

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 EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2019

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)

Securities registered pursuant to Section 12(b) of the Act: **None**

Title of each class Trading Symbol(s) Name of each exchange on which registered

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

(Note: The registrant is a voluntary filer and not subject to the filing requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934. Although not subject to these filing requirements, the registrant has filed all reports that would have been required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months had the registrant been subject to such requirements.)

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Yes No

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

	<u>Caution Regarding Forward-Looking Statements</u>	2
<u>Part I. Financial Information</u>		
Item 1.	<u>Financial Statements (unaudited)</u>	2
	<u>Consolidated Balance Sheets - as of June 30, 2019, and December 31, 2018</u>	3
	<u>Consolidated Statements of Operations – Three and six months ended June 30, 2019, and June 30, 2018</u>	5
	<u>Consolidated Statements of Changes in Equities and Margins – Three and six months ended June 30, 2019, and June 30, 2018</u>	6
	<u>Consolidated Statements of Cash Flows - Six months ended June 30, 2019, and June 30, 2018</u>	7
	<u>Notes to Financial Statements</u>	8
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	30
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	43
Item 4.	<u>Controls and Procedures</u>	44
<u>Part II. Other Information</u>		
Item 1.	<u>Legal Proceedings</u>	44
Item 1A.	<u>Risk Factors</u>	45
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	46
Item 3.	<u>Defaults Upon Senior Securities</u>	46
Item 4.	<u>Mine Safety Disclosures</u>	46
Item 5.	<u>Other Information</u>	46
Item 6.	<u>Exhibits</u>	47
	<u>Signatures</u>	48

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, 2018, 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 June 30, 2019, follow.

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

Assets	June 30, 2019	December 31, 2018
Utility plant:		
Electric plant in service	\$ 1,236,459,969	\$ 1,216,663,092
Construction work in progress	14,170,391	17,272,307
Total utility plant	1,250,630,360	1,233,935,399
Less accumulated depreciation	(545,192,611)	(529,099,451)
Net utility plant	705,437,749	704,835,948
Other property and investments, at cost:		
Nonutility property	76,889	76,889
Operating lease right-of-use assets	1,025,106	0
Investments in associated organizations	8,155,603	8,570,046
Special funds	2,132,485	1,890,221
Restricted cash equivalents	108,000	108,000
Total other property and investments	11,498,083	10,645,156
Current assets:		
Cash and cash equivalents	2,199,574	6,106,995
Special deposits	54,300	54,300
Restricted cash equivalents	1,225,258	1,213,974
Marketable securities	0	6,316,583
Accounts receivable, net	25,600,024	31,165,249
Materials and supplies	16,559,823	16,223,477
Fuel stock	10,003,214	11,952,086
Prepayments	3,557,760	2,227,117
Other current assets	303,381	241,279
Total current assets	59,503,334	75,501,060
Other non-current assets:		
Deferred charges, net	39,288,829	37,668,424
Total other non-current assets	39,288,829	37,668,424
Total assets	\$ 815,727,995	\$ 828,650,588

(Continued)

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

Liabilities, Equities and Margins	June 30, 2019	December 31, 2018
Equities and margins:		
Memberships	\$ 1,761,182	\$ 1,748,172
Patronage capital	173,370,711	177,823,597
Other	15,079,726	14,952,925
Total equities and margins	190,211,619	194,524,694
Long-term obligations, excluding current installments:		
Bonds payable	449,999,997	398,416,664
Notes payable	32,376,000	33,972,000
Less unamortized debt issuance costs	(2,780,509)	(2,425,247)
Operating lease liabilities	834,925	0
Total long-term obligations	480,430,413	429,963,417
Current liabilities:		
Current installments of long-term obligations	26,798,849	26,608,667
Commercial paper	8,000,000	61,000,000
Accounts payable	8,662,054	9,538,749
Consumer deposits	4,657,070	4,845,611
Fuel cost over-recovery	2,923,764	3,388,295
Accrued interest	5,719,982	5,671,840
Salaries, wages and benefits	8,170,284	7,863,112
Fuel	5,066,918	5,844,856
Other current liabilities	9,118,964	10,085,556
Total current liabilities	79,117,885	134,846,686
Other non-current liabilities:		
Deferred compensation	1,573,178	1,359,878
Other liabilities, non-current	771,838	580,841
Deferred liabilities	752,523	764,834
Patronage capital payable	1,931,295	3,393,253
Cost of removal obligation / asset retirement obligation	60,939,244	63,216,985
Total other non-current liabilities	65,968,078	69,315,791
Total liabilities, equities and margins	\$ 815,727,995	\$ 828,650,588

See accompanying notes to financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Operating revenues	\$ 47,540,088	\$ 45,988,583	\$ 103,367,326	\$ 102,045,861
Operating expenses:				
Fuel	12,788,246	12,554,088	27,526,795	31,041,678
Production	4,683,375	4,183,286	9,542,186	8,607,205
Purchased power	4,877,990	4,212,015	11,771,001	8,294,903
Transmission	1,634,714	1,741,184	4,022,783	3,729,188
Distribution	3,867,859	3,885,589	7,424,478	7,621,549
Consumer accounts	1,753,002	1,651,942	3,466,561	3,517,651
Administrative, general and other	6,620,509	5,870,304	12,946,367	11,415,273
Depreciation and amortization	7,724,380	7,394,219	15,550,749	14,737,296
Total operating expenses	43,950,075	41,492,627	92,250,920	88,964,743
Interest expense:				
Long-term debt and other	5,590,422	5,501,411	11,147,036	11,116,146
Charged to construction	(84,099)	(67,498)	(185,057)	(124,861)
Interest expense, net	5,506,323	5,433,913	10,961,979	10,991,285
Net operating margins	(1,916,310)	(937,957)	154,427	2,089,833
Nonoperating margins:				
Interest income	142,663	191,113	311,815	350,696
Allowance for funds used during construction	37,950	28,125	83,507	51,998
Capital credits, patronage dividends and other	18,626	(108,815)	118,757	(192,101)
Total nonoperating margins	199,239	110,423	514,079	210,593
Assignable margins	<u>\$ (1,717,071)</u>	<u>\$ (827,534)</u>	<u>\$ 668,506</u>	<u>\$ 2,300,426</u>

See accompanying notes to financial statements.

Chugach Electric Association, Inc.
Consolidated Statements of Changes in Equities and Margins
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Memberships:				
Balance at beginning of period	\$ 1,753,742	\$ 1,724,759	\$ 1,748,172	\$ 1,719,154
Memberships and donations received	7,440	7,903	13,010	13,508
Balance at end of period	<u>\$ 1,761,182</u>	<u>\$ 1,732,662</u>	<u>\$ 1,761,182</u>	<u>\$ 1,732,662</u>
Other equities and margins:				
Balance at beginning of period	15,035,783	14,650,759	14,952,925	14,653,253
Unclaimed capital credits retired	(4,341)	(10,889)	(5,918)	(13,459)
Memberships and donations received	48,284	158,605	132,719	158,681
Balance at end of period	<u>\$ 15,079,726</u>	<u>\$ 14,798,475</u>	<u>\$ 15,079,726</u>	<u>\$ 14,798,475</u>
Patronage capital:				
Balance at beginning of period	175,198,092	176,056,635	177,823,597	172,928,887
Assignable margins	(1,717,071)	(827,534)	668,506	2,300,426
Retirement/net transfer of capital credits	(110,310)	(395,040)	(5,121,392)	(395,252)
Balance at end of period	<u>\$ 173,370,711</u>	<u>\$ 174,834,061</u>	<u>\$ 173,370,711</u>	<u>\$ 174,834,061</u>
Total equities and margins	<u>\$ 190,211,619</u>	<u>\$ 191,365,198</u>	<u>\$ 190,211,619</u>	<u>\$ 191,365,198</u>

See accompanying notes to financial statements

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

	Six months ended June 30,	
	2019	2018
Cash flows from operating activities:		
Assignable margins	\$ 668,506	\$ 2,300,426
Adjustments to reconcile assignable margins to net cash provided by operating activities:		
Depreciation and amortization	15,550,749	14,737,296
Amortization and depreciation cleared to operating expenses	3,607,234	2,517,243
Allowance for funds used during construction	(83,507)	(51,998)
Write off of inventory, deferred charges and projects	484,649	127,681
Other	(112,604)	208,450
(Increase) decrease in assets:		
Accounts receivable, net	4,278,299	9,255,648
Fuel cost under-recovery	0	3,250,815
Materials and supplies	(347,346)	(886,757)
Fuel stock	1,948,872	(2,097,957)
Prepayments	(1,330,643)	1,736,547
Other assets	(62,101)	76,595
Deferred charges	(4,457,105)	(2,458,074)
Increase (decrease) in liabilities:		
Accounts payable	(428,416)	1,280,213
Consumer deposits	(188,541)	(251,886)
Fuel cost over-recovery	(464,531)	0
Accrued interest	48,142	(308,527)
Salaries, wages and benefits	307,172	987,178
Fuel	(777,938)	(2,103,131)
Other current liabilities	(2,022,672)	(94,221)
Deferred liabilities	(17,313)	(3,698)
Net cash provided by operating activities	16,600,906	28,221,843
Cash flows from investing activities:		
Return of capital from investment in associated organizations	414,443	414,012
Investment in special funds	(14,855)	(296,047)
Investment in marketable securities and investments-other	(22,430)	(1,423,399)
Proceeds from the sale of marketable securities	6,437,508	1,672,465
Extension and replacement of plant	(19,481,053)	(9,708,321)
Net cash used in investing activities	(12,666,387)	(9,341,290)
Cash flows from financing activities:		
Payments for debt issue costs	(472,332)	0
Net increase (decrease) in short-term obligations	(53,000,000)	3,000,000
Proceeds from long-term obligations	75,000,000	0
Repayments of long-term obligations	(25,012,667)	(25,012,667)
Memberships and donations received	139,811	158,730
Retirement of patronage capital and estate payments	(6,583,350)	(395,252)
Proceeds from consumer advances for construction	2,097,882	2,162,439
Net cash used in financing activities	(7,830,656)	(20,086,750)
Net change in cash, cash equivalents, and restricted cash equivalents	(3,896,137)	(1,206,197)
Cash, cash equivalents, and restricted cash equivalents at beginning of period	\$ 7,428,969	\$ 7,201,759
Cash, cash equivalents, and restricted cash equivalents at end of period	<u>\$ 3,532,832</u>	<u>\$ 5,995,562</u>
Supplemental disclosure of non-cash investing and financing activities:		
Cost of removal obligation	\$ (2,277,741)	\$ 1,231,344
Extension and replacement of plant included in accounts payable	\$ 1,657,083	\$ 2,470,626
Patronage capital retired/net transferred and included in other current liabilities	\$ 0	\$ 2,000,000
Supplemental disclosure of cash flow information - interest expense paid, net of amounts capitalized	\$ 10,317,686	\$ 10,725,424

See accompanying notes to financial statements.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

1. PRESENTATION OF FINANCIAL INFORMATION

The accompanying unaudited interim financial statements include the accounts of Chugach Electric Association, Inc. (“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, 2018, 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 one of the largest electric utilities 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. Occasionally, Chugach sells available generation, in excess of its own needs, to Matanuska Electric Association, Inc. (“MEA”), Homer Electric Association, Inc. (“HEA”), Golden Valley Electric Association, Inc. (“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 are effective through June 30, 2021. The three CBA’s provide for wage increases in all years and include health and welfare premium cost sharing provisions. The HERE contract is effective through June 30, 2021, and provides for wage, pension contribution, and health and welfare contribution increases in all years.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES

a. Management Estimates

In preparing the financial statements in conformity with U.S. 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 liabilities, unbilled revenue, estimated useful life of utility plant, cost of removal and asset retirement obligation ("ARO"), and remaining proved Beluga River Unit ("BRU") reserves. 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 our 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 six month periods ended June 30, 2019 and 2018 was in compliance with that provision.

Chugach applies a more-likely-than-not recognition threshold for all tax uncertainties. FASB ASC 740, "Topic 740 – Income Taxes," only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. Chugach's management reviewed Chugach's tax positions and determined there were no outstanding or retroactive tax positions that were not highly certain of being sustained upon examination by the taxing authorities.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

d. Cash, Cash Equivalents, and Restricted Cash Equivalents

The following table provides a reconciliation of cash, cash equivalents, and restricted cash equivalents reported within the Consolidated Balance Sheet that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows.

	June 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 2,199,574	\$ 6,106,995
Restricted cash equivalents	1,225,258	1,213,974
Restricted cash equivalents included in other property and investments	108,000	108,000
Total cash, cash equivalents and restricted cash equivalents shown in the consolidated statements of cash flows	\$ 3,532,832	\$ 7,428,969

Restricted cash equivalents include funds on deposit for future workers' compensation claims.

e. Marketable Securities

Chugach's marketable securities had consisted of bond mutual funds, corporate bonds, and certificates of deposit with a maturity less than 12 months, classified as trading securities, reported at fair value with gains and losses in earnings. Interest and dividend income from marketable securities is included in nonoperating margins – interest income, and was \$91.7 thousand and \$196.0 thousand at June 30, 2019 and 2018, respectively. Chugach sold all marketable securities and recognized a loss during the second quarter of 2019. Net gains and losses on marketable securities are included in nonoperating margins – capital credits, patronage dividends and other, and are summarized as follows:

	Six months ended June 30, 2019	Six months ended June 30, 2018
Net gains (losses) recognized during the period on trading securities	\$ 98,495	\$ (181,257)
Less: Net gains (losses) recognized during the period on trading securities <i>sold</i> during the period	98,495	(77,597)
Unrealized gains (losses) recognized during the reporting period on trading securities <i>still held</i> at the reporting date	\$ 0	\$ (103,660)

f. Accounts Receivable

Included in accounts receivable are amounts invoiced to ML&P for their proportionate share of current Southcentral Power Project ("SPP") costs, which amounted to \$1.0 million and \$1.4 million at June 30, 2019 and December 31, 2018, respectively.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

g. Fuel Stock

Fuel Stock is the weighted average cost of fuel injected into Cook Inlet Natural Gas Storage, LLC (“CINGSA”). Chugach’s fuel balance in storage amounted to \$10.0 million and \$12.0 million at June 30, 2019, and December 31, 2018, respectively.

h. Investments in Associated Organizations

Chugach’s investments in associated organizations are considered equity securities without readily determinable fair values, and as such are measured at cost minus impairment, if any. There were no impairments of these investments recognized during the six months ended June 30, 2019 or 2018.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

a. Nature of goods and services

The following is a description of the contracts and customer classes from which Chugach generates revenue.

i. Energy Sales

Energy sales revenues are Chugach’s primary source of revenue, representing approximately 96.6% and 94.7% of total operating revenue during the six months ended June 30, 2019 and 2018, respectively. Energy sales revenues are recognized upon delivery of electricity, based on billing rates authorized by the RCA, which are applied to customers’ usage of electricity. Chugach’s rates are established, in part, on test period sales levels that reflect actual operating results. Chugach’s tariffs include provisions for the recovery of gas costs according to gas supply contracts and costs associated with the BRU operations, as well as purchased power costs.

Expenses associated with electric services include fuel purchased from others and produced from Chugach’s interest in the BRU, both of which are used to generate electricity, as well as power purchased from others. Chugach is authorized by the RCA to recover fuel and purchased power costs through the fuel and purchased power adjustment process, which is adjusted quarterly to reflect increases and decreases of such costs. The amount of fuel and purchased power revenue recognized is equal to actual fuel and purchased power costs. We recognize differences between projected recoverable fuel and purchased power costs and amounts actually recovered through rates. The fuel cost under/over recovery on our balance sheet represents the net accumulation of any under- or over-collection of fuel and purchased power costs. Fuel cost under-recovery will appear as an asset on our balance sheet and will be collected from our members in subsequent periods. Conversely, fuel cost over-recovery will appear as a liability on our balance sheet and will be refunded to our members in subsequent periods.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Customer Class	Nature, timing of satisfaction of performance obligations, and significant payment terms
Retail	Retail energy customers can have up to four components of monthly billing included in revenue – energy, fuel and purchased power, demand and customer charge. The energy rate and fuel and purchased power surcharge are applied by kilowatt hour (kWh) usage. The demand charge is applied by kilowatt (kW). The customer charge is a monthly amount applied by meter.
Wholesale	Classified as firm energy sales. Four components of monthly billing are included in revenue – energy, fuel and purchased power, demand and customer charge. The energy rate and fuel and purchased power surcharge are applied by kWh usage. The demand charge is applied by kW. The customer charge is a monthly amount applied by meter.
Economy	Classified as non-firm energy sales. Three components of monthly billing are included in revenue – fuel, operations and maintenance, and margin. The actual fuel costs are billed per thousand cubic feet (Mcf) used. The operations and maintenance and margin rates are applied by megawatt hour (MWh) usage.

Payment on energy sales invoices to all customer classes above are due within 15 to 30 days.

Chugach calculates unbilled revenue, for residential and commercial customers, at the end of each month to ensure the recognition of a full month of revenue. Chugach accrued \$7,936,992 and \$7,749,823 of unbilled retail revenue at June 30, 2019 and 2018, respectively, which is included in accounts receivable on the balance sheet. Revenue derived from wholesale and economy customers is recorded from metered locations on a calendar month basis, so no estimation is required.

The collectability of our energy sales is very high with typically 0.10% written off as bad debt expense, adjusted annually.

There were no costs associated with obtaining any of these contracts, therefore no asset was recognized or recorded associated with obtaining any contract.

ii. Wheeling

Wheeling represented 2.2% and 4.1% of our revenue during the six months ended June 30, 2019 and 2018, respectively. Wheeling was recorded through the wheeling of energy across Chugach’s transmission lines at rates set by utility tariff and approved by the RCA. The rates are applied to MWh of energy wheeled. The collectability of wheeling is very high, with no adjustment required.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

iii. Other Miscellaneous Services

Other miscellaneous services consist of various agreements including dispatch service and gas transfer agreements, pole rentals and microwave bandwidth. Revenue from these agreements is billed monthly and represented 1.1% and 1.2% of our total operating revenue during the six months ended June 30, 2019 and 2018, respectively. The revenue recognized from these agreements is recorded as the service is provided over a period of time. The collectability of these agreements is very high, with no adjustment required.

b. Disaggregation of Revenue

The table below details the revenue recognized by customer class and disaggregates base revenue from fuel and purchased power revenue recognized in the Consolidated Statement of Operations for the second quarter of 2019 and 2018 (in millions).

	Base Rate Sales Revenue			Fuel and Purchased Power Revenue			Total Revenue		
	2019	2018	% Variance	2019	2018	% Variance	2019	2018	% Variance
Retail	\$ 28.9	\$ 27.9	3.6 %	\$ 15.2	\$ 14.0	8.6 %	\$ 44.1	\$ 41.9	5.3 %
Wholesale	\$ 0.5	\$ 0.5	0.0 %	\$ 0.8	\$ 0.8	0.0 %	\$ 1.3	\$ 1.3	0.0 %
Economy	\$ 0.0	\$ 0.0	0.0 %	\$ 0.0	\$ 0.0	0.0 %	\$ 0.0	\$ 0.0	0.0 %
Total Energy Sales	\$ 29.4	\$ 28.4	3.5 %	\$ 16.0	\$ 14.8	8.1 %	\$ 45.4	\$ 43.2	5.1 %
Wheeling	\$ 0.0	\$ 0.0	0.0 %	\$ 1.5	\$ 2.2	(31.8%)	\$ 1.5	\$ 2.2	(31.8%)
Gas Sales	\$ 0.0	\$ 0.0	0.0 %	\$ 0.0	\$ 0.0	0.0 %	\$ 0.0	\$ 0.0	0.0 %
Other	\$ 0.6	\$ 0.6	0.0 %	\$ 0.0	\$ 0.0	0.0 %	\$ 0.6	\$ 0.6	0.0 %
Total Miscellaneous	\$ 0.6	\$ 0.6	0.0 %	\$ 1.5	\$ 2.2	(31.8%)	\$ 2.1	\$ 2.8	(25.0%)
Total Revenue	\$ 30.0	\$ 29.0	3.4 %	\$ 17.5	\$ 17.0	2.9 %	\$ 47.5	\$ 46.0	3.3 %

The table below details the revenue recognized by customer class and disaggregates base revenue from fuel and purchased power revenue recognized in the Consolidated Statement of Operations for the six months ended June 30, 2019 and 2018 (in millions).

