder other than (1) his Salary earned through the effective date of Thibert's termination, (2) accrued, unused annual leave, and (3) vested employee benefits under the terms and conditions of the governing plan documents and policies. In the event of termination for cause under this Section, Thibert's obligations under Sections 8 and 9 shall continue under the terms and conditions of this Agreement.

b. Termination without Cause. Chugach may terminate Thibert's employment without cause at any time during the term of this Agreement or any extension thereof. Upon such termination without cause and provided that the Consideration Requirements (as defined below) are satisfied, Chugach shall pay the following subject to the terms below:

(i) Termination without Cause on or before October 1, 2017; a lump sum payment equal to 100% of his then Base Salary payable within ninety (90) days of the termination of employment;

(ii) After October 2, 2017, termination without Cause on or before May 1, of any contract year; a lump sum payment equal to 100% of his then existing annual Base Salary payable within (90) ninety days of the termination of employment.

(iii) Termination without Cause occurs when there is less than twelve (12) months remaining in the term of the Agreement a lump sum payment equal to 100% of his then existing Base salary on a prorated basis, payable within ninety (90) days of the termination of employment.

(iv) The full cost of any continuation coverage required under the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985, as amended, for a period not in excess of 12 months on an after-tax basis and thereafter Thibert shall be charged the full cost of such coverage. If Thibert becomes reemployed with another employer and is eligible to participate in such employer's health care plan, then Chugach shall not be obligated to pay the cost of any continued coverage after the date of such reemployment for Thibert and any of Thibert's dependents.

(v) The amounts described above under (i-iv) shall collectively be referred to as "Severance."

For purposes of this Agreement, "Consideration Requirements" means all of the following: (i) Thibert executes and returns to Chugach a separation agreement in a form acceptable to Chugach, which shall include a full waiver and release of all claims by Thibert against Chugach, its affiliates, and their officers, directors, employees and agents, (ii) the Older Worker Benefit Protection Act (OWBPA) revocation period for the separation agreement has lapsed without revocation.

In the event of a termination without cause under this Section 10(b), Thibert also will be entitled to receive (1) his Salary earned through the effective date of Thibert's termination, (2) accrued, unused annual leave, and (3) vested employee benefits under the terms and conditions of the governing plan documents and policies. In the event of termination without cause under this Section, Thibert's obligations under Sections 8 and 9 shall continue under the terms and conditions of those Sections.

c. Voluntary Termination. Thibert may voluntarily terminate his employment under this Agreement at any time upon ninety (90) days prior written notice to Chugach's Board of Directors, whereupon Chugach's employment of Thibert shall terminate at the end of the ninety (90) day notice period. In the event of Thibert's voluntary termination of employment, he shall not be entitled to receive any compensation or benefits hereunder other than (1) his Salary accrued through the effective date of such termination, (2) accrued, unused annual leave, and (3) vested employee benefits under the terms and conditions of the governing plan documents and policies. In the event of voluntary termination under this Section, Thibert's obligations under Sections 8 and 9 shall continue under the terms and conditions of this Agreement.

d. Disability. Chugach may terminate Thibert's employment after having established Thibert's disability, subject to applicable state and/or federal law. For purposes of this Agreement, "Disability" means a physical or mental disability which impairs Thibert's ability to substantially perform his duties under this Agreement and which results in Thibert becoming eligible for long-term disability benefits under Chugach's long-term disability plan (or, if Chugach has no such plan in effect, which impairs Thibert's ability to substantially perform his duties under this Agreement for a period of 180 consecutive days). Thibert shall be entitled to the compensation and benefits under the terms and conditions of the governing plan documents or policies provided for under this Agreement for (i) any period during the term of this Agreement and prior to the establishment of Thibert's Disability during which Thibert is unable to work due to a physical or mental disability, or (ii) any period of Disability which is prior to Thibert's termination of employment pursuant to this Section. In the event of termination due to disability under this Section, Thibert's obligations under Sections 8 and 9 shall continue under the terms and conditions of this Agreement.

e. Death. This Agreement shall automatically terminate the day after Thibert's death if it has not already terminated prior to that date. Thibert's estate shall be entitled to the pay and benefits identified in subsection "c. Voluntary Termination," of this section and any other pay and benefits required by law. Specific documentation may be required prior to payment based on benefit program requirements or legal requirements.

f. Miscellaneous. In the event of any termination or attempted termination hereof: (i) if multiple events, occurrences or circumstances are asserted as bases for such termination or attempted termination, the event, occurrence or circumstance that is earliest in time, and any termination or attempted termination found to be proper hereunder based thereon, shall take precedence over the others; (ii) no termination of this Agreement shall relieve or release either party from liability hereunder based on any breach of the terms hereof by such party occurring prior to the termination date; and (iii) the terms of this Agreement relevant to performance or satisfaction of any obligation hereunder expressly remaining to be performed or satisfied in whole or in part at the termination date shall continue in force until such full performance or satisfaction has been accomplished and otherwise neither party hereto shall have any other or further remaining obligations to the other party hereunder.

g. No Duty of Mitigation. In the event of any termination of Thibert's employment under subsection 10(b), Thibert shall be under no obligation to seek other employment and shall be entitled to all payments or benefits required to be made or provided to Thibert hereunder, without any duty of mitigation of damages and regardless of any other employment obtained by Thibert.