	Base Rate Sales Revenue			Fuel and Purchased Power Revenue			Total Revenue		
	2019	2018	% Variance	2019	2018	% Variance	2019	2018	% Variance
Retail	\$ 62.0	\$ 60.2	3.0 %	\$ 35.1	\$ 33.8	3.8 %	\$ 97.1	\$ 94.0	3.3 %
Wholesale	\$ 1.1	\$ 1.0	10.0 %	\$ 1.7	\$ 1.6	6.2 %	\$ 2.8	\$ 2.6	7.7 %
Economy	\$ 0.0	\$ 0.0	0.0 %	\$ 0.0	\$ 0.0	0.0 %	\$ 0.0	\$ 0.0	0.0 %
Total Energy Sales	\$ 63.1	\$ 61.2	3.1 %	\$ 36.8	\$ 35.4	4.0 %	\$ 99.9	\$ 96.6	3.4 %
Wheeling	\$ 0.0	\$ 0.0	0.0 %	\$ 2.3	\$ 4.2	(45.2%)	\$ 2.3	\$ 4.2	(45.2%)
Gas Sales	\$ 0.0	\$ 0.0	0.0 %	\$ 0.0	\$ 0.0	0.0 %	\$ 0.0	\$ 0.0	0.0 %
Other	\$ 1.2	\$ 1.2	0.0 %	\$ 0.0	\$ 0.0	0.0 %	\$ 1.2	\$ 1.2	0.0 %
Total Miscellaneous	\$ 1.2	\$ 1.2	0.0 %	\$ 2.3	\$ 4.2	(45.2%)	\$ 3.5	\$ 5.4	(35.2%)
Total Revenue	\$ 64.3	\$ 62.4	3.0 %	\$ 39.1	\$ 39.6	(1.3%)	\$ 103.4	\$ 102.0	1.4 %

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

c. Contract Balances

There were no contract assets at June 30, 2019, or at December 31, 2018. The table below provides information about contract receivables and contract liabilities.

	June 30, 2019	December 31, 2018
Contract receivables, included in accounts receivable	\$ 22,961,370	\$ 27,179,031
Contract liabilities	4,579,376	5,196,426

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

Contract liabilities consist of credit balances and fuel cost over-recovery. Credit balances are reported as consumer deposits and represent the prepaid accounts of retail customers and are recognized in revenue as the customer uses electric service. Fuel cost over-recovery represents the over-collection of fuel and purchased power costs through the fuel and purchased power adjustment process, which will be refunded to customers through lower rates in the following quarter.

Significant changes in contract liabilities balances are as follows:

	June 30, 2019	December 31, 2018
Contract liabilities at beginning of period	\$ 5,196,426	\$ 1,581,481
Cash received, excluding amounts recognized as revenue during the period	4,344,789	5,196,426
Revenue recognized that was included in the contract liability balance at the beginning of the period	(4,961,839)	(1,581,481)
Contract liabilities at end of period	\$ 4,579,376	\$ 5,196,426

d. Transaction Price Allocated to Remaining Performance Obligations

The table below includes estimated revenue to be recognized during the remainder of 2019 related to performance obligations that are unsatisfied (or partially unsatisfied) at June 30, 2019.

	2019
Credit balances	\$ 1,655,612
Fuel cost over-recovery	2,923,764

Credit balances are primarily associated with Chugach's LevelPay program. The program calculates the monthly amount to be collected from customers annually. It is anticipated the balance will be recognized in revenue within the following year as customers consume electricity.

Chugach's fuel cost over- and under- recovery are adjusted quarterly, therefore, amounts over or under collected will be collected or refunded in the following quarter.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

5. REGULATORY MATTERS

Simplified Rate Filing

Chugach is a participant in the Simplified Rate Filing (“SRF”) process for adjustments to base demand and energy rates for Chugach retail customers and wholesale customer, Seward. SRF is an expedited base rate adjustment process available to electric cooperatives in the State of Alaska, with filings made either on a quarterly or semi-annual basis. Chugach is a participant on a quarterly filing schedule basis. Chugach is required to submit filings to the RCA for approval before any rate changes can be implemented. While there is no limitation on decreases, base rate increases under SRF are limited to 8% in a 12-month period and 20% in a 36-month period.

Chugach submitted quarterly SRF filings which resulted in a system demand and energy rate increase of 2.7% effective November 1, 2018; an increase of 0.7% effective February 1, 2019; an increase of 0.8% effective May 1, 2019; and an increase of 2.5% effective August 1, 2019.

Operation and Regulation of the Alaska Railbelt Electric and Transmission System

In June 2016, the RCA opened a docket to “evaluate the reliability and security standards and practices of Alaska Electric Utilities.” In 2017, Chugach and several other Alaska Railbelt utilities entered into a contract with GDS Associates, Inc. (“GDS”). GDS’s role was to facilitate discussion among all six Alaska Railbelt utilities and various stakeholders with an end goal of submitting to the RCA a Railbelt Reliability Council (“RRC”), including a governance structure, that will be responsible for adoption and enforcement of uniform reliability and interconnection standards and integrated transmission resource planning and evaluation on transition to a single regional load balancing area. GDS presented to the RCA during technical conferences in January and March of 2018. Chugach and the other utilities provided GDS’s final recommendation of the RRC to the RCA in May 2018. During the fourth quarter of 2018, the utilities reviewed and adapted the memorandum of understanding with GDS (“GDS MOU”) with the RCA. The utilities are currently in discussions with non-utility stakeholders to include their input in the RRC formation process. In parallel, the utilities and an affiliate of American Transmission Company (“ATC”) were in discussions regarding the formation of a transmission-only utility. ATC, GVEA, HEA, ML&P, and Seward Electric System collectively dba the Alaska Railbelt Transmission Co (“ART”) filed with the RCA for a Railbelt-wide Transco Certificate of Public Convenience (“CPCN”) on February 25, 2019. At that time Chugach’s primary focus was on filing with the RCA for the transfer of the ML&P CPCN to Chugach, and we were unable to complete our due diligence on the Transco filing prior to the filing date. Neither Chugach nor MEA were a party to this filing. On March 15, 2019 the RCA initiated an order requesting comments on proposed legislative language which would authorize the RCA to designate or develop an Electric Reliability Organization (“ERO”). Chugach submitted comments on this proposed legislative language seeking to delay adoption until the RRC Governance Board can be formed but continued to work with the RCA and stakeholders to craft acceptable legislation. Subsequently, Chugach completed its review of the ART filing, determined the model not to be

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

in the best interest of our membership; and therefore, declined to participate in the ART Transco. Following Chugach's decision not to participate, ART withdrew its filing.

Chugach and the members of Alaska Railbelt Cooperative Transmission and Electric Company ("ARCTEC") continue to work with the other utilities and stakeholders to arrive at legislation and RRC organization acceptable to all Railbelt utilities and stakeholders.

In June 2016, in response to Docket I-16-002, Railbelt Utility Information Technology and Operations Technology, leadership began meeting to discuss Railbelt Cybersecurity. The Railbelt Utilities Managers group designated the Cybersecurity Working Group to review industry standards and provide a statement of work to develop Railbelt Cybersecurity Standards. On June 21, 2018, Chugach posted a Request for Proposal to hire a consultant to write the standards. A final draft was presented to the Railbelt Utility Managers on February 15, 2019. On July 10, 2019 a status update was provided to the RCA from the Railbelt Utility Managers announcing the completion of Alaska Critical Infrastructure Protection ("AKCIP") Cybersecurity Standards, and collective agreement to adopt them effective January 1, 2020 and implement them according to the implementation schedules contained in the specific standards.

ML&P Acquisition

In December 2017, the Mayor of Anchorage, Alaska, announced plans to place a proposition on the April 3, 2018 municipal ballot allowing the voters to authorize the sale of ML&P to Chugach. The proposition was approved by Anchorage voters 65.08% to 34.92% per the certified election results. Chugach and the Municipality of Anchorage ("MOA") negotiated final sales agreements and associated documents. The sale of ML&P was approved by the Anchorage Assembly on December 4, 2018 and the Chugach Board of Directors gave its final approval on December 19, 2018. The agreements and associated documents were executed on December 28, 2018. Pursuant to these agreements and associated documents, on April 1, 2019, Chugach submitted the Joint Request for Necessary Approvals for Acquisition of Anchorage Municipal Light and Power, and the Petition for Approvals Needed to Acquire Anchorage Municipal Light and Power and Application to Amend Certificate of Public Convenience and Necessity No. 8 to the RCA. The RCA accepted the filing as complete on April 18, 2019, and the procedural conference was held on April 22, 2019. On May 8, 2019, the RCA issued an order indicating that a final order in the case will be issued by November 19, 2019. In addition, the RCA granted the petitions to intervene filed by MEA; Providence Health and Services ("Providence"); GVEA; the Federal Executive Agencies ("FEA"); and HEA / Alaska Electric and Energy Cooperative, Inc. Hearings on the acquisition are scheduled during August and September 2019.

In June 2019, Chugach and GVEA entered into a Memorandum of Understanding (MOU) in which Chugach agreed to provide GVEA non-firm energy, wheeling and ancillary services for a 3-year period under terms and conditions consistent with its operating tariff, and will make available 5 MW of Bradley Lake capacity to GVEA for a 5-year period. Excluding fuel, the MOU is expected to provide over \$10 million of additional revenue to the Chugach system over the term of the agreement. GVEA has withdrawn its petition to intervene regarding the ML&P acquisition. For more information, see "Note 10 – ML&P ACQUISITION."

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Petition to Increase Times Interest Earned Ratio (“TIER”)

On January 15, 2019, Chugach submitted a Petition to the RCA requesting to increase its system target TIER from 1.35 to 1.55. If approved, and assuming no other changes on the system, this change would increase annual margins by approximately \$4.0 million. The RCA opened a docket to review the petition, and invited the Office of the Attorney General, Regulatory Affairs and Public Advocacy Section (“RAPA”) to participate. Chugach and RAPA entered into a stipulation that no disputed issues exist in this Docket. A hearing was held on July 15, 2019, and a decision by the RCA on the stipulation is expected by October 14, 2019.

6. 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 six months ended June 30, 2019. In addition, Chugach did not utilize this line of credit during 2018 and had no outstanding balance at December 31, 2018. The borrowing rate is calculated using the total rate per annum and may be fixed by NRUCFC. The borrowing rate was 4.00% at June 30, 2019, and 3.75% at December 31, 2018. The NRUCFC Revolving Line Of Credit Agreement requires that Chugach, for each 12-month period, for a period of at least five consecutive days, pay down the entire outstanding principal balance. The NRUCFC line of credit was renewed September 29, 2017, and expires September 29, 2022. This line of credit is immediately available for unconditional borrowing.

Commercial Paper

On June 13, 2016, Chugach entered into a \$150.0 million senior unsecured credit facility (“The Credit Agreement”) which is used to back Chugach’s commercial paper program. The pricing included an all-in drawn spread of one month London Interbank Offered Rate (“LIBOR”) plus 90.0 basis points, along with a 10.0 basis points facility fee (based on an A/A2/A unsecured debt rating). The commercial paper can be repriced between one day and 270 days. The participating banks included NRUCFC, KeyBank National Association, Bank of America, N.A., and CoBank, ACB. The Credit Agreement was due to expire on June 13, 2021.

On July 30, 2019, Chugach entered into the First Amendment to the Credit Agreement, increasing the senior unsecured credit facility to \$300.0 million and adding Wells Fargo Bank, N.A. as a participating bank and extending the Credit Agreement to July 30, 2024. For more information, see “Note 14 – Subsequent Events.”

Chugach expects to continue issuing commercial paper in 2019, as needed. Chugach had \$8.0 million and \$61.0 million of commercial paper outstanding at June 30, 2019, and December 31, 2018, respectively.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

The following table provides information regarding average commercial paper balances outstanding for the quarter ended June 30, 2019, and 2018 (dollars in millions), as well as corresponding weighted average interest rates:

2019		2018	
Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
\$45.5	2.75 %	\$56.4	2.26 %

Term Loans

Chugach has a term loan facility with CoBank. Loans made under this facility are evidenced by the 2016 CoBank Note, which is governed by the Amended and Restated Master Loan Agreement dated June 30, 2016 (“CoBank Loan Agreement”), and secured by the Second Amended and Restated Indenture of Trust (“Indenture”). At June 30, 2019, Chugach had \$35.6 million outstanding with CoBank.

Financing

On May 15, 2019, Chugach issued \$75.0 million of First Mortgage Bonds, 2019 Series A, due May 15, 2049 (the “Bonds”). The Bonds were issued for the purpose of repaying outstanding commercial paper used to finance Chugach’s capital improvement program and for general corporate purposes. The Bonds bear interest at the rate of 3.86%. Interest on the Bonds is due each May 15 and November 15, commencing on November 15, 2019. Principal on the Bonds is due in varying installment amounts on an annual basis beginning May 15, 2021, resulting in an average life of approximately 12.0 years. The Bonds are secured, ranking equally with all other long-term obligations, by a first lien on substantially all of Chugach’s assets, pursuant to the Seventh Supplemental Indenture to the Indenture, which Indenture initially became effective on January 20, 2011, as previously amended and supplemented.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Debt Issuance Costs

The following table outlines debt issuance costs associated with long-term obligations, excluding current installments, at June 30, 2019.

	Long-term Obligations	Unamortized Debt Issuance Costs
2011 Series A Bonds	\$ 178,999,997	\$ 1,038,873
2012 Series A Bonds	162,000,000	899,285
2017 Series A Bonds	34,000,000	183,657
2019 Series A Bonds	75,000,000	472,332
2016 CoBank Note	32,376,000	186,362
	\$ 482,375,997	\$ 2,780,509

The following table outlines debt issuance costs associated with long-term obligations, excluding current installments, at December 31, 2018.

	Long-term Obligations	Unamortized Debt Issuance Costs
2011 Series A Bonds	\$ 189,666,664	\$ 1,096,801
2012 Series A Bonds	172,750,000	938,028
2017 Series A Bonds	36,000,000	188,904
2016 CoBank Note	33,972,000	201,514
	\$ 432,388,664	\$ 2,425,247

7. RECENT ACCOUNTING PRONOUNCEMENTS

Issued, and adopted at June 30, 2019:

ASC Update 2016-02 “Leases (Topic 842)” and Related Updates

In February of 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)” ASU 2016-02 amends guidance related to the recognition, measurement, presentation and disclosure of leases for lessors and lessees. Pursuant to the new standard, lessees will be required to identify all leases, including those embedded in contracts, classify leases as finance or operating, recognize all leases on the balance sheet and record corresponding right-of-use assets and lease liabilities. The update requires the recognition of lease assets and liabilities for those leases currently classified as operating leases while also refining the definition of a lease. Operating leases will reflect lease expense on a straight-line basis, while finance leases will result in the separate presentation of interest expense on the lease liability and amortization expense of the right-of-use asset.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

In January 2018, the FASB issued ASU 2018-01, “Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842.” ASU 2018-01 amends ASU 2016-02 to provide an optional transition practical expedient allowing entities to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current lease guidance in Topic 840.

In December 2018, the FASB issued ASU 2018-20, “Leases (Topic 842): Narrow-Scope Improvements for Lessors.” ASU 2018-20 amends ASU 2016-02 to address lessor stakeholders concerns regarding the following issues: sales taxes and other similar taxes collected from lessees, certain lessor costs, and recognition of variable payments from contracts with lease and nonlease components.

Topic 842 requires a modified retrospective transition, with the cumulative effect of transition, including initial recognition by lessees of lease assets and liabilities for existing operating leases, as of either the effective date, or the beginning of the earliest period presented. Under the effective date method, the entity’s comparative reporting period is unchanged. Comparative reporting periods are presented in accordance with Topic 840, while periods subsequent to the effective date are presented in accordance with Topic 842. Chugach elected to use the effective date method.

The standard includes certain practical expedients intended to ease the burden of adoption on preparers. Chugach elected each of the following practical expedients:

- 1) Package of Practical expedients (all or nothing) - An entity may elect not to reassess: a) whether expired or existing contracts contain leases under the new definition of a lease, b) lease classification for expired or existing leases and c) whether previously capitalized initial direct costs would qualify for capitalization under Topic 842.
- 2) Use of hindsight - An entity may use hindsight in determining the lease term, and in assessing the likelihood that a lease purchase option will be exercised.
- 3) Land easements - An entity may elect not to reassess whether land easements meet the definition of a lease if they were not accounted for as leases prior to adoption of Topic 842 until they expire, unless they are modified on or after the effective date.

A lessee may elect not to separate the non-lease components of a contract from the lease component to which they relate. This means that the components will be treated as a single lease component. The lessee elects this practical expedient by class of underlying asset – for example: office equipment, automobiles, office space. Chugach elected this practical expedient for all classes of underlying assets.

Chugach elected not to recognize right-of-use assets and lease liabilities that arise from short-term leases (those with a term of less than twelve months) for any class of underlying asset. These updates are effective for fiscal years beginning after December 15, 2018, including the interim periods within those years, with early adoption permitted. Chugach began application of ASU 2016-02 and related updates on January 1, 2019. Adoption did not have a material effect on our results of operations, financial position, and cash flows. See “*Note 8 – LEASES.*”

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Issued, not yet adopted:

ASC Update 2016-13 “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” and Related Updates

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” ASU 2016-13 revised the criteria for the measurement, recognition, and reporting of credit losses on financial instruments to be recognized when expected. This update is effective for fiscal years beginning after December 15, 2019, including the interim periods within those years, with early adoption permitted for fiscal years beginning after December 15, 2018, including interim periods within those years. Chugach will begin application of ASU 2016-13 on January 1, 2020. Adoption is not expected to have a material effect on its results of operations, financial position, and cash flows.

ASC Update 2018-13 “Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement”

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.” ASU 2018-13 changes the fair value measurement disclosure requirements of ASC 820. This update is effective for all entities for fiscal years beginning after December 15, 2019, including interim periods therein. Early adoption is permitted for any eliminated or modified disclosures upon issuance of this ASU. Chugach will begin application of ASU 2018-13 on January 1, 2020. Adoption is not expected to have a material effect on its results of operations, financial position, and cash flows.

ASC Update 2018-14 “Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans”

In August 2018, the FASB issued ASU 2018-14, “Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans.” ASU 2018-14 Modifies ASC 715-20 to improve disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU is effective for fiscal years ending after December 15, 2020, for public companies. Early adoption is permitted. Chugach will begin application of ASU 2018-14 on January 1, 2021. Adoption is not expected to have a material effect on its results of operations, financial position, and cash flows.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

ASC Update 2018-15 “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)”

In August 2018, the FASB issued ASU 2018-15, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.” ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The ASU is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. Chugach will begin application of ASU 2018-15 on January 1, 2020. Adoption is not expected to have a material effect on its results of operations, financial position, and cash flows.

8. LEASES

Effective January 1, 2019, Chugach began application of Accounting Standards Codification 842, Leases (Topic 842). Adoption of the new standard requires recognition of leases on the balance sheet. Chugach has no financing leases and several operating leases, most of which are various land easements. Chugach identified three operating leases as right-of-use assets for a building, office equipment, and substation land lease, with remaining lease terms of one to 25 years and a weighted average lease term of 7.11 years. Chugach’s operating lease assets are presented as operating lease right-of-use assets on the consolidated balance sheet. The current portion of operating lease liabilities is included in current installments of long-term obligations and the long-term portion is presented as operating lease liabilities on the consolidated balance sheet. A discount rate of 4.24% was used in calculating the right-to-use assets and lease liabilities.

Adoption had no impact on our consolidated statements of operations. The recognition of the right-of-use asset and operating lease liability represents a non-cash investing and financing activity. Total operating lease expense for the six months ended June 30, 2019, was \$452,742, primarily associated with land easements and helicopter services.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Supplemental cash flow information associated with leases:

	Six months ended June 30, 2019
Cash paid for amounts included in the measurement of liabilities:	
Operating cash flows from operating leases	\$ 111,750
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	1,025,106

Supplemental balance sheet information associated with leases at June 30 were:

	2019
Operating lease right-of-use assets	\$ 1,025,106
Operating lease liabilities	\$ 834,925
Current installments of lease liabilities	190,181
Total operating lease liabilities	\$ 1,025,106

Maturities associated with lease liabilities:

	June 30, 2019
2019	\$ 118,260
2020	225,840
2021	225,000
2022	225,000
2023	225,000
Thereafter	171,000
Total lease payments	1,190,100
Less imputed interest	164,994
Present value of lease liabilities	\$ 1,025,106

Chugach entered into a Power Purchase Agreement with Fire Island Wind, LLC, (“FIW”) on June 21, 2011. The Fire Island Wind contract contains a lease because the agreement identifies an asset (the wind farm is explicitly specified in the agreement and FIW does not have substantive substitution rights) and Chugach controls the use of the asset (it takes 100% of the output and, to the extent there is wind, can control how and when the wind farm produces power directly through its supervisory control and data acquisition (“SCADA”) system). However, due to the exclusively variable nature of the payments related to Fire Island Wind, no new assets or liabilities have been added to the balance sheet, no changes were made to the cash flow statement, and the variable payments are still classified as purchased power expense on the statement of operations. The amount of the variable payments included in purchased power for the six months ended June 30, 2019, was \$2,306,187.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

9. 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 sold all marketable securities in the second quarter of 2019, using the funds for patronage capital payments to HEA and MEA. Chugach had no marketable securities at June 30, 2019. The table below presents the balance of Chugach’s marketable securities measured at fair value on a recurring basis at December 31, 2018. Chugach’s bond mutual funds were measured using quoted prices in active markets. Chugach had no other assets or liabilities measured at fair value on a recurring basis at June 30, 2019, or at December 31, 2018.

December 31, 2018	Total	Level 1	Level 2	Level 3
Bond mutual funds	\$ 6,316,583	\$ 6,316,583	\$ 0	\$ 0

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Fair Value of Financial Instruments

Fair value estimates are dependent upon subjective assumptions and involve significant uncertainties resulting in variability in estimates with changes in assumptions. The 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.

The estimated fair values (in thousands) of long-term obligations included in the financial statements at June 30, 2019, are as follows:

	Carrying Value	Fair Value Level 2
Long-term obligations (including current installments)	\$ 508,985	\$ 537,470

10. ML&P ACQUISITION

In December 2017, the Mayor of Anchorage, Alaska, announced plans to place a proposition on the April 3, 2018 municipal ballot allowing the voters to authorize the sale of ML&P to Chugach. The proposition was approved by Anchorage voters 65.08% to 34.92% per the certified election results. Chugach and the MOA negotiated final sales agreements and associated documents. The sale of ML&P was approved by the Anchorage Assembly on December 4, 2018 and the Chugach Board of Directors gave its final approval on December 19, 2018.

On December 28, 2018, Chugach entered into the Asset Purchase and Sale Agreement (“APA”) with the MOA to acquire substantially all of the assets, and certain specified liabilities of ML&P, subject to approval by the RCA. On December 28, 2018, Chugach also entered into an Eklutna Power Purchase Agreement (“PILT Agreement”), a Payment in Lieu of Taxes Agreement and a BRU Fuel Agreement (“Ancillary Agreements”) with the MOA.

During the first week of April 2019, pursuant to the APA, Chugach and the MOA jointly submitted applications to amend their respective CPCNs to permit Chugach to provide electric service in ML&P’s legacy service territory. The RCA accepted the filing as complete on April 18, 2019, and a procedural conference was held on April 22, 2019. On May 8, 2019, the RCA issued an order indicating that a final order in the case will be issued by November 19, 2019. In addition, the RCA granted the petitions to intervene filed by MEA; Providence Health and Services (“Providence”); GVEA; the Federal Executive Agencies (“FEA”); and HEA / Alaska Electric and Energy Cooperative, Inc. Hearings on the acquisition are scheduled during August and September 2019.

In June 2019, Chugach and GVEA entered into a Memorandum of Understanding (“MOU”) in which Chugach agreed to provide GVEA non-firm energy, wheeling and ancillary services for a 3-year period under terms and conditions consistent with its operating tariff, and will make available 5 MW of Bradley Lake capacity to GVEA for a 5-year period. Excluding fuel, the MOU is expected to provide over \$10 million of additional revenue to the Chugach system over the term of the agreement. GVEA has withdrawn its petition to intervene regarding the ML&P acquisition.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Additionally, Chugach and MOA will cooperate to obtain an order from the RCA approving the Ancillary Agreements and allowing Chugach to recover the costs associated with the transaction. Following RCA approval, a closing date will be scheduled for the transaction within 120 days. Upon closing, Chugach will transfer the purchase price of \$767.8 million less the estimated accrued leave liability and the estimated net book value of designated excluded assets. The APA also includes terms for post-closing purchase price adjustments.

The Eklutna Power Purchase Agreement, which will be effective upon closing, provides for the purchase of all or a portion of ML&P's share of generation from the Eklutna Hydroelectric Project by Chugach from MOA for a period of 35 years at specified fixed prices each year.

The PILT Agreement, which will be effective upon closing, provides for Chugach to make annual payments in lieu of taxes to the MOA for a period of 50 years based on current millage rates and the adjusted book value of property for ML&P's service territory as in existence at the closing as adjusted each year. The PILT Agreement also provides that until December 31, 2033, Chugach shall only collect amounts associated with those annual PILT payments from retail customers in the legacy ML&P territory. Thereafter, the annual PILT payments shall be collected from all Chugach retail customers.

The BRU Fuel Agreement, which will be effective upon closing, provides that through December 31, 2033, Chugach will use gas attributable to production in the portion of the BRU acquired from MOA to serve retail customers of Chugach within the legacy ML&P territory at a specified gas transfer price and will use any excess gas to serve other customers of Chugach at the same specified gas transfer price.

11. BELUGA RIVER UNIT

The BRU is located on the western side of Cook Inlet, approximately 35 miles from Anchorage, and is an established natural gas field that was originally discovered in 1962. The BRU is jointly owned by ML&P (56.7%), Hilcorp (33.3%), and Chugach (10.0%).

Chugach records depreciation, depletion and amortization on BRU assets based on units of production. During 2018, Chugach lifted 1.2 Billion Cubic Feet ("BCF"), resulting in a cumulative lift since purchase of 4.5 BCF. Chugach, and other owners, ML&P and Hilcorp, are operating under an existing joint operating agreement (the "Operating Agreement"). Hilcorp is the operator for BRU. In addition to the operator fees to Hilcorp, other BRU expenses include royalty expense and interest on long-term debt. All expenses other than depreciation, depletion and amortization and interest on long-term debt are included as fuel expense on Chugach's statement of operations. Costs associated with the BRU are recovered on a dollar-for-dollar basis through Chugach's quarterly fuel and purchased power adjustment process. Chugach has applied and qualified for a small producer tax credit, provided by the State of Alaska, resulting in an estimate of no liability for production taxes for a period of ten years, through 2026.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Chugach updates the BRU fuel reserve estimate every three years and the Asset Retirement Obligation (“ARO”) every five years. During the second quarter of 2019, both the fuel reserve and the ARO were updated.

The fuel reserve study, based on the updated 2019 report, indicates that Chugach’s BRU gas reserves are 19.6 BCF, or about 3.0 BCF lower in relation to the prior field reserve estimate after adjusting for actual gas produced. The production forecast was based upon well-defined current exponential decline rates for the economic life of the Sterling and Beluga formations. Based on production rates of the existing wells and the revised reserve estimate, the estimated field life has been extended from December 2033 to December 2037.

The updated ARO estimate for the field is \$56.9 million, comprised of \$28.5 million for above ground assets and \$28.4 million for below ground assets. Chugach’s share of this cost is \$5.69 million. The updated ARO is higher than the prior field estimate of \$33.5 million produced in the 2013 study. For Chugach, the ARO is increasing from \$3.35 million to \$5.69 million. Significant factors contributing to the increase include new facilities and increased regulatory requirements for remediation.

12. ENVIRONMENTAL MATTERS

Chugach includes costs associated with environmental compliance in both our operating and capital budgets. We accrue for costs associated with environmental remediation obligations when those costs are probable and reasonably estimated. We do not anticipate that environmental related expenditures will have a material effect on our results of operations or financial condition. We cannot, however, predict the nature, extent or cost of new laws or regulations relating to environmental matters.

The three utility owners of the Eklutna Hydro Project (Chugach, ML&P, and MEA) are obligated by a 1991 Fish & Wildlife Agreement to develop and implement measures to protect, mitigate, and enhance the fish and wildlife impacted by the project (PME program). The program is to be approved by the Governor of Alaska with completion of the program no later than October of 2032, 35 years after its purchase. The owners initiated a required consultation process with key government agencies and interested parties in March 2019. The agreement requires equal consideration of; 1) efficient and economical power production, 2) energy conservation, 3) protection, mitigation of damage to, and enhancement of fish and wildlife, 4) protection of recreation opportunities, 5) municipal water supplies, 6) preservation of other aspects of environmental quality, 7) other beneficial public uses, 9) and requirement of State law. The hydro project and municipal water system currently utilize 100% of the water inflows.

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. An Executive Order promoting energy independence and economic growth was issued on March 28, 2017, by the President instructing the EPA to review the Clean Power Plan (“CPP”). On August 21, 2018 the EPA proposed the Affordable Clean Energy (“ACE”)

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

rule which would establish emission guidelines for states to develop plans to address GHG emissions from existing coal-fired power plants. The final ACE rule was issued by EPA on June 19, 2019. The final rule is certain to face legal challenge. The proposed ACE rule 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.

13. 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 June 30, 2019, 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% of our employees are members of the IBEW. Chugach has three CBA's with the IBEW. We also have a CBA with the HERE. All three IBEW CBA's and the HERE CBA have been renewed through June 30, 2021.

Commitments

Fuel Supply Contracts

Chugach has fuel supply contracts with various producers at market terms. Chugach entered into a gas contract with Hilcorp effective January 1, 2015, to provide gas through March 31, 2018 (the "Hilcorp Agreement"). After two amendments to the Hilcorp Agreement, Chugach's needs

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

are filled 100% through March 31, 2023. The total amount of gas under this agreement is estimated to be 60 BCF. All of the production is expected to come from Cook Inlet, Alaska. The terms of the Hilcorp Agreement require Chugach to manage the natural gas transportation over the connecting pipeline systems. Chugach has gas transportation agreements with ENSTAR and Harvest Pipeline.

BRU Operations

Chugach and other owners, ML&P and Hilcorp, are operating under an existing Joint Operating Agreement. Hilcorp is the operator for BRU. The owners are considering updating the existing Joint Operating Agreement to better match the new owners' interests.

Patronage Capital

Pursuant to agreements reached with HEA and MEA, patronage capital allocated or retired to HEA or MEA is classified as patronage capital payable on Chugach's Balance Sheet. In March 2019, our Board authorized capital credit retirements in the amount of \$4.9 million. In April 2019, our Board authorized payments to HEA and MEA of \$2.0 million and \$6.1 million, respectively. At June 30, 2019, patronage capital payable to HEA was \$1.9 million, with no patronage capital payable to MEA. At December 31, 2018, patronage capital payable to HEA and MEA was 3.9 million and \$1.5 million, respectively.

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.

14. SUBSEQUENT EVENTS

On July 30, 2019, Chugach entered into the First Amendment to the Credit Agreement ("Amendment") with NRUCFC, Bank of America, N.A. KeyBank National Association, Wells Fargo Bank N.A., and CoBank, ACB. The Amendment increases the lenders' aggregate commitments under the senior unsecured credit facility from \$150 million to \$300 million and extends the maturity date of the facility from June 13, 2021, to July 30, 2024. The Amendment also includes provisions for calculating interest on loans in ways other than the LIBOR. In addition, the Amendment permits Chugach to enter into a bridge financing to fund its potential acquisition of Anchorage Municipal Light & Power, of not in excess of \$800 million for a term of up to eighteen (18) months. This indebtedness is in addition to other indebtedness permitted to be incurred under the existing credit facility. Other terms of the credit agreement remain materially the same.

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 one of the largest electric utilities 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 upper Kenai Peninsula areas and supplies much of the power requirements of the City of Seward, as a wholesale customer. Periodically, Chugach sells available generation in excess of its own needs to Matanuska Electric Association, Inc. ("MEA"), Homer Electric Association, Inc. ("HEA"), Golden Valley Electric Association, Inc. ("GVEA") and 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 additional revenue sources. These challenges, along with energy issues, plans at the state level, and the potential ML&P acquisition, will shape how Chugach proceeds into the future.

ML&P Acquisition

In December 2017, the Mayor of Anchorage, Alaska, announced plans to place a proposition on the April 3, 2018 municipal ballot allowing the voters to authorize the sale of ML&P to Chugach. The proposition was approved by Anchorage voters 65.08% to 34.92% per the certified election results. Chugach and the Municipality of Anchorage ("MOA") negotiated final sales agreements and associated documents. The sale of ML&P was approved by the Anchorage Assembly on December 4, 2018 and the Chugach Board of Directors gave its final approval on December 19, 2018. The agreements and associated documents were executed on December 28, 2018. Pursuant to these agreements and associated documents, on April 1, 2019, Chugach submitted the Joint Request for Necessary Approvals for Acquisition of Anchorage Municipal Light and Power, and the Petition for Approvals Needed to Acquire Anchorage Municipal Light and Power and Application to Amend Certificate of Public Convenience and Necessity No. 8 to the RCA. The RCA accepted the filing as complete on April 18, 2019, and the procedural

conference was held on April 22, 2019. On May 8, 2019, the RCA issued an order indicating that a final order in the case will be issued by November 19, 2019. In addition, the RCA granted the petitions to intervene filed by MEA; Providence Health and Services (“Providence”); GVEA; the Federal Executive Agencies (“FEA”); and HEA / Alaska Electric and Energy Cooperative, Inc. Hearings on the acquisition are scheduled during August and September 2019.

In June 2019, Chugach and GVEA entered into a Memorandum of Understanding (MOU) in which Chugach agreed to provide GVEA non-firm energy, wheeling and ancillary services for a 3-year period under terms and conditions consistent with its operating tariff, and will make available 5 MW of Bradley Lake capacity to GVEA for a 5-year period. Excluding fuel, the MOU is expected to provide over \$10 million of additional revenue to the Chugach system over the term of the agreement. GVEA has withdrawn its petition to intervene regarding the ML&P acquisition. For more information, see “*ITEM 1 – FINANCIAL STATEMENTS – Note 10 – ML&P ACQUISITION.*”

Railbelt Grid Unification

Chugach remains focused on efforts in Alaska’s Railbelt to explore the benefits of grid unification. Currently, each of the six electric utilities in Alaska’s 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. With the support of the RCA, Chugach and several other Alaska Railbelt utilities began evaluating possible restructured business model opportunities including a Railbelt Reliability Council and a Transco, as well as, associated economic dispatch models that Chugach believes may lead to more optimal system-wide operations.

In June 2016, the RCA opened a docket to “evaluate the reliability and security standards and practices of Alaska Electric Utilities.” In 2017, Chugach and several other Alaska Railbelt utilities entered into a contract with GDS Associates, Inc. (“GDS”). GDS’s role was to facilitate discussion among all six Alaska Railbelt utilities and various stakeholders with an end goal of submitting to the RCA a proposal for a Railbelt Reliability Council (“RRC”), including a governance structure, which will be responsible for adoption and enforcement of uniform reliability and interconnection standards and integrated transmission resource planning and evaluation on transition to a single regional load balancing area. GDS presented to the RCA during technical conferences in January and March 2018. Chugach and the other utilities provided GDS’s final recommendation of the RRC to the RCA in May 2018. During the fourth quarter of 2018, the utilities reviewed and adapted the memorandum of understanding with GDS (“GDS MOU”) with the RCA. The utilities are currently in discussions with non-utility stakeholders to include their input in the RRC formation process. In parallel, the utilities and an affiliate of American Transmission Company (“ATC”) were in discussions regarding the formation of a transmission-only utility. ATC, GVEA, HEA, ML&P, and Seward Electric System collectively dba the Alaska Railbelt Transmission Co (“ART”) filed with the RCA for a Railbelt-wide Transco Certificate of Public Convenience (“CPCN”) on February 25, 2019. At the time Chugach’s primary focus was on filing with the RCA for the transfer of the ML&P CPCN to Chugach, and we were unable to complete our due diligence on the Transco filing prior to the filing date. Neither Chugach nor MEA were a party to this filing. On March 15, 2019 the RCA initiated an order requesting comments on proposed legislative language which would

authorize the RCA to designate or develop an Electric Reliability Organization (“ERO”). Chugach submitted comments on this proposed legislative language seeking to delay adoption until the RRC Governance Board can be formed but continued to work with the RCA and stakeholders to craft acceptable legislation. Subsequently, Chugach completed its review of the ART filing, determined the model not to be in the best interest of our membership; and therefore, declined to participate in the ART Transco. Following Chugach’s decision not to participate, ART withdrew its filing.

Chugach and the members of Alaska Railbelt Cooperative Transmission and Electric Company (“ARCTEC”) continue to work with the other utilities and stakeholders to arrive at legislation and RRC organization acceptable to all Railbelt utilities and stakeholders.

Earthquake

On November 30, 2018, a 7.1 magnitude earthquake struck Southcentral Alaska. The epicenter was located approximately 10 miles northeast of Anchorage and resulted in significant damage throughout the area. While approximately 21,000 of Chugach’s members lost power, the number of members without power was reduced to less than 70 within 12 hours. On January 31, 2019, the President declared the earthquake a federal disaster. Chugach plans on applying for Federal Emergency Management Agency (“FEMA”) assistance as we continue to assess and repair any damages on our system due to the earthquake. At June 30, 2019, costs associated with system-wide repairs and damages reached \$1.6 million. At this time, Chugach does not anticipate this event to have a material impact on our financial condition, results of operations, and cash flows.

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 encourages new development and continued investment in Cook Inlet. The State of Alaska 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 Billion Cubic Feet (“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 Alaska Operating, LLC. Furie has constructed an offshore gas production platform and has begun production. The platform and other production facilities are designed for up to 200 million cubic feet (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.

Chugach has a firm gas supply contract with Hilcorp, see “*ITEM 1 – FINANCIAL STATEMENTS – Note 13 – COMMITMENTS AND CONTINGENCIES – Commitments – Fuel Supply Contracts.*” In addition to this firm contract, Chugach has gas supply agreements with 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, 2023.

Collectively, these agreements provide added diversification and optionality for Chugach to minimize costs within its gas supply portfolio.

Beluga River Unit (“BRU”)

The primary purpose of Chugach’s investment 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 BRU production complements contract 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 75% of Chugach’s current generation requirements are met from natural gas, 21% are met from hydroelectric facilities, and 4% are met from wind.

Chugach records depreciation, depletion and amortization on BRU assets based on units of production. During 2018, Chugach lifted 1.2 Billion Cubic Feet (“BCF”), resulting in a cumulative lift since purchase of 4.5 BCF. Chugach, and other owners, ML&P and Hilcorp, are operating under an existing joint operating agreement (the “Operating Agreement”). Hilcorp is the operator for BRU. In addition to the operator fees to Hilcorp, other BRU expenses include royalty expense and interest on long-term debt. All expenses other than depreciation, depletion and amortization and interest on long-term debt are included as fuel expense on Chugach’s statement of operations. Costs associated with the BRU are recovered on a dollar-for-dollar basis through Chugach’s quarterly fuel and purchased power adjustment process. Chugach has applied and qualified for a small producer tax credit, provided by the State of Alaska, resulting in an estimate of no liability for production taxes for a period of ten years, through 2026.

Chugach updates the BRU fuel reserve estimate every three years and the Asset Retirement Obligation (“ARO”) every five years. During the first half of 2019, both the fuel reserve and the ARO were updated.

The fuel reserve study, based on the updated 2019 report, indicates that Chugach’s BRU gas reserves are 19.6 BCF, or about 3.0 BCF lower in relation to the prior field reserve estimate after adjusting for actual gas produced. The production forecast was based upon well-defined current exponential decline rates for the economic life of the Sterling and Beluga formations. Based on production rates of the existing wells and the revised reserve estimate, the estimated field life has been extended from December 2033 to December 2037.

The updated ARO estimate for the field is \$56.9 million, comprised of \$28.5 million for above ground assets and \$28.4 million for below ground assets. Chugach’s share of this cost is \$5.69 million. The updated ARO is higher than the prior field estimate of \$33.5 million produced in the 2013 study. For Chugach, the ARO is increasing from \$3.35 million to \$5.69 million. Significant factors contributing to the increase include new facilities and increased regulatory requirements for remediation.

Rate Regulation and Rates

Chugach submitted quarterly SRF filings which resulted in a demand and energy rate increase of 2.7% and 1.5% for retail customers and Seward, respectively, effective November 1, 2018; an increase to demand and energy rates of 0.6% and 3.3% for retail customers and Seward, respectively, effective February 1, 2019; an increase to demand and energy rates of 0.8% for retail customers and 0.2% for Seward, effective May 1, 2019; and an increase to demand and energy rates of 2.5% for retail customers and 3.2% for Seward, effective August 1, 2019.