12. Injunctive Relief. It is agreed that the services of Thibert are unique and that any breach or threatened breach by Thibert of any provision of this Agreement cannot be remedied solely by damages. Accordingly, in the event of a breach by Thibert of his obligations under this Agreement, Chugach shall be entitled to seek and obtain interim restraints and permanent injunctive relief, restraining Thibert and any business, firm, partnership, individual, corporation or entity participating in such breach or attempted breach. Nothing herein, however, shall be construed as prohibiting either party from seeking injunctive relief to require resolution of disputes or controversies arising out of or relating to this Agreement.

13. Indemnification.

a. Chugach shall indemnify Thibert (as a "protected person") to the fullest extent permitted by AS 10.25.145 (the terms of which are incorporated herein by this reference) against all costs, expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, penalties and amounts paid in settlement) reasonably incurred by Thibert in connection with any action, suit or proceeding, whether civil, criminal, administrative or investigative in which Thibert is made, or is threatened to be made, a party to or a witness in such action, suit or proceeding by reason of the fact that he is or was an officer or agent of Chugach or of any of Chugach's controlled affiliates or is or was serving as an officer, trustee, agent or fiduciary of any other entity at the request of Chugach (a "Proceeding").

b. Chugach shall advance to Thibert all reasonable costs and expenses incurred by him in connection with a Proceeding within twenty (20) days after receipt by Chugach of a written request for such advance, accompanied by an itemized list of the actual or anticipated costs and expenses and Thibert's written undertaking to repay to Chugach on demand the amount of such advance if it shall ultimately be determined that Thibert is not entitled to be indemnified against such costs and expenses. Thibert shall periodically account to Chugach for all such costs and expenses incurred by Thibert in connection with his defense of the Proceeding.

c. The indemnification provided to Thibert hereunder is in addition to, and not in lieu of, any additional indemnification to which he may be entitled pursuant to Chugach's Certificate of Incorporation or Bylaws, any insurance maintained by Chugach from time to time providing coverage to Thibert and other officers and directors of Chugach, or any separate written agreement with Thibert. The provisions of this Section 13 shall survive any termination of this Agreement.

14. Amendment and Modification. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof, and supersedes any and all prior agreements, arrangements or understandings between the parties hereto

with respect to the subject matter hereof, whether written or oral. Notwithstanding the foregoing, nothing in this Agreement supersedes or restricts any of Thibert's existing obligations to Chugach to protect the confidentiality of information of Chugach and to assign intellectual property rights to it or otherwise protect its intellectual property and/or business interests, which remain in full force and effect. Subject to applicable law and upon the consent of Chugach's Board of Directors, this Agreement may be amended, modified and supplemented by written agreement of Chugach and Thibert with respect to any of the terms contained herein.

15. Waiver of Compliance. Any failure of either party to comply with any obligation, covenant, agreement or condition on its part contained herein may be expressly waived in writing by the other party, but such waiver or failure to insist upon strict compliance shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party, such consent shall be given in writing.

16. Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand, sent by registered or certified U.S. Mail, postage prepaid, commercial overnight courier service or transmitted by facsimile and shall be deemed served or delivered to the addressee at the address for such notice specified below when hand delivered, upon confirmation of sending when sent by fax, on the day after being sent when sent by overnight delivery, or five (5) days after having been mailed, certified or registered, with postage prepaid:

If to Chugach	If to Thibert
Chugach Electric Association, Inc.	Lee D. Thibert
P.O. Box 196300	Mailing: 222 E 7th Ave
Anchorage, Alaska 99519-6300	Unit #103
Facsimile: (907) 762-4888	Anchorage, AK 99501
Attn: Chair of Board of Directors	Physical same

Or, in the case of either such party, to such substitute address as such party may designate from time to time for purposes of notices to be given to such party hereunder, which substitute address shall be designated as such in a written notice given to the other party addressed as aforesaid.

17. Assignment. This Agreement shall inure to the benefit of Thibert and Chugach and be binding upon the successors and general assigns of Employer. This Agreement shall not be assignable by either party except to the extent set forth in Section 21.

18. Enforceability. In the event it is determined that this Agreement is unenforceable in any respect, it is the mutual intent of the parties that it be construed to apply and be enforceable to the maximum extent permitted by applicable law.

19. Applicable Law. This Agreement is made under and shall be governed by and construed in accordance with the laws of the State of Alaska without regard to

conflicts of laws principles thereof, and shall further be construed and enforced in accordance with the laws applicable to contracts executed, delivered and fully to be performed in the State of Alaska.