Petition to Increase Times Interest Earned Ratio (“TIER”)

On January 15, 2019, Chugach submitted a Petition to the RCA requesting to increase its system target TIER from 1.35 to 1.55. If approved, and assuming no other changes on the system, this change would increase annual margins by approximately \$4.0 million. The RCA opened a docket to review the petition, and invited the Office of the Attorney General, Regulatory Affairs and Public Advocacy Section (“RAPA”) to participate. Chugach and RAPA entered into a stipulation that no disputed issues exist in this Docket. A hearing was held on July 15, 2019, and a decision by the RCA on the stipulation is expected by October 14, 2019.

RESULTS OF OPERATIONS

Current Year Quarter versus Prior Year Quarter

Assignable margins decreased \$0.9 million, or 107.5%, during the second quarter of 2019 compared to the second quarter of 2018, primarily due to increases in production and administrative, general and other expense, which was somewhat offset by an increase in operating revenue.

Operating revenues, which include sales of electric energy to retail, wholesale and economy energy customers and other miscellaneous revenues, increased \$1.5 million, or 3.3%, during the second quarter of 2019 compared to the second quarter of 2018. Retail revenue increased \$2.2 million, or 5.3%, primarily due to higher base rates and higher fuel and purchased power costs recovered through the fuel and purchased power adjustment process. These increases were somewhat offset by lower wheeling revenue.

Wholesale and economy revenue did not materially change during the second quarter of 2019 compared to the second quarter of 2018.

Miscellaneous revenue decreased \$0.7 million, or 25.0%, during the second quarter of 2019 compared to the second quarter of 2018, primarily due to lower wheeling.

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 each of the quarters ended June 30, 2019 and 2018.

See “ITEM 1 – FINANCIAL STATEMENTS – Note 4 – REVENUE FROM CONTRACTS WITH CUSTOMERS,” for a table showing the base rate sales and fuel and purchased power revenue by customer class that is included in revenue for the quarters ended June 30, 2019 and 2018.

The following table summarizes kWh sales for the quarter ended June 30:

Customer	2019 kWh	2018 kWh
Retail	241,658,706	246,904,812
Wholesale	14,081,270	14,706,307
Economy Energy	103,400	0
Total	255,843,376	261,611,119

From the second quarter of 2018 to the second quarter of 2019, base demand and energy rates increased 6.1% to retail and 11.0% to Seward, respectively. The increases are the result of the net impact associated with final rates from Chugach’s SRF process.

Total operating expenses increased \$2.5 million, or 5.9%, in the second quarter of 2019 compared to the second quarter of 2018, primarily due to higher production expense, purchased power expense, and increased administrative, general, and other expense.

Although not a significant change, fuel expense increased \$0.2 million, or 1.9%, in the second quarter of 2019 compared to the second quarter of 2018, primarily due to a higher average effective delivered price. In the second quarter of 2019, Chugach purchased, for our own generation, 1,398,790 Mcf of fuel at an average effective delivered price of \$8.31 per Mcf. This calculation does not include fuel produced at BRU, nor does it include fuel purchased for MEA and ML&P power plants and recorded as purchased power. In the second quarter of 2018, Chugach reported the amount used, including fuel produced at BRU and purchased for MEA and ML&P power plants, of 1,412,028 Mcf at an average effective delivered price of \$7.94 per Mcf. For comparative purposes, we have recalculated the 2018 average effective delivered price to only reflect the amount purchased for our own generation of 1,389,415 Mcf of fuel at an average effective delivered price of \$8.07 per Mcf.

Production expense increased \$0.5 million, or 12.0%, in the second quarter of 2019 compared to the second quarter of 2018, primarily due to the amortization associated with Beluga Unit 3 maintenance and the Cooper Lake dredging project.

Purchased power expense increased \$0.7 million, or 15.8%, in the second quarter of 2019 compared to the second quarter of 2018, primarily due to increased energy purchased. In the second quarter of 2019, Chugach purchased 64,436 MWh of energy at an average effective price of 6.00 cents per kWh. In the second quarter of 2018, Chugach purchased 51,107 MWh of energy at an average effective price of 6.68 cents per kWh.

Transmission expense decreased \$0.1 million, or 6.1%, in the second quarter of 2019 compared to the second quarter of 2018, primarily due to decreased expense labor and helicopter services.

Distribution expense did not materially change in the second quarter of 2019 compared to the second quarter of 2018.

Consumer accounts expense increased \$0.1 million, or 6.1%, in the second quarter of 2019 compared to the second quarter of 2018, primarily due to higher labor expense.

Administrative, general and other expense increased \$0.8 million, or 12.8%, in the second quarter of 2019 compared to the second quarter of 2018, primarily due to higher labor expense.

Depreciation and amortization increased \$0.3 million, or 4.5%, in the second quarter of 2019 compared to the second quarter of 2018, primarily due to adjustments from project closeouts in 2018.

Interest on long-term and other debt and interest charged to construction did not materially change in the second quarter of 2019 compared to the second quarter of 2018.

Non-operating margins increased \$0.1 million, or 80.4%, in the second quarter of 2019 compared to the second quarter of 2018, primarily due to the change in market value of marketable securities.

Current Year to Date versus Prior Year to Date

Assignable margins decreased \$1.6 million, or 70.9%, in the first half of 2019 compared to the same period of 2018, primarily due to increased production, depreciation and amortization, and administrative, general, and other expenses.

Operating revenues, which include sales of electric energy to retail, wholesale and economy energy customers and other miscellaneous revenues, increased \$1.3 million, or 1.3%, in the first half of 2019 compared to the same period of 2018. This increase was primarily due to increased base rates and higher fuel and purchased power costs recovered through the fuel and purchased power adjustment process.

Retail revenue increased \$3.1 million, or 3.3%, in the first half of 2019 compared to the same period of 2018, due to increased base rates and higher fuel and purchased power costs recovered through the fuel and purchased power adjustment process.

Wholesale revenue increased \$0.2 million, or 7.7%, in the first half of 2019 compared to the same period of 2018, due to increased fuel and purchased power costs recovered through the fuel and purchased power adjustment process.

Economy revenue did not materially change in the first half of 2019 compared to the same period of 2018.

Miscellaneous revenue decreased \$1.9 million, or 35.2%, in the first half of 2019 compared to the same period of 2018, due to lower wheeling revenue.

Based on the results of fixed and variable cost recovery established in Chugach’s last rate case, wholesale sales to Seward contributed approximately \$0.7 million and \$0.6 million to Chugach’s fixed costs for the six months ended June 30, 2019, and 2018, respectively.

See “*ITEM 1 – FINANCIAL STATEMENTS – Note 4 – REVENUE FROM CONTRACTS WITH CUSTOMERS*,” for a table showing the base rate sales and fuel and purchased power revenue by customer class that is included in revenue for the six months ending June 30, 2019 and 2018.

The following table summarizes kWh sales for the six months ended June 30:

Customer	2019 kWh	2018 kWh
Retail	527,672,707	540,137,189
Wholesale	28,221,846	29,057,513
Economy Energy	103,400	207,000
Total	555,997,953	569,401,702

In the first half of 2019, base demand and energy rates charged to retail customers increased 4.0%, and 3.1% to the wholesale customer, Seward. The increases are primarily the result of lower system sales levels.

Total operating expenses increased \$3.3 million, or 3.7%, in the first half of 2019 compared to the same period of 2018, primarily due to higher production, purchased power, depreciation and amortization, and administrative and general expense, which was somewhat offset by lower fuel expense.

Fuel expense decreased \$3.5 million, or 11.3%, in the first half of 2019 compared to the same period of 2018, primarily due to a decrease in fuel consumed as a result of an increase in power purchased. In the first half of 2019, Chugach purchased, for our own generation, 3,100,377 Mcf of fuel at an average effective delivered price of \$8.21 per Mcf. This calculation does not include fuel produced at BRU, nor does it include fuel purchased for MEA and ML&P power plants and recorded as purchased power. In the first half of 2018, Chugach reported the amount used, including fuel produced at BRU and purchased for MEA and ML&P power plants, of 3,428,438 Mcf at an average effective delivered price of \$8.30 per Mcf. For comparative purposes, we have recalculated the 2018 average effective delivered price to only reflect the amount purchased for our own generation of 3,359,874 Mcf of fuel at an average effective delivered price of \$8.47 per Mcf.

Production expense increased \$0.9 million, or 10.9% in the first half of 2019 compared to the same period of 2018, primarily due to amortization associated with Beluga Unit 3 maintenance and the Cooper Lake dredging project.

Purchased power expense increased \$3.5 million, or 41.9%, in the first half of 2019 compared to the same period of 2018, primarily due to increased energy purchased at a higher average effective price per kWh. In the first half of 2019, Chugach purchased 138,754 MWh of energy at an average effective price of 7.13 cents per kWh. In the first half of 2018, Chugach purchased 104,378 MWh of energy at an average effective price of 6.45 cents per kWh.

Transmission expense increased \$0.3 million, or 7.9%, in the first half of 2019 compared to the same period of 2018, primarily due to increased expense labor associated with earthquake assessment and repair as well as higher vegetation clearing.

Distribution and consumer accounts expense did not materially change in the first half of 2019 compared to the same period of 2018.

Administrative, general and other expense increased \$1.5 million, or 13.4%, in the first half of 2019 compared to the same period of 2018, primarily due to higher labor expense, legal and regulatory consulting, and cancelled projects.

Depreciation and amortization increased \$0.8 million, or 5.5%, in the first half of 2019 compared to the same period of 2018, primarily due to adjustments from project closeouts in 2018.

Interest on long-term and other debt and interest charged to construction did not materially change in the first half of 2019 compared to the same period of 2018.

Non-operating margins increased \$0.3 million, or 144.1%, in the first half of 2019 compared to the same period of 2018, primarily due to the change in market value of marketable securities.

Financial Condition

Assets

Total assets did not materially change from December 31, 2018, to June 30, 2019. Decreases in cash and cash equivalents, marketable securities, accounts receivable, and fuel stock, were somewhat offset by increases in net utility plant, operating lease right-of-use assets, prepayments and deferred charges. Cash and cash equivalents decreased \$3.9 million, or 64.0% and marketable securities decreased \$6.3 million, or 100.0%, primarily due to the payment of wholesale patronage capital to MEA and HEA. Accounts receivable decreased \$5.6 million, or 17.9%, primarily due to a decrease in energy sales from winter to summer. Fuel stock decreased \$1.9 million, or 16.3%, due to use of fuel from the fuel storage facility. Net utility plant increased \$0.6 million, or 0.1%, due to the extension and replacement of plant in excess of depreciation. Operating leases right-of-use assets increased \$1.0 million, or 100.0% due to adoption of ASC 842 Leases. Prepayments increased \$1.3 million, or 59.7%, primarily due to prepayment of insurance for 2019.

Liabilities and Equity

Total liabilities, equities and margins did not materially change from December 31, 2018, to June 30, 2019. Decreases in patronage capital, patronage capital payable, other liabilities, accounts payable, fuel cost over-recovery, fuel, cost of removal obligation and commercial paper were somewhat offset by increases in long-term obligations. Patronage capital decreased \$4.5 million,

or 2.5%, patronage capital payable decreased \$1.5 million, or 43.1%, and other current liabilities decreased \$1.0 million, or 9.6%, primarily due to the retirement and payment of wholesale capital credits. Accounts payable decreased \$0.9 million, or 9.2%, due to the timing of payments. Fuel cost over-recovery decreased \$0.5 million, or 13.7%, and fuel decreased \$0.8 million, or 13.3%, primarily due to lower fuel purchased for generation as a result of higher purchased power, and recovered through the fuel and purchased power adjustment process. Cost of removal obligation decreased \$2.3 million, or 3.6%, primarily due to an adjustment to the calculation and estimate. The decreases in commercial paper of \$53.0 million, or 86.9%, and increase in long-term obligations of \$51.6 million, or 12.9%, was due to the pay down of commercial paper using proceeds from the 2019 First Mortgage Bonds issued during the second quarter of 2019.

LIQUIDITY AND CAPITAL RESOURCES

Summary

Chugach ended the second quarter of 2019 with \$3.5 million of cash, cash equivalents, and restricted cash equivalents down from \$7.4 million at December 31, 2018. Chugach had no marketable securities at June 30, 2019, down from \$6.3 million at December 31, 2018. Chugach did not utilize its \$50.0 million line of credit maintained with NRUCFC in the first six months, therefore, had no outstanding balance and the available borrowing capacity was \$50.0 million at June 30, 2019. Chugach paid down commercial paper and ended the second quarter with \$8.0 million of commercial paper outstanding, thus the available borrowing capacity under the commercial paper program at June 30, 2019, was \$142.0 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 six months ended June 30, 2019 and 2018.

	2019	2018
Total cash provided by (used in):		
Operating activities	\$ 16,600,906	\$ 28,221,843
Investing activities	(12,666,387)	(9,341,290)
Financing activities	(7,830,656)	(20,086,750)
Increase (decrease) in cash and cash equivalents	<u>\$ (3,896,137)</u>	<u>\$ (1,206,197)</u>

Operating Activities

Cash provided by operating activities was \$16.6 million for the six months ended June 30, 2019, compared with \$28.2 million for the six months ended June 30, 2018. The decrease in cash provided by operating activities was primarily due to lower sales at the end of 2018 compared to 2017, and therefore, less cash collected from receivables during the six months ended June 30, 2019, compared to the same period in 2018. The increase in prepayments and deferred charges during the six months ended June 30, 2019, compared to the same period in 2018 and more cash

used for accounts payable also contributed to the decrease. These were somewhat offset by less cash used for fuel purchases as more fuel was withdrawn from storage.

Deferred charges associated with the ML&P acquisition and integration for the six months ended June 30, 2019, was \$4.4 million and is estimated to be \$25.9 million for the full year.

Investing Activities

Cash used in investing activities was \$12.7 million for the six months ended June 30, 2019, compared with \$9.4 million for the six months ended June 30, 2018. The change in cash used in investing activities was primarily due to more cash used for extension and replacement of plant due to an increase in construction activity during the six months ended June 30, 2019, compared to the same period in 2018. This was somewhat offset by cash provided by the sale of marketable securities in the second quarter of 2019.

Capital construction through June 30, 2019, was \$19.5 million and is estimated to be \$33.9 million for the full year. Capital improvement expenditures are expected to increase during the third quarter as the construction season continues.

Financing Activities

Cash used by financing activities was \$7.8 million for the six months ended June 30, 2019, compared with cash used by financing activities of \$20.1 million for the six months ended June 30, 2018. The change in cash used in financing activities was primarily due to issuance of the 2019 Bonds and payment of commercial paper, as well as payment of wholesale patronage capital to MEA and HEA in the first half of 2019.

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 \$150.0 million commercial paper program. On July 30, 2019, Chugach entered into the First Amendment to the Credit Agreement, increasing the senior unsecured credit facility from \$150.0 million to \$300.0 million, adding Wells Fargo Bank, N.A. as a participating bank, and extending the Credit Agreement to July 30, 2024. For more information, see “ITEM 1 – FINANCIAL STATEMENTS – Note 14 – Subsequent Events.”

At June 30, 2019, there was no outstanding balance on the NRUCFC line of credit and \$8.0 million of outstanding commercial paper. Therefore, at June 30, 2019, the available borrowing capacity under Chugach’s line of credit with NRUCFC was \$50.0 million and the available commercial paper capacity was \$142.0 million.

Commercial paper can be repriced between one day and 270 days. The average commercial paper balance for the six months ended June 30, 2019, was \$53.6 million with a corresponding weighted average interest rate of 2.77%. The maximum amount of outstanding commercial paper for the six months ended June 30, 2019, was \$85.0 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	\$ 56.8	2.81%
February	\$ 55.2	2.77%
March	\$ 72.8	2.77%
April	\$ 83.4	2.77%
May	\$ 45.2	2.74%
June	\$ 8.0	2.65%

At June 30, 2019, Chugach had a term loan facility with CoBank. Loans made under these facilities are evidenced by the 2016 CoBank Note, which is governed by the Second and Amended and Restated Master Loan Agreement dated June 30, 2016 and secured by the Indenture.

At June 30, 2019, Chugach had the following outstanding with this facility:

	Principal Balance	Interest Rate	Maturity Date	Principal Payment Dates
2016 CoBank Note	\$ 35,568,000	2.58%	2031	2019-2031

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. As a result of the 2019 debt issuance, the principal payment capacity as of June 30, 2019, is now \$53.3 million. 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 2019 and thereafter.

CRITICAL ACCOUNTING POLICIES

As of June 30, 2019, there have been no significant changes in Chugach's critical accounting policies as disclosed in Chugach's 2018 Annual Report on Form 10-K. This includes policies regarding electric utility regulation.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Information required by this Item is contained in Note 7 to the "Notes to Financial Statements" within Part I, Item 1 of this Form 10-Q.

ENVIRONMENTAL MATTERS

Compliance with Environmental Standards

Chugach includes costs associated with environmental compliance in both our operating and capital budgets. We accrue for costs associated with environmental remediation obligations when those costs are probable and reasonably estimated. We do not anticipate that environmental related expenditures will have a material effect on our results of operations or financial condition. We cannot, however, predict the nature, extent or cost of new laws or regulations relating to environmental matters.

The three utility owners of the Eklutna Hydro Project (Chugach, ML&P, and MEA) are obligated by a 1991 Fish & Wildlife Agreement to develop and implement measures to protect, mitigate, and enhance the fish and wildlife impacted by the project (PME program). The program is to be approved by the Governor of Alaska with completion of the program no later than October of 2032, 35 years after its purchase. The owners initiated a required consultation process with key government agencies and interested parties in March 2019. The agreement requires equal consideration of; 1) efficient and economical power production, 2) energy conservation, 3) protection, mitigation of damage to, and enhancement of fish and wildlife, 4) protection of recreation opportunities, 5) municipal water supplies, 6) preservation of other aspects of environmental quality, 7) other beneficial public uses, 9) and requirement of State law. The hydro project and municipal water system currently utilize 100% of the water inflows.

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. An Executive Order promoting energy independence and economic growth was issued on March 28, 2017, by the President instructing the EPA to review the Clean Power Plan (“CPP”). On August 21, 2018 the EPA proposed the Affordable Clean Energy (“ACE”) rule which would establish emission guidelines for states to develop plans to address GHG emissions from existing coal-fired power plants. The final ACE rule was issued by EPA on June 19, 2019. The final rule is certain to face legal challenge. The proposed ACE rule 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Chugach is exposed to a variety of risks. 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 June 30, 2019, short- and long-term debt was comprised of the 2011, 2012, 2017, and 2019 Series A Bonds, the 2016 CoBank Note and outstanding commercial paper.

The interest rates of the 2011, 2012, 2017, and 2019 Series A Bonds, and 2016 CoBank Note are fixed and set forth in the table below with the carrying value and fair value (dollars in thousands) at June 30, 2019.

	Maturing	Interest Rate	Carrying Value	Fair Value
2011 Series A, Tranche A	2031	4.20 %	\$ 54,000	\$ 55,632
2011 Series A, Tranche B	2041	4.75 %	135,667	150,217
2012 Series A, Tranche A	2032	4.01 %	48,750	49,796
2012 Series A, Tranche B	2042	4.41 %	74,000	79,966
2012 Series A, Tranche C	2042	4.78 %	50,000	55,575
2017 Series A, Tranche A	2037	3.43 %	36,000	35,454
2019 Series A, Tranche A	2049	3.86 %	75,000	76,297
2016 CoBank Note	2031	2.58 %	35,568	34,533
Total			\$ 508,985	\$ 537,470

Chugach is exposed to market risk from changes in interest rates associated with its credit facility. Chugach's credit facilities' interest rates may be reset due to fluctuations in a market-based index, or the base rate or prime rate of our lenders. At June 30, 2019, Chugach had \$8.0 million of commercial paper outstanding. Based on this balance a 100 basis-point rise or decline in interest rates would increase or decrease our interest expense by approximately \$0.1 million.

Commodity Price Risk

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

Effective January 1, 2019, Chugach began application of Accounting Standards Codification 842, Leases (Topic 842). Although adoption of Topic 842 had an immaterial impact on our financial statements, we implemented certain changes to our contract review process to ensure that any future leases will be identified and accounted for properly according to the new standard.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information required by this Item is contained in Note 13 to the “Notes to Financial Statements” within Part I, Item 1 of this Form 10-Q.

ITEM 1A. RISK FACTORS

Credit Ratings

Changes in our credit ratings could affect our ability to access capital. We maintain a rating from Standard & Poor's Rating Services ("S&P") of "A" (Stable). Our implied secured and unsecured ratings from Fitch Ratings ("Fitch") of "A" (Rating Watch Evolving) were withdrawn and replaced with an Issuer Default Rating (IDR) of "A" (Rating Watch Negative). Fitch's Rating Watch revision is driven by the expected higher net leverage profile following the proposed acquisition of ML&P, see "ITEM 1 – FINANCIAL STATEMENTS – Note 10 – ML&P ACQUISITION." Fitch expects to resolve the Rating Watch once the transaction is reviewed by the RCA. S&P and Moody's currently rate our commercial paper at "A-1" and "P-2", respectively. If these agencies were to downgrade our ratings, particularly below investment grade, our commercial paper rates could increase immediately and we may be required to pay higher interest rates on financings which we need to undertake in the future. Additionally our potential pool of investors and funding sources could decrease.

Recovery of Fuel and Purchased Power Costs

The RCA approved inclusion of all fuel, purchased power, and transportation costs related to our current contracts in the calculation of Chugach's fuel and purchased power adjustment process which will ensure, in advance, that costs incurred under the contracts can be recovered from Chugach's customers. The fuel and purchased power adjustment process collects under-recoveries and refunds over-recoveries from prior periods with minimal regulatory lag. Chugach's fuel and purchased power adjustment process includes quarterly filings with the RCA, which set the rates on projected costs, sales and system operations for the quarter. Any under- or over-recovery of costs is incorporated into the following quarterly filing. Chugach over-recovered \$2.9 million and \$3.4 million at June 30, 2019, and December 31, 2018, respectively. To the extent the regulated fuel and purchased power adjustment process does not provide for the timely recovery of costs, Chugach could experience a material negative impact on its cash flows. Chugach has line of credit and commercial paper borrowing capacity to mitigate this risk.

ML&P Acquisition

In December 2017, the Mayor of Anchorage, Alaska, announced plans to place a proposition on the April 3, 2018 municipal ballot allowing the voters to authorize the sale of ML&P to Chugach. The proposition was approved by Anchorage voters 65.08% to 34.92% per the certified election results. Chugach and the MOA negotiated final sales agreements and associated documents. The sale of ML&P was approved by the Anchorage Assembly on December 4, 2018 and the Chugach Board of Directors gave its final approval on December 19, 2018. The agreements and associated documents were executed on December 28, 2018. Pursuant to these agreements and associated documents, on April 1, 2019, Chugach submitted the Joint Request for Necessary Approvals for Acquisition of Anchorage Municipal Light and Power, and the Petition for Approvals Needed to Acquire Anchorage Municipal Light and Power and Application to Amend Certificate of Public Convenience and Necessity No. 8 to the RCA. The RCA accepted the filing as complete on April 18, 2019, and the procedural conference was held on April 22, 2019. On May 8, 2019, the RCA issued an order indicating that a final order in the case will be issued by November 19, 2019. In addition, the RCA granted the petitions to intervene filed by MEA; Providence Health and Services ("Providence"); GVEA; the Federal Executive Agencies ("FEA"); and HEA / Alaska Electric and

Energy Cooperative, Inc. Hearings on the acquisition are scheduled during August and September 2019.

In June 2019, Chugach and GVEA entered into a Memorandum of Understanding (MOU) in which Chugach agreed to provide GVEA non-firm energy, wheeling and ancillary services for a 3-year period under terms and conditions consistent with its operating tariff, and will make available 5 MW of Bradley Lake capacity to GVEA for a 5-year period. Excluding fuel, the MOU is expected to provide over \$10 million of additional revenue to the Chugach system over the term of the agreement. GVEA has withdrawn its petition to intervene regarding the ML&P acquisition. For more information, see “ITEM 1 – FINANCIAL STATEMENTS – Note 10 – ML&P ACQUISITION.” There are many risks associated with the proposed acquisition including, but not limited to, regulatory approvals, incurrence of substantial debt, interest rate risk, realization of expected benefits and savings, etc., which could have a negative impact on our business, financial condition, or cost of electric service.

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, 2018. Except as noted above, these risk factors have not materially changed as of June 30, 2019.

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

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

<u><i>Exhibit Number</i></u>	<u><i>Description</i></u>
<u>4.34</u>	<u>Seventh Supplemental Indenture to the Second Amended and Restated Indenture of Trust between the Registrant and U.S. Bank National Association dated May 15, 2019</u>
<u>4.35</u>	<u>Bond Purchase Agreement between the Registrant and the 2019 Series A Bond Purchasers dated May 15, 2019</u>
<u>4.36</u>	<u>Form of 2019 Series A Bonds due May 15, 2049</u>
<u>10.78.1</u>	<u>First Amendment to Credit Agreement between the Registrant and the National Rural Utilities Cooperative Finance Corporation (NRUCFC), Bank of America, N.A., KeyBank National Association, Wells Fargo Bank, N.A., and CoBank, ACB, dated July 30, 2019</u>
<u>31.1</u>	<u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>31.2</u>	<u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>32.1</u>	<u>Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
<u>32.2</u>	<u>Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
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

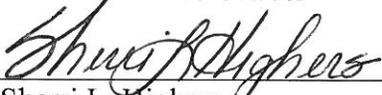
SIGNATURES

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: 

Lee D. Thibert
Chief Executive Officer

By: 

Sherri L. Highers
Chief Financial Officer

Date: August 8, 2019

After Recording Return to:
Stinson LLP
50 South Sixth Street, Suite 2600
Minneapolis, MN 55402
Attention: Tammie S. Ptacek, Partner

SEVENTH SUPPLEMENTAL INDENTURE
(to that certain Second Amended and Restated Indenture of Trust,
dated as of January 20, 2011, as amended)

Dated as of May 15, 2019

BETWEEN

CHUGACH ELECTRIC ASSOCIATION, INC.,
5601 Electron Drive, Anchorage, Alaska 99519,

TRUSTOR

AND

U.S. BANK NATIONAL ASSOCIATION,
1420 Fifth Avenue, 7th Floor, Seattle, Washington 98101
Attn: Corporate Trust Services,

TRUSTEE

FIRST MORTGAGE OBLIGATIONS

THIS INSTRUMENT CONSTITUTES A DEED OF TRUST, SECURITY
AGREEMENT AND FIXTURE FILING COVERING REAL AND PERSONAL
PROPERTY (INCLUDING AFTER-ACQUIRED PROPERTY) OF A
TRANSMITTING UTILITY, AND CONTAINS A FUTURE ADVANCE
PROVISION

THIS SEVENTH SUPPLEMENTAL INDENTURE OF TRUST (hereinafter called this “Seventh Supplemental Indenture”), dated as of May 15, 2019, is between **CHUGACH ELECTRIC ASSOCIATION, INC.**, an Alaska electric cooperative, as Trustor (hereinafter called the “Company”), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association organized under the laws of the United States, as Trustee (hereinafter called the “Trustee”).

RECITALS OF THE COMPANY

WHEREAS, the Company has heretofore executed and delivered to the Trustee a Second Amended and Restated Indenture of Trust, dated as of January 20, 2011, as amended by the First Supplemental Indenture dated as of January 20, 2011, Second Supplemental Indenture dated as of September 30, 2011, Third Supplemental Indenture dated as of January 5, 2012, Fourth Supplemental Indenture dated as of February 3, 2015, Fifth Supplemental Indenture dated as of June 30, 2016 and Sixth Supplemental Indenture dated as of March 17, 2017, (as so amended, the “*Original Indenture*,” which is filed of record as shown on Exhibit A hereto), for the purpose of providing for the authentication and delivery of Obligations by the Trustee from time to time under the Original Indenture. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Original Indenture. The Original Indenture, as heretofore, hereby and hereafter supplemented, may herein be referred to as the “Indenture”;

WHEREAS, the Board of Directors of the Company has authorized and approved actions necessary for the Company to establish a new series of Obligations to be designated the First Mortgage Bonds, 2019 Series A, which, as provided herein, shall consist of an aggregate principal amount of Seventy-Five Million Dollars (\$75,000,000) due May 15, 2049 (the “2019 Series A Bonds”); such 2019 Series A Bonds being issued pursuant to this Seventh Supplemental Indenture to the parties set forth in Schedule A of the 2019 Bond Purchase Agreement described below (and their successors or assigns of the 2019 Series A Bonds, each individually, a “2019 Series A Holder” or collectively, the “2019 Series A Holders”) to secure the Company’s obligations under the 2019 Bond Purchase Agreement, dated as of May 15, 2019, between the Company and the original 2019 Series A Holders (the “2019 Bond Purchase Agreement”), and the Company has complied or will comply with all provisions required to issue Obligations provided for in the Indenture;

WHEREAS, the Company desires to execute and deliver this Seventh Supplemental Indenture, in accordance with the provisions of the Indenture, for the purpose of providing for the creation and designation of the 2019 Series A Bonds as Obligations and specifying the form and provisions of the 2019 Series A Bonds;

WHEREAS, Section 13.1 of the Indenture provides that, without the consent of the Holders of any of the Obligations at the time Outstanding, the Company, when authorized by a Board Resolution, and the Trustee, may enter into supplemental indentures for the purposes of and subject to the conditions set forth in such Section 13.1, and this Seventh Supplemental Indenture is permitted pursuant to provisions of Section 13.1(c);

WHEREAS, Section 5.3 of the Indenture provides that the Company may enter into this Seventh Supplemental Indenture when authorized by a Board Resolution, and the Trustee shall authenticate and deliver the 2019 Series A Bonds upon delivery of a Company Request as provided under the Indenture and satisfaction of all other conditions precedent thereto under the Indenture; and

WHEREAS, all acts and proceedings required by law and by the Articles of Incorporation and Bylaws of the Company necessary to secure the payment of the principal of and interest on the 2019 Series A Bonds, to make the 2019 Series A Bonds issued under the Indenture, when executed by the Company, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal obligations of the Company, and to constitute under the Indenture a valid and binding lien for the security of the 2019 Series A Bonds, in accordance with its terms, have been done and taken, and the execution and delivery of this Seventh Supplemental Indenture has been in all respects duly authorized;

NOW, THEREFORE, THIS SEVENTH SUPPLEMENTAL INDENTURE WITNESSETH, that, to secure the payment of the principal of (and premium, if any) and interest on the Outstanding Secured Obligations, including, when issued, the 2019 Series A Bonds, to confirm the lien of the Indenture upon the Trust Estate, including property purchased, constructed or otherwise acquired by the Company since the date of execution of the Original Indenture, to secure performance of the covenants therein and herein contained, to confirm the terms and conditions on which the 2019 Series A Bonds are secured, and in consideration of the premises thereof and hereof, the Company by these presents does grant, bargain, sell, alienate, remise, release, convey, assign, transfer, mortgage, hypothecate, pledge, set over and confirm to the Trustee, and its successors and assigns in the trust created thereby and hereby, in trust, all property, rights, privileges and franchises (other than Excepted Property and Excludable Property) of the Company, whether now owned or hereafter acquired, of the character described in the Granting Clauses of the Indenture, including all such property, rights, privileges and franchises acquired since the date of execution of the Original Indenture, including, without limitation, all of those fee and leasehold interests in real property, if any, which may hereafter be constructed or acquired by it, but subject to all exceptions, reservations and matters of the character therein referred to, and expressly excepting and excluding from the lien and operation of the Indenture all properties of the character specifically excepted as “Excepted Property” or “Excludable Property” in the Indenture to the extent contemplated thereby.

PROVIDED, HOWEVER, that if, upon the occurrence of an Event of Default under the Indenture, the Trustee, or any separate trustee or co-trustee appointed under Section 10.14 of the Indenture or any receiver appointed pursuant to statutory provision or order of court, shall have entered into possession of all or substantially all of the Trust Estate, all the Excepted Property described or referred to in paragraphs (a) through (g), inclusive, of “Excepted Property” in the Indenture then owned or thereafter acquired by the Company, shall immediately, and, in the case of any Excepted Property described or referred to in paragraphs (h) through (k), inclusive, of “Excepted Property” in the

Indenture, upon demand of the Trustee or such other trustee or receiver, become subject to the lien of the Indenture to the extent permitted by law, and the Trustee or such other trustee or receiver may, to the extent permitted by law, at the same time likewise take possession thereof, and whenever all Events of Default shall have been cured and the possession of all or substantially all of the Trust Estate shall have been restored to the Company, such Excepted Property shall again be excepted and excluded from the lien of the Indenture to the extent and otherwise as hereinabove set forth and as set forth in the Indenture.

The Company may, however, pursuant to Granting Clause Third of the Indenture, subject to the lien of the Indenture any Excepted Property, whereupon the same shall cease to be Excepted Property.

TO HAVE AND TO HOLD all said property, rights, privileges and franchises hereby and hereafter (by a Supplemental Indenture or otherwise) granted, bargained, sold, alienated, remised, released, conveyed, assigned, transferred, mortgaged, hypothecated, pledged, set over or confirmed as aforesaid, or intended, agreed or covenanted so to be, together with all the tenements, hereditaments and appurtenances thereto appertaining (said properties, rights, privileges and franchises, including any cash and securities hereafter deposited or required to be deposited with the Trustee (other than any such cash which is specifically stated in the Indenture not to be deemed part of the Trust Estate) being part of the Trust Estate), unto the Trustee, and its successors and assigns in the trust herein created, forever.

SUBJECT, HOWEVER, to (i) Permitted Encumbrances, (ii) to the extent permitted by Section 14.6 of the Indenture, as to property hereafter acquired, (a) any duly recorded or perfected Prior Lien that may exist thereon at the date of the acquisition thereof by the Company, and (b) purchase money mortgages, other purchase money liens, chattel mortgages, security agreements, conditional sales agreements or other title retention agreements created by the Company at the time of acquisition thereof, and (iii) defects of title to and encumbrances on property as shown on Exhibit A of the Indenture and existing on the date hereof.

BUT IN TRUST, NEVERTHELESS, with power of sale, for the equal and proportionate benefit and security of the Holders from time to time of all the Outstanding Secured Obligations without any priority of any such Obligation over any other such Obligation and for the enforcement of the payment of such Obligations in accordance with their terms.

UPON CONDITION that, until the happening of an Event of Default and subject to the provisions of Article 6 of the Indenture and not in limitation of the rights elsewhere provided in the Indenture, the Company shall be permitted and have the right to possess, use, operate and enjoy the Trust Estate, except cash, securities and other personal property deposited, or required to be deposited, with the Trustee and to, explore for, mine, extract, produce and dispose of coal, ore, gas, oil and other minerals or natural resources, to harvest standing timber and to collect, receive and use the rents, issues, profits, revenues and other

income, products and proceeds of the Trust Estate or the operation of the property constituting part of the Trust Estate.

AND IT IS HEREBY COVENANTED AND DECLARED that the 2019 Series A Bonds are to be authenticated and delivered and the Trust Estate is to be held and applied by the Trustee, subject to the covenants, conditions and trusts set forth herein and in the Indenture, and the Company does hereby covenant and agree to and with the Trustee, for the equal and proportionate benefit of all Holders of the Outstanding Secured Obligations, as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions.

All words and phrases defined in the Indenture shall have the same meaning in this Seventh Supplemental Indenture, including any exhibit hereto, except as otherwise appears herein and in this Article or unless the context clearly requires otherwise. In addition, the following terms have the following meaning in this Seventh Supplemental Indenture unless the context clearly requires otherwise.

“Business Day” means any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York, Seattle, Washington, or the city in which the principal corporate trust office of the Trustee is located are required or authorized to be closed.

“Closing Date” means May 15, 2019.

“Default Rate” means with respect to any 2019 Series A Bond, that rate of interest that is the greater of (i) 2% per annum above the rate of interest stated in clause (a) of the first paragraph of such 2019 Series A Bond or (ii) 2% over the rate of interest publicly announced by Bank of America, N.A. in New York, New York or its successor, as its “prime” rate.

“Make-Whole Amount” is defined in Section 2.9.

ARTICLE II

THE 2019 SERIES A BONDS AND CERTAIN PROVISIONS RELATING THERETO

Section 2.1 Authentication and Terms of the 2019 Series A Bonds. Pursuant to the provisions of Article 5 of the Indenture, there has been established a series of Obligations known as and entitled the “First Mortgage Bonds, 2019 Series A.”

The aggregate principal amount of the 2019 Series A Bonds which may be authenticated and delivered and Outstanding at any one time is limited to Seventy-Five Million Dollars (\$75,000,000.00) due May 15, 2049. The 2019 Series A Bonds shall originally be registered in the names of the 2019 Series A Holders, and shall be dated the date of authentication.

The 2019 Series A Bonds due May 15, 2049 shall bear interest from their date of issuance, payable semi-annually on May 15 and November 15 of each year commencing on November 15, 2019, at the rate of 3.86%. The Regular Record Date for the payment of interest on the 2019 Series A Bonds on any Interest Payment Date shall be the last day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date. Interest on the 2019 Series A Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The principal of, premium (including the Make-Whole Amount), if any, and interest on the 2019 Series A Bonds shall be paid to the 2019 Series A Holders thereof in immediately available funds as described in such Bonds. Any payment of principal of or premium (including the Make-Whole Amount, if any) or interest on any 2019 Series A Bond that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; *provided* that if the maturity date of any 2019 Series A Bond is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

If the Company fails to make any payment with respect to the 2019 Series A Bonds when due, then such payment shall be due and payable on demand, and shall accrue interest from the date due until the date paid at the Default Rate.

Section 2.2 Form of the 2019 Series A Bonds. The 2019 Series A Bonds shall each be a bond substantially in the form of Exhibit B hereto, and the Trustee’s authentication certificate to be executed on the 2019 Series A Bonds shall be substantially in the form attached thereto, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted in the Indenture.

Section 2.3 Required Prepayments. On May 15, 2021 and on each May 15th thereafter to and including May 15, 2049, the Company will prepay a portion of the aggregate principal amount of the 2019 Series A Bonds due May 15, 2049 at par and without payment of any premium (including the Make-Whole Amount), provided that upon any partial prepayment of such 2019 Series A Bonds pursuant to Section 2.4 or partial purchase of such 2019 Series A Bonds permitted by Section 2.8, the principal amount of each required prepayment of such 2019 Series A Bonds becoming due under this Section 2.3 on and after the date of such prepayment or purchase shall be reduced in the same proportion as the aggregate unpaid principal amount of such 2019 Series A Bonds is reduced as a result of such prepayment or purchase. The aggregate principal amount of the 2019 Series A Bonds due May 15, 2049 to be prepaid and the dates of such prepayments, as well as the principal amount payable on the maturity date, are set forth below:

<u>Date</u>	<u>Amount</u>
May 15, 2021	\$3,900,000
May 15, 2022	\$3,900,000
May 15, 2023	\$3,900,000
May 15, 2024	\$3,900,000
May 15, 2025	\$3,900,000
May 15, 2026	\$3,900,000
May 15, 2027	\$3,900,000
May 15, 2028	\$3,900,000
May 15, 2029	\$3,900,000
May 15, 2030	\$3,900,000
May 15, 2031	\$3,900,000
May 15, 2032	\$3,900,000
May 15, 2033	\$3,750,000
May 15, 2034	\$3,750,000
May 15, 2035	\$3,750,000
May 15, 2036	\$2,750,000
May 15, 2037	\$2,200,000
May 15, 2038	\$1,000,000
May 15, 2039	\$1,000,000
May 15, 2040	\$1,000,000
May 15, 2041	\$1,000,000
May 15, 2042	\$1,000,000
May 15, 2043	\$1,000,000
May 15, 2044	\$1,000,000
May 15, 2045	\$1,000,000
May 15, 2046	\$1,000,000
May 15, 2047	\$1,000,000
May 15, 2048	\$1,000,000
May 15, 2049 ⁽¹⁾	\$1,000,000

(1) The final maturity date of such 2019 Series A Bonds.

Section 2.4 Optional Prepayments and Make-Whole Amount. The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the 2019 Series A Bonds, in an amount not less than 3% of the aggregate principal amount of the 2019 Series A Bonds then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, and the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each 2019 Series A Holder written notice of each optional prepayment under this Section 2.4 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount of the 2019 Series A Bonds to be prepaid on such date, the principal amount of each 2019 Series A Bond held by such 2019 Series A Holder to be prepaid (determined in accordance with Section 2.5), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by an Officer's Certificate as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each 2019 Series A Holder an Officer's Certificate specifying the calculation of such Make-Whole Amount as of the specified prepayment date. The Company shall contemporaneously deliver a copy of such notice and Officer's Certificate to the Trustee.