20. Compliance with Section 409A. The intent of Thibert and Chugach is that all payments and benefits under this Agreement comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), this Agreement be interpreted to be in compliance with Section 409A, and that such payments and benefits not be subject to any tax or interest under Section 409A. In the event any term or provision of the Agreement would be prohibited by or inconsistent with the requirements of Section 409A, or cause any payments or benefits to be subject to tax or interest under Section 409A, such term or provision will be deemed reformed and modified to the minimum extent reasonably appropriate to conform with Section 409A. In no event will Chugach or any of its employees or representatives have any liability to Thibert in the event that any payment or benefit provided under this Agreement becomes subject to tax or interest under Section 409A.

21. Beneficiaries: Executive's Representative. Thibert shall be entitled to select (and to change, from time to time, except to the extent prohibited under any applicable law) a beneficiary or beneficiaries to receive any payments, distributions or benefits to be made or distributed hereunder upon or following Thibert's death. Any such designation shall be made by written notice to Chugach. In the event of Thibert's death or of a judicial determination of Thibert's incompetence, references in this Agreement to Thibert shall be deemed, as appropriate, to refer to his designated beneficiary, to his estate or to his executor or personal representative ("Thibert's Representative") solely for the purpose of providing a clear mechanism for the exercise of Thibert's rights hereunder in the case of Thibert's death or disability.

22. Jurisdiction. Any litigation arising out of or involving this Agreement will proceed only in the Third Judicial District, State of Alaska, and venue will be permissible only in Anchorage, Alaska.

23. Acknowledgement of Non-Reliance. Thibert acknowledges and agrees that he has executed this Agreement freely and voluntarily, and that no representation or promise not expressly contained in the Agreement has been made by Chugach or the Board of Directors.

24. Informed Agreement. All the terms and conditions in this Agreement have been reflected upon without haste. The undersigned parties acknowledge that neither is at a disadvantage, that each has been advised to seek representation of counsel in the negotiation and signing of this Agreement, that each has had the opportunity to seek legal representation, and that each is signing this Agreement without coercion.

CONFIDENTIAL

IN WITNESS WHEREOF, the parties have executed this Agreement, effective February 25, 2016.

CHUGACH ELECTRIC ASSOCIATION, INC.

Janet Reiser

Name: Janet Reiser

Title: Chair, Chugach Board of Directors

LEE D. THIBERT

Lee D. Thibert

APPENDIX A

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 401 **Date:**

DELEGATIONS OF AUTHORITY FROM THE BOARD OF DIRECTORS TO THE CHIEF EXECUTIVE OFFICER

I. OBJECTIVE

To define the delegations of authority from the Board of Directors to the Chief Executive Officer to enable adequate direction of the operations of the Association and to report to the Board on the results achieved.

II. CONTENT

A. Planning

1. Policies

To formulate with his/her staff, as appropriate, the Board Policies to be recommended to a committee of the Board for their consideration and to participate with the Board Operations Committee and the Board in the development of Board Policies. To formulate the Operating Policies and Procedures of the Association. Such Operating Policies and Procedures shall be reviewed by the Chief Executive Officer periodically as necessary and a report made to the Board or a Board Committee.

2. Objectives

To develop, in consultation with the Board of Directors and staff, goals and objectives of the Association for presentation to and approval by the Board of Directors. To review annually these goals and objectives, as well as the results achieved.

3. Short-Range and Long-Range Plans

To conduct studies, with staff and outside consultants if necessary, and recommend to the Board of Directors short-range and long-range plans, including plans in such areas as power supply, power requirements and load forecasts, need for generation and transmission facilities, procurement of fuel, financing, energy management and marketing, member and public relations, materials management, construction, etc., and to report to the Board on results achieved compared to such plans.

4. Membership Meetings

   To develop, with staff, plans for annual and other meetings of the Members and to make appropriate recommendations to the Board of Directors.

5. Annual Work Plans and Budgets

   To formulate, with staff, annual work plans and budgets for the Association and recommend them to the Board for their consideration and approval and to provide detailed reports monthly on revenue, expenses and other results compared to such plans.

6. Legislation

   To analyze and determine with staff, state and federal legislative and regulatory matters to be proposed, supported, or opposed consistent with established Board policy. Reports will be submitted to the Board on a regular basis.

7. Retail and Wholesale Rates and Service Rules and Regulations

   To periodically study and analyze the Association's retail and wholesale rates and service rules and regulations and make appropriate recommendations to the Board.

B. Organization

1. Organizational Structure

   a. To periodically review activities of the Association and to determine, with staff, the organizational structure best suited to carry out the overall objectives of the Association, within the limitations of the budget, Board Policy and priorities.

   b. To determine, with the appropriate staff, the need for additional positions, the transfer, reassignment, or elimination of present positions, and to effect such changes, provided they are within the limitations of the personnel costs of the approved budget. Reports should be made annually to the Board, or a committee of the Board, on the number of positions by organizational units as compared to previous years.