Section 2.5 Allocation of Partial Prepayments. In the case of each partial prepayment of the 2019 Series A Bonds, the principal amount of the 2019 Series A Bonds to be prepaid shall be allocated among all of the 2019 Series A Bonds at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

Section 2.6 Payment of Make-Whole Amount Upon Acceleration. Upon the occurrence of an Event of Default, if the outstanding principal amount of the 2019 Series A Bonds shall have been declared or otherwise become due and payable immediately pursuant to and in accordance with the Indenture then, in addition to paying each 2019 Series A Holder the entire unpaid principal amount of its 2019 Series A Bonds and all accrued and unpaid interest thereon (including, but not limited to, interest accrued thereon at the Default Rate), the Company shall calculate and pay to each 2019 Series A Holder (to the full extent permitted by applicable law) an amount equal to the Make-Whole Amount determined in respect of such principal amount. The Company acknowledges that each 2019 Series A Holder has the right to maintain its investment in the 2019 Series A Bonds free from repayment by the Company (except as herein and in the Indenture specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the 2019 Series A Bonds are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 2.7 Maturity; Surrender, Etc. In the case of each prepayment of 2019 Series A Bonds pursuant to this Article II, the principal amount of each 2019 Series A Bond to be prepaid shall mature and become due and payable on the date fixed for such prepayment (which shall be a Business Day), together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any 2019 Series A Bond paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no 2019 Series A Bond shall be issued in lieu of any prepaid principal amount of any 2019 Series A Bond.

Section 2.8 Purchase of 2019 Series A Bonds. The Company will not, and will not permit any Affiliate to, purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding 2019 Series A Bonds except (a) upon the payment or prepayment of the 2019 Series A Bonds in accordance with the terms of the Indenture and the 2019 Series A Bonds or (b) pursuant to an offer to purchase made by the Company or an Affiliate pro rata to the Holders of all 2019 Series A Bonds at the time outstanding upon the same terms and conditions. Any such offer shall provide each 2019 Series A Holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 30 Business Days. If the Holders of more than 51% of the principal amount of the 2019 Series A Bonds then outstanding accept such offer, the Company shall promptly notify the remaining 2019 Series A Holders of such fact and the expiration date for the acceptance by 2019 Series A Holders of such offer shall be extended by the number of days necessary to give each such remaining 2019 Series A Holder at least 10 Business Days from its receipt of such notice to accept such offer. The Company will promptly cancel all 2019 Series A Bonds acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of 2019 Series A Bonds pursuant to any provision of this Seventh Supplemental Indenture and no 2019 Series A Bonds may be issued in substitution or exchange for any such 2019 Series A Bonds.

Section 2.9 Make Whole Amount.

“Make-Whole Amount” means, with respect to any 2019 Series A Bond, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such 2019 Series A Bond over the amount of such Called Principal, *provided* that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount with respect to any 2019 Series A Bond, the following terms have the following meanings:

“Called Principal” means, with respect to any 2019 Series A Bond, the principal of such 2019 Series A Bond that is to be prepaid pursuant to Section 2.4 or has become or is declared to be immediately due and payable pursuant to the Indenture, as the context requires.

“Discounted Value” means, with respect to the Called Principal of any 2019 Series A Bond, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the 2019 Series A Bonds is payable) equal to the Reinvestment Yield with respect to such Called Principal.

“Reinvestment Yield” means, with respect to the Called Principal of any 2019 Series A Bond, the sum of 0.50% plus the yield to maturity implied by (i) the yields reported as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as “Page PX1” (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on the run U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date.

In the case of each determination under clause (i) or clause (ii), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the applicable actively traded U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the applicable actively traded U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable 2019 Series A Bond.

“Remaining Average Life” means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

“Remaining Scheduled Payments” means, with respect to the Called Principal of any 2019 Series A Bond, all payments of such Called Principal and interest thereon that

would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date; provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the 2019 Series A Bonds, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 2.4 above.

“*Settlement Date*” means, with respect to the Called Principal of any 2019 Series A Bond, the date on which such Called Principal is to be prepaid pursuant to Section 2.4 or has become or is declared to be immediately due and payable pursuant to the Indenture, as the context requires.

Section 2.10 Use of Proceeds. The Company shall use the proceeds of the loan evidenced by the 2019 Series A Bonds to repay indebtedness and for general corporate purposes.

ARTICLE III

OUTSTANDING SECURED OBLIGATIONS

Section 3.1 Principal Amount Presently To Be Outstanding. The Obligations Outstanding under the Indenture as of the date hereof consists of: \$189,666,664 aggregate principal amount of First Mortgage Bonds, 2011 Series A; \$172,750,000 aggregate principal amount of First Mortgage Bonds, 2012 Series A; \$35,568,000 aggregate principal amount of 2016 CoBank Note; \$36,000,000 aggregate principal amount of First Mortgage Bonds, 2017 Series A; and \$75,000,000 aggregate principal amount of First Mortgage Bonds, 2019 Series A to be issued pursuant to this Seventh Supplemental Indenture upon compliance by the Company with the provisions of Section 5.1 and Section 5.3 of the Indenture.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Supplemental Indenture. This Seventh Supplemental Indenture is executed and shall be construed as an indenture supplemental to the Indenture, and shall form a part thereof, and the Indenture, as hereby supplemented, modified, and amended, is hereby confirmed. Except to the extent inconsistent with the express terms of this Seventh Supplemental Indenture and the 2019 Series A Bonds, all of the provisions, terms, covenants and conditions of the Indenture shall be applicable to the 2019 Series A Bonds to the same extent as if specifically set forth herein.

Section 4.2 Trustee Obligations Under the 2019 Bond Purchase Agreement. The Trustee is not a party to the 2019 Bond Purchase Agreement and all obligations of the Trustee relating to the 2019 Series A Bonds are set forth in the Indenture, including this Seventh Supplemental Indenture.

Section 4.3 Recitals. All recitals in this Seventh Supplemental Indenture are made by the Company only and not by the Trustee and are incorporated herein; and all of the provisions contained in the Original Indenture, in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect hereof as fully and with like effect as if set forth herein in full.

Section 4.4 Successors and Assigns. Whenever in this Seventh Supplemental Indenture any of the parties hereto is named or referred to, this shall, subject to the provisions of Articles 10 and 12 of the Indenture, be deemed to include the successors and assigns of such party, and all the covenants and agreements contained in this Seventh Supplemental Indenture by or on behalf of the Company, or by or on behalf of the Trustee, shall, subject as aforesaid, bind and inure to the respective benefits of the respective successors and assigns of such parties, whether so expressed or not.

Section 4.5 No Rights, Remedies, Etc. Nothing in this Seventh Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto and the Holders of the Outstanding Secured Obligations, any right, remedy or claim under or by reason of this Seventh Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Seventh Supplemental Indenture contained by or on behalf of the Company shall be for the sole and exclusive benefit of the parties hereto, and of the Holders of Outstanding Secured Obligations.

Section 4.6 Severability. Any provision of this Seventh Supplemental Indenture held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 4.7 Governing Law. This Seventh Supplemental Indenture shall be construed in accordance with and governed by the law of the State of Alaska.

Section 4.8 Counterparts. This Seventh Supplemental Indenture may be executed in several counterparts, each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts, or as many of them as the Company and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 4.9 Security Agreement; Mailing Address. To the extent permitted by applicable law, this Seventh Supplemental Indenture shall be deemed to be a security agreement and financing statement whereby the Company grants to the Trustee a security interest in all of the Trust Estate that is personal property or fixtures under the Uniform Commercial Code.

The mailing address of the Company, as debtor, is:

Chugach Electric Association, Inc.
5601 Electron Drive
Anchorage, Alaska 99519

and the mailing address of the Trustee, as secured party, is:

U.S. Bank National Association
1420 Fifth Avenue, 7th Floor
Seattle, Washington 98101
Attention: Corporate Trust Services

Additionally, this Seventh Supplemental Indenture shall, if appropriate, be an amendment to the financing documents previously filed in connection with the Indenture. The Company is authorized to execute and file as appropriate instruments under the Uniform Commercial Code to either create a security interest or amend any security interest heretofore created.

[Remainder of page intentionally left blank; signature pages follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Seventh Supplemental Indenture of Trust to be duly executed as of the day and year first above written.

CHUGACH ELECTRIC ASSOCIATION, INC.,
an Alaska electric cooperative

By: *Sherri L. Highers*
Name: Sherri L. Highers
Title: Senior Vice President,
Finance and Administration
and Chief Financial Officer

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

On this 10th day of May, 2019, before me, a Notary Public in and for the State of Alaska, personally appeared Sherri L. Highers, to me known to be the Senior Vice President, Finance and Administration and Chief Financial Officer of CHUGACH ELECTRIC ASSOCIATION, INC., the electric cooperative that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said electric cooperative for the uses and purposes therein mentioned and on oath stated that s/he was authorized to execute said instrument on behalf of said electric cooperative.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.



Thomas M. Schulman
Print name: Thomas M. Schulman
Notary Public in and for the State of Alaska, residing
at Anchorage
My commission expires: 10-10-2019

EXHIBIT A

SCHEDULE OF RECORDING INFORMATION

Document	Recording District	Recording Date.	Recording No.
Indenture of Trust	Anchorage Kenai Palmer Seward	September 25, 1991 September 25, 1991 September 25, 1991 September 25, 1991	Book 2195, Page 178 Book 389, Page 637 Book 663, Page 167 Book 62, Page 351
Second Amended and Restated Indenture of Trust	Anchorage Kenai Palmer Seward	January 20, 2011 January 20, 2011 January 20, 2011 January 20, 2011	2011-003688-0 2011-000608-0 2011-001410-0 2011-000062-0
First Supplemental Indenture to Second Amended and Restated Indenture of Trust	Anchorage Kenai Palmer Seward	January 20, 2011 January 20, 2011 January 20, 2011 January 20, 2011	2011-003689-0 2011-000609-0 2011-001411-0 2011-000063-0
Second Supplemental Indenture to Second Amended and Restated Indenture of Trust	Anchorage Kenai Palmer Seward	October 10, 2011 October 10, 2011 October 10, 2011 October 10, 2011	2011-048750-0 2011-009565-0 2011-019671-0 2011-001198-0
Third Supplemental Indenture to Second Amended and Restated Indenture of Trust	Anchorage Kenai Palmer Seward	January 10, 2012 January 10, 2012 January 10, 2012 January 10, 2012	2012-001554-0 2012-000310-0 2012-000586-0 2012-000029-0
Fourth Supplemental Indenture to Second Amended and Restated Indenture of Trust	Anchorage Kenai Palmer Seward	February 9, 2015 February 9, 2015 February 9, 2015 February 9, 2015	2015-005159-0 2015-000906-0 2015-002154-0 2015-000090-0
Fifth Supplemental Indenture to Second Amended and Restated Indenture of Trust	Anchorage Kenai Palmer Seward	June 29, 2016 June 29, 2016 June 29, 2016 June 29, 2016	2016-026065-0 2016-005600-0 2016-013143-0 2016-000626-0
Sixth Supplemental Indenture to Second Amended and Restated	Anchorage Kenai	March 16, 2017 March 16, 2017	2017-009779-0 2017-001625-0

Indenture of Trust	Palmer Seward	March 16, 2017 March 16, 2017	2017-004701-0 2017-000235-0
--------------------	------------------	----------------------------------	--------------------------------

EXHIBIT B

FORM OF 2019 SERIES A BONDS

THIS 2019 SERIES A BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM EXCEPT UNDER CIRCUMSTANCES WHERE NEITHER SUCH REGISTRATION NOR SUCH EXEMPTION IS REQUIRED BY LAW.

THE COMPANY IS PERSONALLY OBLIGATED AND FULLY LIABLE FOR THE AMOUNT DUE UNDER THIS 2019 SERIES A BOND AND, SUBJECT TO THE PROVISIONS OF THE INDENTURE, THE HOLDER HAS THE RIGHT TO SUE ON THIS BOND AND OBTAIN A PERSONAL JUDGMENT AGAINST THE COMPANY FOR SATISFACTION OF THE AMOUNT DUE HEREUNDER EITHER BEFORE OR AFTER A FORECLOSURE OF THE INDENTURE UNDER ALASKA STATUTES 09.45.170 - 09.45.220.

CHUGACH ELECTRIC ASSOCIATION, INC.

FIRST MORTGAGE BONDS, 2019 SERIES A, DUE MAY 15, 2049

**NO.
\$**

**ISSUANCE DATE: [_____], 2019
PPN: 171265 C*0**

FOR VALUE RECEIVED, the undersigned, **CHUGACH ELECTRIC ASSOCIATION, INC.** (herein called the “*Company*”), an electric cooperative organized and existing under the laws of the State of Alaska, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] Dollars (or so much thereof as shall not have been prepaid) on May 15, 2049, with interest computed on the basis of a 360-day year of twelve 30-day months (a) on the unpaid balance hereof at a rate of 3.86% per annum (plus, upon the occurrence and during the continuation of an Interest Rate Adjustment Event (as hereinafter defined), an additional 2% per annum) from the date hereof, payable semiannually on the 15th day of each May and November, commencing on November 15, 2019, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest, any overdue payment of any Make-Whole Amount (as defined in the Seventh Supplemental Indenture referred to below), payable semiannually as aforesaid (or, at the option of the registered Holder

hereof, on demand), at the Default Rate (as defined in the Seventh Supplemental Indenture referred to below).

“*Interest Rate Adjustment Event*” means the occurrence of any of the following:

(a) the Company defaults in the performance of Section 7.1(a) or (b) or Section 7.2 of the Bond Purchase Agreement (as defined below); or

(b) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in the Indenture or the Bond Purchase Agreement (as defined below) or in any writing furnished in connection with the transactions contemplated by the Seventh Supplemental Indenture (referred to below) proves to have been false or incorrect in any material respect on the date as of which made and, with respect to representations and warranties made after the date hereof, for which accurate information has not since been provided in writing to the Holder of this Bond.

Subject to Section 11 of the Bond Purchase Agreement (defined below), payments of principal of, interest on, and any Make-Whole Amount with respect to this Bond are to be made in lawful money of the United States of America in accordance with the terms of the Indenture.

This Bond is one of the 2019 Series A Bonds due May 15, 2049 (herein called the “*Bonds*”) issued pursuant to the Seventh Supplemental Indenture, dated as of May 15, 2019 (as from time to time amended, the “*Seventh Supplemental Indenture*”), between the Company and the Trustee named therein which amends and supplements the Second Amended and Restated Indenture of Trust, dated as of January 20, 2011 (as amended and supplemented from time to time, the “*Indenture*”) and is entitled to the benefits thereof and the Bond Purchase Agreement dated May 15, 2019, between the Company and the purchasers listed in Schedule A thereto (the “*Bond Purchase Agreement*”). Each Holder of this Bond will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 18 of the Bond Purchase Agreement and (ii) made the representations set forth in Section 6 of the Bond Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Bond shall have the respective meanings ascribed to such terms in the Seventh Supplemental Indenture.

This Bond shall be registered in the name of the Holder hereof. This Bond is transferable, as provided in the Indenture, only upon the registration books of the Company maintained by the Obligation Registrar, which shall be the Trustee, kept at its principal office, upon presentation at said office of this Bond with the written request of the registered owner hereof or his attorney duly authorized in writing, and a written instrument

of transfer satisfactory to the Obligation Registrar duly executed by the registered owner or his duly authorized attorney.

The Bonds shall be issued as fully registered Bonds without coupons and in minimum denominations of \$1.00 and any integral multiple of \$1.00 in excess thereof. The Trustee may impose a charge sufficient to reimburse the Company or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Bond. The cost, if any, of preparing each new Bond issued upon such exchange or transfer, and any other expenses of the Company or the Trustee incurred in connection therewith, shall be paid by in accordance with Section 3.7 of the Indenture.

The Company will make the required prepayments of principal on this Bond on the dates and in the amount specified in the Seventh Supplemental Indenture. This Bond is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Seventh Supplemental Indenture, but not otherwise.

If an Event of Default under the Indenture occurs and is continuing, the principal of this Bond may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Indenture. In the event that the principal of this Bond shall have been declared or otherwise become due and payable as described in the preceding sentence, then, in addition to paying the Holder hereof the entire unpaid principal amount of this Bond and all accrued and unpaid interest hereon (including, but not limited to, interest accrued hereon at the Default Rate), the Company shall pay to the Holder hereof (to the full extent permitted by applicable law) an amount equal to the Make-Whole Amount determined in respect of such principal amount.

The Holder of this Bond shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture and the Bond Purchase Agreement.

All acts and proceedings required by law and by the Articles of Incorporation and Bylaws of the Company necessary to make the 2019 Series A Bonds issued under the Indenture, when executed by the Company, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal obligations of the Company, in accordance with its terms, have been done and taken.

It is the intention of the Holder to comply with the usury laws of the State of Alaska and of the United States of America. This Bond is hereby expressly limited such that in no contingency or event whatsoever, whether by reason of acceleration, prepayment, or otherwise, shall the amount of interest contracted for, charged or received by the Holder for the use, forbearance, or detention of the principal indebtedness or interest

hereof, which remains unpaid from time to time, exceed the highest maximum rate permitted by applicable law. If fulfillment of any provisions hereof, at the time of performance of such provisions shall be due, shall involve transcending the valid limits prescribed by applicable law, then, ipso facto, the obligation to be fulfilled shall be reduced to the maximum rate allowed by applicable law. If any Holder receives as interest an amount which will exceed the maximum rate allowed by applicable law, such amount shall be applied to the reduction of the principal amount owing hereunder or on account of any other principal indebtedness owed to Holder and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal hereof and such other indebtedness, such excess shall be refunded. To the extent not prohibited by applicable law, determination of the maximum rate allowed by applicable law shall at all times be made by amortizing, prorating, allocating and spreading in equal parts during the full term of this Bond, all interest at any time contracted for, charged or received from the Company in connection with this Bond, so that the actual rate of interest on account of such indebtedness is uniform throughout the term of this Bond. The terms of this paragraph shall control and supersede any other provisions of this Bond.

This Bond shall be construed in accordance with and governed by the law of the State of Alaska.

No covenant or agreement contained in this Bond, the Indenture or the Seventh Supplemental Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the Company in his individual capacity, and no officer of the Company executing this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by reason of the issuance of this Bond.

This Bond shall not be entitled to any benefit under the Indenture or be valid until this Bond shall have been authenticated by the execution by the Trustee, or its successor as Trustee, of the Certificate of Authentication inscribed hereon.

IN WITNESS WHEREOF, the Company has caused this Bond to be executed by a duly authorized officer of the Company.

**CHUGACH ELECTRIC ASSOCIATION,
INC.**

By: _____
Name:
Title:

This is one of the Obligations of the series designated therein referred to in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

Date of Authentication: May __, 2019

CHUGACH ELECTRIC ASSOCIATION, INC.

\$75,000,000 3.86% FIRST MORTGAGE BONDS, 2019 SERIES A,
DUE MAY 15, 2049

BOND PURCHASE AGREEMENT

DATED MAY 15, 2019

TABLE OF CONTENTS

SECTION	HEADING	PAGE
SECTION 1.	AUTHORIZATION OF 2019 SERIES A BONDS	1
SECTION 2.	SALE AND PURCHASE OF 2019 SERIES A BONDS	2
SECTION 3.	CLOSING	2
SECTION 4.	CONDITIONS TO CLOSING	2
Section 4.1.	Representations and Warranties	3
Section 4.2.	Performance; No Default	3
Section 4.3.	Compliance Certificates	3
Section 4.4.	Opinions of Counsel	3
Section 4.5.	Purchase Permitted by Applicable Law	3
Section 4.6.	Sale of Other Bonds	4
Section 4.7.	Payment of Special Counsel Fees	4
Section 4.8.	Private Placement Number	4
Section 4.9.	Changes in Corporate Structure	4
Section 4.10.	Funding Instructions	4
Section 4.11.	Recording and Filing of the Supplemental Indentures	4
Section 4.12.	Proceedings and Documents	5
Section 4.13.	Documents Required by Indenture; Basis for Authentication	5
Section 4.14.	Regulatory Approval	5
Section 4.15.	Consents Under Existing Debt Agreements	5
Section 4.16.	Acceptance of Appointment to Receive Service of Process	5
SECTION 5.	REPRESENTATIONS AND WARRANTIES OF THE COMPANY	5
Section 5.1.	Organization; Power and Authority	5
Section 5.2.	Authorization	6
Section 5.3.	Disclosure	6
Section 5.4.	Organization and Ownership of Shares of Subsidiaries	6
Section 5.5.	Financial Statements; Material Liabilities	6
Section 5.6.	Compliance with Laws, Other Instruments	6
Section 5.7.	Governmental Authorizations	7
Section 5.8.	Litigation; Observance of Statutes and Orders	7
Section 5.9.	Taxes	7
Section 5.10.	Title to Property; Leases	7
Section 5.11.	Licenses, Permits, Etc	7
Section 5.12.	Compliance with ERISA	8
Section 5.13.	Private Offering by the Company	9
Section 5.14.	Use of Proceeds; Margin Regulations	9
Section 5.15.	Existing Indebtedness	9
Section 5.16.	Foreign Assets Control Regulations	10

Section 5.17.	Status under Certain Statutes	10
Section 5.18.	Lien of Indenture	10
Section 5.19.	Filings	11
SECTION 6.	REPRESENTATIONS OF THE PURCHASERS	11
Section 6.1.	Purchase for Investment	11
Section 6.2.	Source of Funds	12
SECTION 7.	INFORMATION AS TO COMPANY	13
Section 7.1.	Financial and Business Information	13
Section 7.2.	Officer’s Certificate	16
Section 7.3.	Visitation	17
SECTION 8.	AFFIRMATIVE COVENANTS	17
Section 8.1.	Compliance with Law	17
Section 8.2.	Insurance	18
Section 8.3.	Maintenance of Properties	18
Section 8.4.	Payment of Taxes	18
Section 8.5.	Corporate Existence	18
Section 8.6.	Books and Records	19
SECTION 9.	NEGATIVE COVENANTS	19
Section 9.1.	Transactions with Affiliates	19
Section 9.2.	Line of Business	19
Section 9.3.	Terrorism Sanctions Regulations	19
SECTION 10.	REGISTRATION; EXCHANGE; SUBSTITUTION OF 2019 SERIES A BONDS	19
SECTION 11.	PAYMENTS ON 2019 SERIES A BONDS	19
SECTION 12.	EXPENSES	20
Section 12.1.	Transaction Expenses	20
Section 12.2.	Survival	20
SECTION 13.	SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT	21
SECTION 14.	AMENDMENT AND WAIVER	21
Section 14.1.	Requirements	21
Section 14.2.	Solicitation of Holders of 2019 Series A Bonds	21
Section 14.3.	Binding Effect	22
Section 14.4.	2019 Series A Bonds Held by Company	22
SECTION 15.	NOTICES	23

SECTION 16.	INDEMNIFICATION	23
SECTION 17.	REPRODUCTION OF DOCUMENTS	23
SECTION 18.	CONFIDENTIAL INFORMATION	24
SECTION 19.	SUBSTITUTION OF PURCHASER	25
SECTION 20.	MISCELLANEOUS	25
Section 20.1.	Successors and Assigns	25
Section 20.2.	Payments Due on Non-Business Days	25
Section 20.3.	Accounting Terms	25
Section 20.4.	Severability	26
Section 20.5.	Construction.....	26
Section 20.6.	Counterparts.....	26
Section 20.7.	Governing Law	26
Section 20.8.	Jurisdiction and Process; Waiver of Jury Trial.....	27

SCHEDULE A	—	Information Relating to Purchasers
SCHEDULE B	—	Defined Terms
SCHEDULE 4.11	—	Collateral Filings
SCHEDULE 5.3	—	Disclosure Documents
SCHEDULE 5.5	—	Financial Statements
SCHEDULE 5.7	—	Governmental Authorizations
SCHEDULE 5.15(a)	—	Existing Indebtedness
SCHEDULE 5.15(b)	—	Restrictions on Indebtedness
SCHEDULE 5.18(d)	—	Excludable Property
EXHIBIT A	—	Seventh Supplemental Indenture
EXHIBIT 4.4(a)(i)	—	Form of Opinion of Alaska Counsel to the Company
EXHIBIT 4.4(a)(ii)	—	Form of Opinion of Special Counsel to the Company
EXHIBIT 4.4(b)	—	Form of Opinion of Special Counsel to the Purchasers

**CHUGACH ELECTRIC ASSOCIATION, INC.
5601 ELECTRON DRIVE
ANCHORAGE, ALASKA 99518**

\$75,000,000

\$75,000,000 3.86% FIRST MORTGAGE BONDS, 2019 SERIES A,
DUE MAY 15, 2049

MAY 15, 2019

TO EACH OF THE PURCHASERS LISTED IN
SCHEDULE A HERETO:

Ladies and Gentlemen:

CHUGACH ELECTRIC ASSOCIATION, INC., an Alaska electric cooperative (the “Company”), agrees with each of the purchasers whose names appear at the end hereof (each, a “Purchaser” and, collectively, the “Purchasers”) as follows:

SECTION 1. AUTHORIZATION OF 2019 SERIES A BONDS.

The Company will authorize the issue and sale of \$75,000,000 aggregate principal amount of its 3.86% First Mortgage Bonds, 2019 Series A due MAY 15, 2049 (the “2019 Series A Bonds”). The 2019 Series A Bonds will be issued under and secured by the Second Amended and Restated Indenture of Trust dated as of January 20, 2011 (the “*Second Amended and Restated Indenture of Trust*”), between the Company and U.S. Bank National Association, as Trustee (the “*Trustee*”), as previously amended and supplemented by that First Supplemental Indenture dated as of January 20, 2011 (the “*First Supplemental Indenture*”), Second Supplemental Indenture dated as of September 30, 2011 (the “*Second Supplemental Indenture*”), Third Supplemental Indenture dated as of January 5, 2012 (the “*Third Supplemental Indenture*”), Fourth Supplemental Indenture dated as of February 3, 2015 (the “*Fourth Supplemental Indenture*”), Fifth Supplemental Indenture dated as of June 30, 2016 (the “*Fifth Supplemental Indenture*”) and Sixth Supplemental Indenture dated as of March 17, 2017 (the “*Sixth Supplemental Indenture*”), which Second Amended and Restated Indenture of Trust, as so previously amended and supplemented, shall be further amended and supplemented by a Seventh Supplemental Indenture that will be substantially in the form attached hereto as Exhibit A, with such changes therein, if any, as shall be approved by the Purchasers and the Company (the “*Seventh Supplemental Indenture*”). The Second Amended and Restated Indenture of Trust, as previously amended and supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture and as further amended and supplemented from time to time, including by the Seventh Supplemental Indenture, is hereinafter referred to as the “*Indenture*.”

Certain capitalized and other terms used in this Agreement are defined in Schedule B; and references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement. Terms used herein but not defined herein shall have the meanings set forth in the Indenture.

SECTION 2. SALE AND PURCHASE OF 2019 SERIES A BONDS.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closing provided for in Section 3, 2019 Series A Bonds and in the principal amount specified opposite such Purchaser's name in Schedule A at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

SECTION 3. CLOSING.

The sale and purchase of the 2019 Series A Bonds to be purchased by each Purchaser shall occur at the offices of Chapman and Cutler LLP, 111 West Monroe, Chicago, IL, at 10:00 a.m., Chicago time, at a closing (the "Closing") on May 15, 2019, or on such other Business Day thereafter on or prior to May 17, 2019 as may be agreed upon by the Company and the Purchasers. At the Closing the Company will deliver to each Purchaser the 2019 Series A Bonds to be purchased by such Purchaser in the form of a single 2019 Series A Bond (in denominations of at least \$100,000 as such Purchaser may request) dated the date of the Closing and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to First National Bank of Alaska, Anchorage, Alaska ABA# 125200060, Credit: Chugach Electric Association, Inc., Acct# 1104751, Reference: [Bondholder Name]. If at the Closing the Company shall fail to tender such 2019 Series A Bonds to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to such Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment. The Company's obligation to issue and sell to each Purchaser the Bonds to be sold to such Purchaser is subject to fulfillment, at Closing, of the condition set forth in Section 4.6.

SECTION 4. CONDITIONS TO CLOSING.

Each Purchaser's obligation to purchase and pay for the 2019 Series A Bonds to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to or at the Closing, of the following conditions:

Section 4.1. Representations and Warranties. The representations and warranties of the Company in the Financing Agreements shall be correct when made and at the time of the Closing.

Section 4.2. Performance; No Default. The Company shall have performed and complied with all agreements and conditions contained in the Financing Agreements required to be performed or complied with by it prior to or at the Closing and after giving effect to the issue and sale of the 2019 Series A Bonds (and the application of the proceeds thereof as contemplated by Section 5.14) no Default or Event of Default shall have occurred and be continuing.

Section 4.3. Compliance Certificates.

(a) *Officer's Certificates.* The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of the Closing, certifying (i) that the conditions specified in Section 4 of this Agreement have been fulfilled, (ii) an attached true, complete and correct copy of the Indenture, and (iii) attached true, complete and correct copies of all certificates and opinions delivered to the Trustee under the Indenture in connection with the issuance of the 2019 Series A Bonds under the Indenture.

(b) *Secretary's Certificate.* The Company shall have delivered to such Purchaser a certificate of its Secretary, Assistant Secretary, or other officer authorized by the Company to make such certification, dated the date of Closing, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Financing Agreements.

(c) *Secretary's Certificate of the Trustee.* The Trustee shall have delivered to such Purchaser a certificate of a corporate trust officer, dated the date of the Closing, certifying as to the resolutions attached thereto and the authorization, execution and delivery of the Indenture and Bonds.

Section 4.4. Opinions of Counsel. Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the date of the Closing (a) from (i) the General Counsel of the Company, (ii) Stinson LLP, Alaska counsel for the Company, and (iii) Orrick, Herrington & Sutcliffe LLP, special counsel to the Company, covering the matters set forth in Exhibits 4.4(a)(i) and 4.4(a)(ii), respectively, and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request (and the Company hereby authorizes its counsel to deliver such opinion to the Purchasers) and (b) from Chapman and Cutler LLP, the Purchasers' special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as such Purchaser may reasonably request.

Section 4.5. Purchase Permitted by Applicable Law. On the date of the Closing such Purchaser's purchase of 2019 Series A Bonds shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance

companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.6. Sale of Other Bonds. Contemporaneously with the Closing the Company shall sell to each other Purchaser and each other Purchaser shall purchase the 2019 Series A Bonds to be purchased by it at the Closing as specified in Schedule A.

Section 4.7. Payment of Special Counsel Fees. Without limiting the provisions of Section 12.1, the Company shall have paid on or before the Closing the fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4(b) to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

Section 4.8. Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for the 2019 Series A Bonds.

Section 4.9. Changes in Corporate Structure. The Company shall not have changed its jurisdiction of incorporation or organization, as applicable, or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

Section 4.10. Funding Instructions. At least three Business Days prior to the date of the Closing, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company confirming the information specified in Section 3 including (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number and (iii) the account name and number into which the purchase price for the 2019 Series A Bonds is to be deposited.

Section 4.11. Recording and Filing of the Supplemental Indentures. The Company shall have caused (i) the Seventh Supplemental Indenture to have been recorded or filed at or prior to the Closing in such manner and in all places in which recording is necessary to preserve and protect the lien of the Indenture upon any of the properties of the Company specifically described therein as subject to the lien of the Indenture, and which are described in Schedule 4.11, (ii) all financing statements under the UCC, if any, with respect to the personal property described in the granting clauses of the Indenture to have been filed in all places necessary to perfect and protect the security interest granted by the Indenture to the extent such security can be perfected by the filing of appropriate financing statements, and which are described in Schedule 4.11 (all such recordings and filings as provided in clauses (i) and (ii) of this Section 4.11 being referred to as the "Collateral Filings") and (iii) all taxes, fees and other

charges payable in connection with the execution, delivery and filing of the Seventh Supplemental Indenture to have been paid in full.

Section 4.12. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

Section 4.13. Documents Required by Indenture; Basis for Authentication. The Company shall have furnished to the Trustee the resolutions, certificates, instruments, opinions and cash, if any, required to be delivered prior to or upon the issuance of the Bonds pursuant to the provisions of the Indenture. The Company shall have requested the Trustee to, and the Trustee shall have, authenticated the Bonds pursuant to Article 5 of the Indenture. The Company shall have complied with all other conditions with respect to the issuance and authentication of the Bonds imposed by the Indenture.

Section 4.14. Regulatory Approval. Prior to the Closing, such Purchaser and its special counsel shall have received evidence, including, without limitation, an opinion of counsel, in form and substance satisfactory to such Purchaser and its special counsel, demonstrating that all approvals and authorizations of (a) the Federal Energy Regulatory Commission under the Federal Power Act and (b) the Regulatory Commission of Alaska under the laws of the State of Alaska which are required to be obtained in connection with the issuance of the Bonds, and the execution and delivery by the Company of, and the performance by the Company of its obligations under, the Financing Agreements have been duly obtained, validly issued and are in full force and effect and final, and all periods for appeal and rehearing by third parties have expired and all conditions contained in such approvals and authorizations which are to be fulfilled on or prior to the issuance of the Bonds have been fulfilled.

Section 4.15. Consents Under Existing Debt Agreements. The Company shall have obtained all consents required under its existing debt agreements in connection with the Company's incurrence of the Indebtedness under the Financing Agreements.

Section 4.16. Acceptance of Appointment to Receive Service of Process. Such Purchaser shall have received evidence of the acceptance by CT Corporation System of the appointment and designation provided for by Section 20.8(b) (and the payment of all fees in respect thereof for the period from the date of the Closing to a date not earlier than the third anniversary date of the Closing).

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser that:

Section 5.1. Organization; Power and Authority. The Company is an electric cooperative duly organized, validly existing and in good standing under the laws of the State of

Alaska. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver the Financing Agreements and to perform the provisions hereof and thereof.

Section 5.2. Authorization. The Financing Agreements have been duly authorized by all necessary corporate action on the part of the Company, and the Financing Agreements constitute, and upon execution and delivery thereof the 2019 Series A Bonds will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with their terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. This Agreement and the documents, certificates or other writings delivered to the Purchasers by or on behalf of the Company in connection with the transactions contemplated hereby and identified in Schedule 5.3, and the financial statements listed in Schedule 5.5 (this Agreement and such documents, certificates or other writings and such financial statements delivered to each Purchaser prior to February 14, 2019, being referred to, collectively, as the "*Disclosure Documents*"), taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Disclosure Documents, since December 31, 2017, there has been no change in the financial condition, operations, business, or properties of the Company except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect.

Section 5.4. No Subsidiaries. The Company has no Subsidiaries.

Section 5.5. Financial Statements; Material Liabilities. The Company has delivered to each Purchaser copies of the financial statements of the Company listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the financial position of the Company as of the respective dates specified in such Schedule and the results of its operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company does not have any Material liabilities that are not disclosed on such financial statements or otherwise disclosed in the Disclosure Documents.

Section 5.6. Compliance with Laws, Other Instruments. The execution, delivery and performance by the Company of the Financing Agreements will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien, other than the Lien created under the Indenture, in respect of any property of the Company under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other Material agreement or instrument to which the Company is bound or by which the

Company or any of its properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company.

Section 5.7. Governmental Authorizations. Except for the Collateral Filings contemplated by Section 4.11, no consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of the Financing Agreements.

Section 5.8. Litigation; Observance of Statutes and Orders. (a) There are no actions, suits, investigations or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any property of the Company in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b) The Company is not in default under any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws or the USA Patriot Act) of any Governmental Authority, which default or violation, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. The Company has filed all income tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments payable by them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company, as the case may be, has established adequate reserves in accordance with GAAP. The federal income tax liabilities of the Company have been finally determined (whether by reason of completed audits or the statute of limitations having run) for all fiscal years up to and including the fiscal year ended December 31, 2014.

Section 5.10. Title to Property; Leases. The Company has good and sufficient title to its Material properties, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens (other than the Lien created by the Indenture) prohibited by this Agreement or the Indenture. All Material leases are valid and subsisting and are in full force and effect in all material respects.

Section 5.11. Licenses, Permits, Etc. The Company owns or possesses all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that are Material, without known conflict with the

rights of others, except for those conflicts that, individually or in the aggregate, would not have a Material Adverse Effect.

Section 5.12. Compliance with ERISA. (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to “employee benefit plans” (as defined in section 3 of ERISA), and no event, transaction or condition has occurred or exists that would, individually or in the aggregate, reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to section 430(k) of the Code or to any such penalty or excise tax provisions under the Code or federal law or section 4068 of ERISA or by the granting of a security interest in connection with the amendment of a Plan, other than such liabilities or Liens as would not be reasonably be expected individually or in the aggregate to have a Material Adverse Effect.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan’s most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan’s most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than \$7,000,000 in the case of any single Plan and by more than \$7,000,000 in the aggregate for all Plans. The term “*benefit liabilities*” has the meaning specified in section 4001 of ERISA and the terms “*current value*” and “*present value*” have the meaning specified in section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company’s most recently ended fiscal year in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 715-60, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the 2019 Series A Bonds hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company to each Purchaser in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of such Purchaser’s representation in Section 6.2 as to the sources of the funds to be used to pay the purchase price of the 2019 Series A Bonds to be purchased by such Purchaser.

- (f) The Company and its Subsidiaries do not have any Non-U.S. Plans.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the 2019 Series A Bonds or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than the Purchasers and six (6) other Institutional Investors, each of which has been offered the 2019 Series A Bonds at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the 2019 Series A Bonds to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any securities or blue sky laws of any applicable jurisdiction.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the 2019 Series A Bonds to repay existing Indebtedness and for general corporate purposes of the Company. No part of the proceeds from the sale of the 2019 Series A Bonds hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 0.5% of the value of the assets of the Company and the Company does not have any present intention that margin stock will constitute more than 0.5% of the value of such assets. As used in this Section, the terms “margin stock” and “purpose of buying or carrying” shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Indebtedness. (a) Except as described therein or the financial statements listed on Schedule 5.5, Schedule 5.15(a) sets forth a complete and correct list of all outstanding Indebtedness of the Company as of March 31, 2019 (including, except with respect to trade payables incurred in the ordinary course of business and not exceeding \$5,000,000 in the aggregate, a description of the obligees, principal amount outstanding and collateral therefor, if any, and Guaranty thereof, if any), since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Company. The Company is not in default and no waiver of default is currently in effect in the payment of any principal or interest on any Indebtedness of the Company and no event or condition exists with respect to any Indebtedness of the Company the outstanding principal amount of which exceeds \$5,000,000 that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) The Company is not a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of the Company, any agreement relating thereto or any other agreement (including, but not limited to, its charter or other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company, except as specifically indicated in Schedule 5.15(b).

Section 5.16. Foreign Assets Control Regulations. a) Neither the Company nor any Controlled Entity (i) is a Blocked Person, (ii) has been notified that its name appears or may in the future appear on a State Sanctions List or (iii) is a target of sanctions that have been imposed by the United Nations or the European Union.

(b) Neither the Company nor any Controlled Entity (i) has violated, been found in violation of, or been charged or convicted under, any applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws or (ii) to the Company's knowledge, is under investigation by any Governmental Authority for possible violation of any U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws.

(c) No part of the proceeds from the sale of the 2019 Series A Bonds hereunder:

(i) constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (A) in connection with any investment in, or any transactions or dealings with, any Blocked Person, (B) for any purpose that would cause any Purchaser to be in violation of any U.S. Economic Sanctions Laws or (C) otherwise in violation of any U.S. Economic Sanctions Laws;

(ii) will be used, directly or indirectly, in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Money Laundering Laws; or

(iii) will be used, directly or indirectly, for the purpose of making any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage, in each case which would be in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Corruption Laws.

(d) The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws and Anti-Corruption Laws.

Section 5.17. Status under Certain Statutes. The Company is not subject to regulation (a) under the Investment Company Act of 1940, as amended, (b) under the Public Utility Holding Company Act of 2005, as amended, (c) under the ICC Termination Act of 1995, as amended, or (d) as a "public utility" under the Federal Power Act, as amended.

Section 5.18. Lien of Indenture. (a) The Indenture constitutes a valid first priority Lien upon all of the properties and assets of the Company specifically or generally described or referred to in the Indenture as being subject to the Lien thereof, subject only to the exceptions referred to or permitted in the Indenture, and creates a first priority Lien upon all properties and assets acquired by the Company after the date hereof which are required to be subjected to the Lien of the Indenture, when acquired by the Company, subject only to the exceptions referred to or permitted in the Indenture and subject, further, as to real property, to the recordation of a

supplement to the Indenture describing such after-acquired property (provided no intervening Liens shall have been filed or recorded against such property prior to the filing or recording of such supplement). The descriptions of all such properties and assets contained in the granting clauses of, and exhibits to, the Indenture are correct and adequate for the purposes of the Indenture.