2. Selection of Personnel

   a. To develop or approve standards and qualifications for use in recruitment, transfer and promotion of personnel. Such standards and qualifications should meet all federal and state legal requirements.

   b. To hire, transfer, promote, and terminate personnel.

3. Training

   a. To ensure that the Association staff is trained in accordance with the requirements of their positions.

   b. To initiate and promote, through staff, appropriate management, professional and technical training programs for all personnel within the limitations of the approved budget and Board policy, including sending personnel to appropriate training programs outside the organization.

4. Performance Appraisals

   a. To appraise, at least annually, the performance of the immediate staff and to counsel with them and assist them to develop and improve.

   b. To ensure that an annual performance appraisal program is established and carried out for all personnel.

5. Position Descriptions

   To ensure that written position descriptions and job specifications are prepared and reviewed annually for all personnel. Such completed descriptions will not require Board approval.

6. Fringe Benefits

   To administer or approve activities and actions with respect to vacations, holidays, sick leave and other fringe benefit programs for personnel within established policies, within the limitations of the budget, and as provided in collective bargaining agreements. A report shall be presented annually to the Board or a committee of the Board describing the various benefits and the employee and employer contribution, if any, and what percent fringes are of payroll.

7. Overtime

To ensure that overtime is controlled and to report annually to the Board on overtime as a percent of payroll compared to previous years and the results of the efforts to control this expense.

8. Consultants

To select and retain consultants, other than the firm performing the independent financial audit.

The selection and retention of any consultants working in areas which affect the function of the Board and are not delegated to the Chief Executive Officer requires the prior approval by motion or resolution of the Board of Directors.

Approval of invoices from attorneys hired by and reporting directly to the Board for Non-Routine Legal Matters shall be made by the Board Chair or Board Treasurer. Increases to Contracts or Task Orders for Non-Routine Legal Matters in these circumstances may be made by the Board Chair, provided the increase does not exceed 10% of the original contract or $10,000, whichever is less.

9. Wage and Salary Administration

a. To develop a systematic wage and salary plan for non-bargaining unit employees and present it to the appropriate committee of the Board of Directors for its review to make an appropriate recommendation to the Board.

b. To determine all salary adjustments, except the Chief Executive Officer's, within the Board-approved wage and salary plan and policy and within the limitations of the budget. A report is to be provided to the Board annually on the administration of the wage and salary plan.

c. To evaluate new positions and reevaluate existing positions. If their responsibilities and authorities substantially change, and if appropriate, place these positions in the Board-approved wage and salary plan.

d. To conduct labor surveys, as necessary, to determine wages and salaries paid for comparable jobs in the area in which the Association recruits personnel, and make recommendations to a committee of the Board of Directors on any revisions required in the wage and salary plan for non-bargaining unit employees, taking into account the financial condition of the Association.

10. Labor Relations

a. To negotiate bargaining unit contracts and make appropriate recommendations to the Board.

b. To administer the approved labor contracts and see that appropriate managers and supervisors understand the provisions of the contracts and their administration.

11. Employee Relations

To ensure that two-way communication between employees and management is established providing opportunities for feedback and employee involvement and participation as appropriate.

C. Operations

1. Overall Administration

a. To direct and manage the day-to-day operations and activities of the Association in accordance with the policies of the Board of Directors and in accordance with all contracts and lending institution policies and procedures, as well as applicable federal, state and local laws.

b. To delegate appropriate authority to immediate staff and authorize further delegation of authority to any level of management with full recognition that the Chief Executive Officer cannot be relieved of overall responsibility or any portion of accountability.

c. To designate an appropriate person to serve as Acting Chief Executive Officer in the absence of the Chief Executive Officer.

d. To ensure that staff advice and assistance is available to the Board of Directors and its committees.

e. To accept invitations to participate in or designate other staff members to participate in national, state and local meetings which further the best interest of the Association, within the limitations of Board policy and the approved budget. Participation by the Chief Executive Officer in such activities which requires considerable time over a sustained period requires approval of the Board.

f. To determine the transportation needs of the Association, with the understanding that the number of company-owned or leased cars individually assigned to employees will be minimized, and a pool of company-owned or leased cars will be utilized, and both activities will be accomplished in the most economical and practical extent possible. Such company-owned or leased cars shall be used only for trips that are primarily official business.

g. To serve as the authorized spokesperson for the Association on major issues impacting the Association and to keep the Board up to date and well informed on such issues.

h. To monitor and report to the Board of Directors on the Association's legal matters.

i. To provide for continuous improvement of operational and financial practices and core performance metrics consistent with relevant industry norms

2. Membership Services

To direct appropriate and efficient membership services in such areas as, but not necessarily confined to, public and member relations, load management, energy conservation, marketing communications, and research.

3. Legislation

a. To develop and carry out, consistent with Board Policy 121, a legislative program furthering the Association's objectives and policies. Such a program will include, but not be limited to, research, preparation of testimony, presentation of testimony before appropriate committees, consultation with members of Congress, the state legislature, and state and federal administrative and regulatory agencies.

b. To participate with allied groups to obtain their increased understanding and support of the Association's legislative and regulatory objectives and programs.

4. Financial

a. To administer the approved budget, including approval of non-budgeted items or budget changes of not more than $1,000,000 and all non-budgeted items which, in his or her judgment, are vital to affect unanticipated emergency maintenance or repairs. Non-budgeted items or budget changes exceeding $500,000 must be reported to the Board of Directors.

b. To determine the approval limits of individual employees for Association invoices, contracts, check requests, purchase orders and requisitions. No transactions can be approved by an individual above his or her signature authority (whether it is a regular or one-time transaction) as provided by Association Operating Policies, Procedures and/or Practices and that individual's job duties and responsibilities for that specific transaction.

c. To invest or reinvest funds, cash investments when due, and cash government bonds when, and if, necessary to protect the Association's cash position, and to carry out an effective cash management program.

d. To authorize and approve the travel expenses of personnel, except the Chief Executive Officer's, on company business within the limitations of the budget and within established policy. All such expenses shall be supported by itemized expense accounts with receipts attached, as appropriate. Expenses of the Chief Executive Officer will be approved by the Board Chair or the Treasurer of the Board prior to payment.

e. To approve accounting systems, procedures, statistics and types of reports necessary for sound financial management of the Association, and to meet the requirements of lending and regulatory agencies and for necessary control information required by the Board of Directors.

f. To purchase all equipment, vehicles, hardware, furniture, materials, and supplies within the limitations of the budget and Board policy. All purchases shall comply with applicable Association bylaws, policies and procedures. All purchases of major equipment or large quantities of materials for generation, transmission and substations shall be via competitive bids when feasible.

g. To negotiate and approve contracts for construction in accordance with applicable Association procedures. Contracts in excess of $1,000,000 (net to the Association) shall be submitted to the Board for approval. Once the Board has approved the contract, the Chief Executive Officer or his/her designee is authorized to sign the contract and any invoices, purchase orders, task or requisitions related to that contract subject to the requirements of subsections h. and i. below.

h. To approve purchase orders and contracts, including cumulative changes, if $1,000,000 or less (net to the Association) for previously Board-approved projects and report on all active purchase orders and contracts over $250,000 (gross) each quarter. Purchase orders and contracts exceeding $1,000,000 (net to the Association) will be brought to the Board for approval prior to any commitments or expenditures being made. Once the purchase order and contract have been approved by the Board, the Chief Executive Officer or his/her designee can sign any invoices, checks, purchase orders and requisitions related to the contract.

i. To approve change orders on purchase orders and contracts previously Board-approved, if the cumulative value of the changes is less than 15% of the original value. Change orders exceeding 15% of the original Board approved contract value or which cause the original value to exceed $1,000,000 (net to the Association) will be brought to the Board for approval prior to any commitments or expenditures being made.

j. To approve invoices and payments for the purchase of fuel for the generation of electric energy under fuel contracts previously approved by the Board

k. To approve invoices and payments for the purchase of electric energy under contracts previously approved by the Board

l. To approve invoices and payments necessary to comply with contractual obligations of the Association for facilities jointly owned with other certificated utilities or the State of Alaska.

m. To approve payments necessary to comply with the requirements of the indenture and debt obligations of the Association.

n. To approve invoices and payments of premiums for insurance for the Association.

o. To approve payments necessary to comply with obligations of the Association under pension and benefits programs.

p. To determine insurance coverages required for effective risk management and to negotiate purchase of such coverages within the limitations of the budget and Board policy.

q. To authorize individual memberships in civic clubs and organizations and company memberships in local organizations in which membership would be helpful and to authorize payment of dues by the Association within the limitations of the budget and established Board policy.

r. To ensure that an internal auditing function is in place to carry out necessary studies with reports to the Board by the Chief Executive Officer on the results of such studies as appropriate.

s. After authorization of a bond issuance by the Board, to ensure that the documentation necessary for the issuance of bonds is prepared, and to carry out negotiations with financing institutions for the sale of such bonds striving to achieve the lowest cost financing and to obtain approvals as are necessary for the sale thereof.

t. Subject to Subsections (g) and (h) above: To negotiate and execute all documents relating to the purchase, use, sale, lease, or other transactions affecting real property, to exercise the power of eminent domain to acquire for projects described in an approved budget property which the Association has been unable to obtain by negotiation; to execute and deliver all environmental studies and reports; to make application for all permits relating to the operations of the Association; to design, route and determine the site for all facilities within the limitations of Board policy and the budget.

u. To perfonn all acts necessary or incidental to the management of the operations of the Association, unless such acts are specifically reserved to the Board pursuant to law, the Association's Articles of Incorporation and Bylaws, or Board policies.

5. Control

a. Operations

To submit periodic and special reports to the Board of Directors on conformity of operations with approved policies and programs and recommend any revisions requiring Board approval and to direct any remedial action required.

b. Finances

To submit periodic and special financial reports to the Board to keep them informed of the Association's financial position and conformance to financial plans and forecasts, and to see that all persons having access to cash or responsibility for purchasing of materials are properly bonded if required..

c. Budgets

To report monthly to the Board on revenues and expenditures compared to budget. To recommend any revisions required, and to direct any necessary remedial action.

d. Annual Financial Audit

To participate with the Board in the review, with the auditor present, of the annual financial audit and management letter. To direct any remedial action required and to ensure that the management letter, along with the Audit Report, is sent to each Board member prior to the meeting at which they are to be discussed.

e. Internal Controls

To develop and implement a system of internal controls for the Association which comply with industry standards in accordance with the Committee of Sponsoring Organizations of the Treadway Commission (COSO)

f. Materials Management

1. To determine the amount of, and establish proper control of, all physical inventories to minimize investment in inventories needed to meet operating and construction needs.

2. To ensure that a system is established to accurately account for all materials used.

g. Member Complaints

To submit periodically to the Board of Directors an analysis of Member complaints and to take any corrective action required or to recommend appropriate revisions in Board policy.

h. Reliability of Service

To submit annually to the Board a report on service reliability and any remedial action taken.

i. Availability of Power Supply

To report periodically to the Board on load growth compared to availability of power and to recommend plans to meet anticipated growth to ensure an adequate and reliable supply for the Member at the lower possible costs consistent with sound business and management practices.

j. Power Costs

To continually study power costs compared to projections and to recommend to the Board, as far in advance as possible, any changes in power costs necessary to maintain financial strength and stability and to meet all requirements of lending and regulatory agencies.

k. Loss Control

To ensure that a loss control program is carried out to minimize and control losses due to accidents, environmental hazards and other risks.

l. Member Meetings

To report to the Board on the effectiveness of annual and other member meetings with recommendations on improvements this can be made.

III. RESPONSIBILITY

A. The Chief Executive Officer shall report to the Board periodically on how these delegations are being carried out. Further delegations to the Chief Executive Officer may be made as required.

The Chief Executive Officer may delegate any of the foregoing authorities to the Acting Chief Executive Officer or other staff and the Acting Chief Executive Officer may act in any or all of these responsibility areas in the absence of, and when designated to act for, the Chief Executive Officer. The Chief Executive

Officer is solely responsible for and accountable to the Board for the foregoing delegations of responsibility.

B. The Board of Directors is responsible for approving any changes in the delegations to the Chief Executive Officer.

The Board Chair shall be responsible for ensuring that the performance of the Chief Executive Officer is appraised each year by the Operations Committee of the Board and that a written report is made to the full Board on or before the second Board meeting in March of each year, but no later than April 23, on the results of such appraisal, including a recommendation on a salary adjustment when appropriate, and that the results of such appraisal are discussed with the Chief Executive Officer.

Date Approved: ____________________ Attested: ____________________
Alex Gimarc, Secretary of the Board

APPENDIX B

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 402

BOARD OF DIRECTORS - CHIEF EXECUTIVE OFFICER RELATIONSHIP

I. OBJECTIVE

To establish the policy governing the basic relationship between the Board of Directors and the Chief Executive Officer, including the principles involving the delegation of authority.

II. CONTENT

The Board of Directors of the Association recognizes, establishes, and maintains the following guidelines in their relationship with the Chief Executive Officer:

A. It is recognized that good management is the most important factor in the success of the Association. This includes a strong and effective Board, Chief Executive Officer, as well as dedicated and capable employees. In exercising its responsibilities, the Board of Directors reserve their authority to establish policies, approve plans and programs and delegate authority to their Chief Executive Officer, except those that are by law, the Articles of Incorporation and Bylaws, conferred upon or reserved to the members.

B. The Board of Directors recognize their responsibility and their need to establish policies, approve plans and programs, appraise results achieved and delegate authority to the Chief Executive Officer to execute and carry out their plans, programs and policies. The Chief Executive Officer shall, among other things, be responsible for the hiring of capable personnel within the limitations of Board policy and budget constraints, determining compensation within the approved wage and salary plan and policy, training, supervising and terminating if necessary.

C. All policies of the Board of Directors shall be adopted at regular or special Board meetings acting collectively as a Board. The Chief Executive Officer is delegated the responsibility of carrying out such policies and reporting back to the Board on the results achieved.

D. The Board of Directors recognizes that efficient management of the Association can exist only through mutual understanding and complete cooperation between the Board of Directors and the Chief Executive Officer. The Chief Executive Officer is expected to produce results and give an account to the Board of Directors for his or her stewardship. His or her performance cannot be the best unless he or she is given latitude to exercise independent judgment in executing policies of the Board of

Directors. The Board of Directors acknowledges that obligation and gives the Chief Executive Officer that latitude of judgment and discretion, and expects faithful performance in carrying out all of the policies of the Board of Directors.

E. The Board of Directors recognize their responsibility for the employment of a Chief Executive Officer, and further, the additional responsibility for a systematic annual appraisal, no later than April 23 each year, of the Chief Executive Officer's performance in order that growth, development and effective improvements are encouraged.

F. The Chief Executive Officer may only be terminated in accordance with the contract between the Chief Executive Officer and the Board.

III. RESPONSIBILITIES

The Board Chair shall be responsible for bringing the attention of the Board members to non-adherence to this policy.

Date Approved: ______________________ Attested: ____________________________

Secretary of the Board

APPENDIX C

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 403

DELEGATION TO THE CHIEF EXECUTIVE OFFICER OF CERTAIN OF THE SECRETARY AND TREASURER OF THE BOARD'S DUTIES

I. OBJECTIVE:

To delegate to the Chief Executive Officer certain duties of the Secretary and the Treasurer of the Board.

II. CONTENT:

Article VI, Section 8 of the Association's bylaws provides that the Board may delegate one or more of the duties of the Secretary of the Board and/or of the Treasurer of the Board to others. By this policy, the Board specifies the duties so delegated and establishes certain standards and conditions governing these delegations:

A. The duties hereinafter specified are delegated to the Chief Executive Officer. The Chief Executive Officer may further delegate these duties to his/her staff, but he/she shall not be relieved of full accountability for their proper execution.

B. Certain of the Secretary of the Board's duties as set forth in Article VI, Section 6 of the Association's Bylaws are so delegated as described below:

1. Recording the minutes of the board or member meetings. However, if the Secretary of the Board is present at such meetings, this shall be done under his/her supervision and direction, and the Secretary of the Board shall be responsible for their accuracy and shall sign them after they are duly approved.

2. Giving notice of board or member meetings. However, if the Secretary of the Board so desires, the Secretary of the Board shall approve the form and wording of any notice of a special board or member meeting, in which case such notice shall be sent over his/her name as Secretary of the Board. The Chief Executive Officer shall notify the Secretary of the Board that such a notice is to be given so as to afford him/her an opportunity to exercise the prerogative above stated.

3. Serving as custodian of the Association's records and its official seal. The Secretary of the Board shall, however, affix or personally supervise the affixing of the official seal to any document if so required by law or board resolution.

4. Keeping a register of the names and addresses of all members.

5. Keeping on file copies of the Association's Articles of Incorporation and Bylaws and being responsible for furnishing copies thereof to members upon their request.

6. In general, performing all duties incident to the office of Secretary of the Board, and such other duties as from time to time may be assigned by the Board of Directors.

C. Certain of the Treasurer of the Board's duties as set forth in Article VI, Section 7 of the Association's bylaws are delegated to the Chief Executive Officer as described below:

1. Being in charge and having custody of, and being responsible for, all funds and securities of the Association. However, the Chief Executive Officer's duties, responsibilities and authorities in this respect may be limited or conditioned as otherwise resolved by the Board, either from time to time or by separate policy governing the subject.

2. Receiving, receipting, depositing and investing monies received by the Association. However, the Chief Executive Officer's duties, responsibilities and authorities with respect to deposit institutions and investments shall be within the limitations of Board policy.

3. In general, performing all the duties incident to the office of Treasurer of the Board and such other duties as from time to time may be assigned by the Board of Directors.

III. RESPONSIBILITIES:

It shall be the responsibility of the Board of Directors to administer this policy.

Date Approved: ________________ Attested: ____________________________

Secretary of the Board

February 25, 2016

APPENDIX D

Board of Directors
CEO Appraisal and Compensation
Process

The Board may use the following scoring matrix to award a percentage salary increase based on preset parameters on a “balanced scorecard” basis and arrive at an overall score from 1 to 5 which will be used to calculate the annual percentage wage increase in Section 4c of the Employment Agreement (See Example 1 Chart).

Example 1. Calculation of Overall Parameter Performance

Parameter	Board 1	Board 2	Board 3	Board 4	Board 5	Board 6	Board 7	Average	STD DEV
1	4	3	3	4	3	2	5	3.4	
2	3	3	4	4	5	5	2	3.7	
3	5	5	5	3	4	4	4	4.3	
4	4	4	4	4	4	4	4	4.0	
5	3	3	3	3	3	3	3	3.0	
6	5	5	5	5	5	5	5	5.0	
7	4	4	5	3	3	3	3	3.6	
8	2	3	3	3	2	2	2	2.4	
Overall								**3.7**	

CEO Merit Increase Parameter Scoring Guideline

Well in advance of each performance cycle the Board of Directors and the CEO will work together to establish and adjust annual performance parameters for the CEO and Corporation.

At the end of each performance cycle it is the responsibility of the Board of Directors to assess the performance of the CEO and Corporation compared with the parameters that were previously developed during the previous cycle (including any parameters that may have been added or adjusted mid-term, after the start of the performance cycle). Scoring of the CEO’s performance will use a five-point scale. The following general guideline will be helpful in determining the score on a specific parameter.

Outstanding (5): An “outstanding” score will be supported by specific work product, demonstrated change, documented results, creating something new, repeatability of results, on time/under budget results, and execution of an effective communication plans. The work is performed in such a way to contribute to the relationship with the board, members, employees, and business partners (where applicable). All or nearly all of the sub goals or measures within the parameter were met.

February 25, 2016

Excels (4): An “excels” score will be supported by specific work product, demonstrated change, documented results, creating something new, repeatability of results, on time/under budget results, and execution of an effective communications. The work is performed in such a way to contribute to the relationship with the board, members, employees, and business partners (where applicable). More than half of the sub goals or measures within the parameter were met. Progress is shown on all sub goals and measures.

Good (3): A “meets expectations” score is for simply meeting the base requirement of the parameter. Work product or outcomes may lack one of the five point hallmarks. The majority of the sub goals or measures with the in the parameter were met.

Needs Improvement (2): A “needs improvement” score is supported when more than half of the sub goals or measures with the in the parameter were not met. Needs improvement may also be applied when a goal is met but where a significant number of the five point score hallmarks are not met. Progress is not shown on all sub goals and measures.

Unsatisfactory (1): An “unsatisfactory” score will be supported by specific examples of goals, targets, and timeline not being met. Additionally, a poor score could include work that was simply not started or planned. This does not include parameters that were not met due to advanced reprioritization with the board. Or, parameters that could not be met due to circumstances that were unforeseen or not controllable. All or nearly all of the sub goals or measures with the in the parameter were not met.

5 = Outstanding: Consistently exceed expectations
4 = Excels: Frequently exceed expectations
3 = Good: Meets, and may exceed expectations
2 = Needs Improvement: Meets some, but not all expectations
1 = Unsatisfactory.

The following table shall be used to determine the annual salary increase of the CEO based on the above-mentioned Parameters and scoring.

Salary Increase	Overall Parameter Performance Review Score Range	
0%	1.0	2.5
1%	2.6	3.0
2%	3.1	3.8
3%	3.9	4.5
5%	4.6	5.0

February 25, 2016

APPENDIX E

Board of Directors
CEO Pay for Performance Process

Performance Payment. If CEO maintains an overall Parameter Performance score of 3.1 or higher the CEO shall be eligible for a performance-based Payment.

Well in advance of each performance cycle the Board of Directors and the CEO will work together to establish and adjust annual Pay for Performance Objectives for the CEO and Corporation.

At the end of each performance cycle it is the responsibility of the Board of Directors performance of the CEO and Corporation compared with Pay for Performance Objectives that were developed during the previous cycle (including any objectives that may have been added or adjusted mid-term, after the start of the performance cycle).

Board to apply weighting to each objective and sum total percentage (see Example Chart). This percentage used in Section 4d of Employment Agreement to determine performance payment. Board can either gain consensus on achieved percentage or score separately and calculate an average percentage achieved for each objective.

Example – Percent of Objectives Achieved

Objectives	**Max**	**Achieved**	**Category %**
1	30%	100%	30%
2	20%	50%	10%
3	20%	50%	10%
4	10%	50%	5%
5	10%	20%	1%
6	10%	100%	5%
	100%		61%

The following table will be used to calculate the Performance Payments.

Percent of Objectives Achieved Range		Performance Payment Percentage of Salary
0%	25%	0%
26%	44%	6%
45%	63%	12%
64%	82%	18%
83%	100%	30%

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Certification Pursuant to 18 U.S.C. Section 1350 (Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, Bradley W. Evans, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chugach Electric Association, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Chugach as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2016

By: Bradley Evans

Bradley W. Evans
Chief Executive Officer
Principal Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Certification Pursuant to 18 U.S.C. Section 1350 (Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, Sherri L. Highers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chugach Electric Association, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Chugach as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in our internal control over financial reporting that occurred during the first fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing similar functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2016

By: Sherri L. Highers

Sherri L. Highers
Chief Financial Officer
Principal Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Certification Pursuant to 18 U.S.C. Section 1350 (Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the quarterly report on Form 10-Q of Chugach Electric Association, Inc. (the "Company") for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission (the "Report"), I, Bradley W. Evans, Chief Executive Officer and Principal Executive Officer of the Company, hereby certify as the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: May 13, 2016

By: Bradley Evans

Bradley W. Evans
Chief Executive Officer
Principal Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Certification Pursuant to 18 U.S.C. Section 1350 (Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the quarterly report on Form 10-Q of Chugach Electric Association, Inc. (the "Company") for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission (the "Report"), I, Sherri L. Highers, Chief Financial Officer and Principal Financial Officer of the Company, hereby certify as the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: May 13, 2016

By: Sherri L Highers
Sherri L. Highers
Chief Financial Officer
Principal Financial Officer