(b) Contemporaneously with, or prior to, the Closing, (i) the Seventh Supplemental Indenture will be duly executed and delivered and will be duly filed or recorded as a supplemental indenture of mortgage of real estate, and any required filings with respect to personal property and fixtures subject to the Lien of the Indenture will be duly made in each place in which such recording or filing is required to protect, preserve and perfect the Lien of the Indenture, and (ii) all taxes and recording and filing fees required to be paid with respect to the execution and delivery of the Seventh Supplemental Indenture, the filing of financing statements related thereto, if any, and similar documents and the issuance of the 2019 Series A Bonds thereunder will be paid by the Company.

(c) At all times prior to and after the recording of the Seventh Supplemental Indenture as provided in Section 5.18(b), the 2019 Series A Bonds, when executed by the Company, authenticated and delivered by the Trustee and issued by the Company to the Purchasers will be the legal, valid and binding obligations of the Company enforceable in accordance with their terms and the terms of the Indenture and entitled to the benefits of and secured by the Lien of the Indenture equally and ratably with all other Outstanding Secured Obligations.

(d) As of the date hereof, the Company has no “*Excludable Property*” as defined in the Indenture, other than the property listed in Schedule 5.18(d).

Section 5.19. Filings. No action, including any filings, registration or notice, is necessary in Alaska, or any other jurisdictions to ensure the legality, validity, enforceability, priority or perfection of the Financing Agreements except for the Collateral Filings set forth in Schedule 4.11, which will be filed or recorded on or prior to the date of Closing. No other action, including any filing, registration or notice, is necessary in Alaska, or any other jurisdiction to establish or protect for the benefit of the Trustee and the holders of 2019 Series A Bonds, the security interest and Liens purported to be created under the Indenture and the other Financing Agreements, except in each case for the Collateral Filings and the filing of continuation statements with respect to any Collateral Filing at the time and in the manner provided under applicable law.

SECTION 6. REPRESENTATIONS OF THE PURCHASERS.

Section 6.1. Purchase for Investment. Each Purchaser severally represents that it is an institutional “accredited investor” within the meaning of Rule 501 of the Securities Act and is purchasing the 2019 Series A Bonds for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, *provided* that the disposition of such Purchaser’s or their property shall at all times be within such Purchaser’s or their control. Each Purchaser understands that the 2019 Series A Bonds have not been registered under the Securities Act and

may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the 2019 Series A Bonds.

Section 6.2. Source of Funds. Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a “Source”) to be used by such Purchaser to pay the purchase price of the 2019 Series A Bonds to be purchased by such Purchaser hereunder:

(a) the Source is an “insurance company general account” (as the term is defined in the United States Department of Labor’s Prohibited Transaction Exemption (“PTE”) 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners (the “NAIC Annual Statement”)) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser’s state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser’s fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an “insurance company pooled separate account,” (within the meaning of PTE 90-1) or (ii) a “bank collective investment fund” (within the meaning of the PTE 91-38) and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an “investment fund” (within the meaning of Part VI of PTE 84-14 (the “QPAM Exemption”)) managed by a “qualified professional asset manager” or “QPAM” (within the meaning of Part VI of the QPAM Exemption), no employee benefit plan’s assets that are managed by the QPAM in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, represent more than 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM

Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM maintains an ownership interest in the Company that would cause the QPAM and the Company to be “related” within the meaning of Part VI(h) of the QPAM Exemption and (i) the identity of such QPAM and (ii) the names of any employee benefit plans whose assets in the investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization, represent 5% or more of the assets of such investment fund, have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a “plan(s)” (within the meaning of Part IV(h) of PTE 96-23 (the “*INHAM Exemption*”)) managed by an “in-house asset manager” or “INHAM” (within the meaning of Part IV(a) of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of “control” in Part IV(d)(3) of the INHAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include “assets” of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms “*employee benefit plan*,” “*governmental plan*,” and “*separate account*” shall have the respective meanings assigned to such terms in section 3 of ERISA.

SECTION 7. INFORMATION AS TO COMPANY.

Section 7.1. Financial and Business Information. The Company shall deliver to each holder of 2019 Series A Bonds that is an Institutional Investor:

(a) *Quarterly Statements* — within 60 days (or such shorter period as is 15 days greater than the period applicable to the filing of the Company’s Quarterly Report on Form 10-Q (the “*Form 10-Q*”) with the SEC regardless of whether the Company is subject to the filing requirements thereof) after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income and changes in cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments;

(b) *Annual Statements* — within 105 days (or such shorter period as is 15 days greater than the period applicable to the filing of the Company's Annual Report on Form 10 K (the "*Form 10 K*") with the SEC regardless of whether the Company is subject to the filing requirements thereof) after the end of each fiscal year of the Company, duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income, changes in patronage capital and membership fees and cash flows of the Company and its Subsidiaries for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon of independent public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, *provided* that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the SEC shall be deemed to satisfy the requirements of this Section 7.1(b), and *provided, further*, that the Company shall be deemed to have made such delivery of such Form 10-K if it shall have timely made Electronic Delivery thereof;

(c) *SEC and Other Reports* — promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the

Company or any Subsidiary to its principal lending banks as a whole (excluding information sent to such banks in the ordinary course of administration of a bank facility, such as information relating to pricing and borrowing availability) or to its public securities holders generally, and (ii) each regular or periodic report, each registration statement that shall have become effective (without exhibits except as expressly requested by such holder), and each final prospectus and all amendments thereto filed by the Company with the SEC or any Subsidiary;

(d) *Notice of Default or Event of Default* — promptly, and in any event within five Business Days after a Responsible Officer becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) *ERISA Matters* — promptly, and in any event within five Business Days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(c) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect; or

(iv) receipt of notice of the imposition of a Material financial penalty (which for this purpose shall mean any tax, penalty or other liability, whether by way of indemnity or otherwise) with respect to one or more Non-U.S. Plans;

(f) *Supplemental Indentures* — promptly, and in any event not less than five Business Days after the execution and delivery thereof, a copy of any indenture

supplemental to the Indenture that the Company from time to time may hereafter execute and deliver which amends the Indenture in any respect;

(g) *Notices from Governmental Authority* — promptly, and in any event within 30 days after receipt thereof, copies of any notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect;

(h) *Certain Notices Under the Indenture* — true, correct and complete copies of any notices required to be delivered by the Company to such holder pursuant to the terms and provisions of the Indenture; and

(i) *Requested Information* — with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries (including, but without limitation, actual copies of the Company's Form 10-Q and Form 10-K, if any) or relating to the ability of the Company to perform its obligations under any Financing Agreement as from time to time may be reasonably requested by such holder of 2019 Series A Bonds after a Default that is continuing.

All information required to be delivered by the Company pursuant to Section 7.1(a)-(c) shall be deemed to have been furnished if the Company shall have timely made the same available on the its website at www.chugachelectric.com and, substantially concurrently therewith (except in the case of the delivery of forms 10-K and 10-Q and any financial statements or other information contained therein, as to which no separate notification shall be necessary if such information has been posted on the Company's website within the deadlines specified in Section 7.1(a) and Section 7.1(b)), shall have notified each holder of 2019 Series A Bonds that such information has been posted on its website and such information is fully accessible (such availability and notice thereof being referred to as "*Electronic Delivery*"), provided, that if any holder of 2019 Series A Bonds is unable to access the Company's website or download and print the posted information the Company agrees to provide such holder with paper or electronic copies of such information required to be furnished pursuant to Section 7.1(a)-(c) promptly following notice (and thereafter so long as such notice remains in effect) from such holder.

Section 7.2. Officer's Certificate. Each set of financial statements delivered to a holder of 2019 Series A Bonds pursuant to Section 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer setting forth (which, in the case of Electronic Delivery of any such financial statements, shall be by separate concurrent delivery of such certificate to each holder of 2019 Series A Bonds):

(a) *Covenant Compliance* — (i) the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Sections 14.14 and 14.15 of the Indenture during the annual period covered by the statements then being furnished and (ii) to the extent the Company issued Additional Obligations (as defined in the Indenture) under the Indenture during the period

covered by the statements being furnished, any calculations that the Company provided to the Trustee (as defined in the Indenture) to show compliance with the Indenture in connection with the issuance of the Additional Obligations (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) *Event of Default* — a statement that such Senior Financial Officer has reviewed the relevant terms hereof and of the Indenture and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

Section 7.3. Visitation. The Company shall permit the representatives of each holder of 2019 Series A Bonds that is an Institutional Investor:

(a) *No Default* — if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and, with the consent of the Company (which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing (but no Investor shall have the right to make such a request more frequently than once in any 12-month period); and

(b) *Default* — if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their books of account and other relevant records, reports and documents, to make copies or extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries if a Default or Event of Default then exists), all at such times and as often as may be reasonably requested in writing.

SECTION 8. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the 2019 Series A Bonds are outstanding:

Section 8.1. Compliance with Law. Without limiting Section 9.2, the Company will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, ERISA, the USA

PATRIOT Act and Environmental Laws and the other laws and regulations that are referenced in Section 5.16, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

Section 8.2. Insurance. The Company will and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

Section 8.3. Maintenance of Properties. The Company will and will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, *provided* that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 8.4. Payment of Taxes. The Company will and will cause each of its Subsidiaries to file all income tax or similar tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies payable by any of them, to the extent the same have become due and payable and before they have become delinquent, *provided* that neither the Company nor any Subsidiary need pay any such tax, assessment, charge or levy if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes, assessments, charges and levies in the aggregate would not reasonably be expected to have a Material Adverse Effect.

Section 8.5. Corporate Existence. The Company will at all times preserve and keep in full force and effect its corporate existence. The Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged into the Company or a wholly owned Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, have a Material Adverse Effect.

Section 8.6. Books and Records. The Company will, and will cause each of its Subsidiaries to, maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over the Company or such Subsidiary, as the case may be.

SECTION 9. NEGATIVE COVENANTS.

The Company covenants that so long as any of the 2019 Series A Bonds are outstanding:

Section 9.1. Transactions with Affiliates. The Company will not and will not permit any Subsidiary to enter into directly or indirectly any Material transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

Section 9.2. Line of Business. The Company will not and will not permit any Subsidiary to engage in any business if, as a result, the general nature of the business in which the Company and its Subsidiaries, taken as a whole, would then be engaged would be substantially changed from the general nature of the business in which the Company and its Subsidiaries, taken as a whole, are engaged on the date of this Agreement.

Section 9.3. Terrorism Sanctions Regulations. The Company will not, and will not permit any Controlled Entity to (a) become (including by virtue of being owned or controlled by a Blocked Person), own or control a Blocked Person or (b) directly or indirectly have any investment in or engage in any dealing or transaction (including any investment, dealing or transaction involving the proceeds of the 2019 Series A Bonds) with any Person if such investment, dealing or transaction (i) would cause any holder or any affiliate of such holder to be in violation of, or subject to sanctions under, any law or regulation applicable to such holder, or (ii) is prohibited by or subject to sanctions under any U.S. Economic Sanctions Laws.

SECTION 10. REGISTRATION; EXCHANGE; SUBSTITUTION OF 2019 SERIES A BONDS.

The registration, exchange, replacement and transfer of the 2019 Series A Bonds, if any, shall be subject to the terms and provisions of the Indenture.

SECTION 11. PAYMENTS ON 2019 SERIES A BONDS.

So long as any Purchaser or its nominee shall be the holder of any 2019 Series A Bond, and notwithstanding anything contained in the Indenture or in such 2019 Series A Bond to the contrary, the Company will pay all sums becoming due on such 2019 Series A Bond for principal, make-whole amount or premium, if any, and interest by the method and at the address specified for such purpose below such Purchaser's name in Schedule A, or by such other method

or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such 2019 Series A Bond or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any 2019 Series A Bond, such Purchaser shall surrender such 2019 Series A Bond for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to the Indenture. Prior to any sale or other disposition of any 2019 Series A Bond held by a Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such 2019 Series A Bond to the Company in exchange for a new 2019 Series A Bond or 2019 Series A Bonds of the same maturity pursuant to Section 3.7 of the Indenture. The Company will afford the benefits of this Section 11 to any Institutional Investor that is the direct or indirect transferee of any 2019 Series A Bond purchased by a Purchaser under this Agreement and that has made the same agreement relating to such 2019 Series A Bond as the Purchasers have made in this Section 11.

SECTION 12. EXPENSES.

Section 12.1. Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Company will pay all reasonable costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required by the Required Holders, local or other counsel) incurred by the Purchasers and each other holder of a 2019 Series A Bond in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of any Financing Agreement (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the reasonable costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under any Financing Agreement or in responding to any subpoena or other legal process or informal investigative demand issued in connection with any Financing Agreement, or by reason of being a holder of any 2019 Series A Bond, (b) the reasonable costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated by any Financing Agreement and (c) the costs and expenses incurred in connection with the initial filing of any Financing Agreement and all related documents and financial information with the SVO, *provided* that such costs and expenses under this clause (c) shall not exceed \$3,000. The Company will pay, and will save each Purchaser and each other holder of a 2019 Series A Bond harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the 2019 Series A Bonds).

Section 12.2. Survival. The obligations of the Company under this Section 12 will survive the payment or transfer of any 2019 Series A Bond, the enforcement, amendment or waiver of any provision of any Financing Agreement, and the termination of any Financing Agreement.

SECTION 13. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of the Financing Agreements, the purchase or transfer by any Purchaser of any 2019 Series A Bond or portion thereof or interest therein and the payment of any 2019 Series A Bond, and may be relied upon by any subsequent holder of a 2019 Series A Bond, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a 2019 Series A Bond. All statements contained in any certificate or other instrument required to be delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, the Financing Agreements embody the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 14. AMENDMENT AND WAIVER.

Section 14.1. Requirements. This Agreement and the Bonds may be amended, and the observance of any term hereof or of the Bonds may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 19 hereof or any defined term (as it is used therein), will be effective as to any Purchaser unless consented to by such Purchaser in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each 2019 Series A Bond at the time outstanding affected thereby, (i) change the percentage of the principal amount of the 2019 Series A Bonds the holders of which are required to consent to any such amendment or waiver or (ii) amend any of Sections 14 or 18.

Section 14.2. Solicitation of Holders of 2019 Series A Bonds.

(a) *Solicitation.* The Company will provide each holder of the 2019 Series A Bonds (irrespective of the amount of 2019 Series A Bonds then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the 2019 Series A Bonds or Seventh Supplemental Indenture. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 14 or Section 1.4 of the Indenture to each holder of outstanding 2019 Series A Bonds promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of 2019 Series A Bonds.

(b) *Payment.* The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any holder of 2019 Series A Bonds as consideration for or as an inducement to the entering into by any holder of 2019 Series A Bonds of any waiver or amendment of any of the terms and provisions hereof or of the Indenture unless such remuneration is concurrently paid, or security is concurrently granted or other credit support

concurrently provided, on the same terms, ratably to each holder of 2019 Series A Bonds then outstanding even if such holder did not consent to such waiver or amendment.

(c) *Consent in Contemplation of Transfer.* Any consent made pursuant to this Section 14.2 by the holder of any 2019 Series A Bond that has transferred or has agreed to transfer such 2019 Series A Bond to the (i) Company, (ii) any Subsidiary or any other Affiliate or (iii) any other Person in connection with, or in anticipation of, such other Person acquiring, making a tender offer for or merging with the Company and/or any of its Affiliates, in each case in connection with such consent, such transfer shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of 2019 Series A Bonds that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such transferring holder.

Section 14.3. Binding Effect. Any amendment or waiver applicable to this Agreement or the Seventh Supplemental Indenture consented to as provided in this Section 14 applies equally to all holders of 2019 Series A Bonds and is binding upon them and upon each future holder of any 2019 Series A Bond and upon the Company without regard to whether such 2019 Series A Bond has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any 2019 Series A Bond nor any delay in exercising any rights hereunder or under any 2019 Series A Bond shall operate as a waiver of any rights of any holder of such 2019 Series A Bond. As used herein, the term “*this Agreement*” and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

Section 14.4. 2019 Series A Bonds Held by Company. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of 2019 Series A Bonds then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement, the Indenture or the 2019 Series A Bonds, or have directed the taking of any action provided herein or in the 2019 Series A Bonds to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of 2019 Series A Bonds then outstanding, 2019 Series A Bonds directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

SECTION 15. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to any Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in Schedule A, or at such other address as such Purchaser or nominee shall have specified to the Company in writing,

(ii) if to any other holder of any 2019 Series A Bond, to such holder at such address as such other holder shall have specified to the Company in writing,

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of Chief Financial Officer, or at such other address as the Company shall have specified to the holder of each 2019 Series A Bond in writing, or

(iv) if to the Trustee, to the Trustee at the address specified in the Indenture or at such other address as the Trustee shall have specified to the holder of each Bond in writing.

Notices under this Section 15 will be deemed given only when actually received.

SECTION 16. INDEMNIFICATION.

The Company hereby agrees to indemnify and hold the Purchasers harmless from, against and in respect of any and all loss, liability and expense (including reasonable attorneys' fees) arising from any misrepresentation or nonfulfillment of any undertaking on the part of the Company under this Agreement. The indemnification obligations of the Company under this Section 16 shall survive the execution and delivery of this Agreement, the delivery of the 2019 Series A Bonds to the Purchasers and the consummation of the transactions contemplated herein.

SECTION 17. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at the Closing (except the 2019 Series A Bonds themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital, or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or

further reproduction of such reproduction shall likewise be admissible in evidence. This Section 17 shall not prohibit the Company or any other holder of 2019 Series A Bonds from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 18. CONFIDENTIAL INFORMATION.

For the purposes of this Section 18, “*Confidential Information*” means information delivered to any Purchaser by or on behalf of the Company in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any person acting on such Purchaser’s behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with the procedures adopted by such Purchaser in good faith to protect its own confidential information and confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) its directors, trustees, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its 2019 Series A Bonds), (ii) its auditors, financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 18, (iii) any other holder of any 2019 Series A Bond, (iv) any Institutional Investor to which it sells or offers to sell such 2019 Series A Bond or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 18), (v) any Person from which it offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 18), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser’s investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party (provided that such litigation is related to such Purchaser’s investment in the Bonds) or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser’s 2019 Series A Bonds and this Agreement. Each holder of a 2019 Series A Bond, by its acceptance of a 2019 Series A Bond, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 14 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a 2019 Series A Bond of information required to be delivered to such holder under this Agreement or

requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 18.

SECTION 19. SUBSTITUTION OF PURCHASER.

Each Purchaser shall have the right to substitute any one of its Affiliates as the purchaser of the 2019 Series A Bonds that it has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, any reference to such Purchaser in this Agreement (other than in this Section 19), shall be deemed to refer to such Affiliate in lieu of such original Purchaser. In the event that such Affiliate is so substituted as a Purchaser hereunder and such Affiliate thereafter transfers to such original Purchaser all of the 2019 Series A Bonds then held by such Affiliate, upon receipt by the Company of notice of such transfer, any reference to such Affiliate as a "Purchaser" in this Agreement (other than in this Section 19), shall no longer be deemed to refer to such Affiliate, but shall refer to such original Purchaser, and such original Purchaser shall again have all the rights of an original holder of the 2019 Series A Bonds under this Agreement.

SECTION 20. MISCELLANEOUS.

Section 20.1. Successors and Assigns. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a 2019 Series A Bond) whether so expressed or not.

Section 20.2. Payments Due on Non-Business Days. Anything in this Agreement or the Bonds to the contrary notwithstanding, any payment of principal of or Make-Whole Amount or interest on any Bond that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; *provided* that if the maturity date of any Bond is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

Section 20.3. Accounting Terms. All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made using numbers prepared in accordance with GAAP, and (ii) all financial statements shall be prepared in accordance with GAAP.

For purposes of determining compliance with the financial covenants contained in the Financing Agreements, any election by the Company to measure an item of Indebtedness using fair value (as permitted by Financial Accounting Standards Board Accounting Standards

Codification Topic No. 825-10-25 – *Fair Value Option*, International Accounting Standard 39 – *Financial Instruments: Recognition and Measurement* or any similar accounting standard) shall be disregarded and such determination shall be made as if such election had not been made.

Section 20.4. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 20.5. Construction. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

Defined terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein) and, for purposes of the 2019 Series A Bonds, shall also include any such bonds issued in substitution therefor pursuant to the Financing Agreements, (b) subject to Section 20.1, any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein,” “hereof” and “hereunder,” and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections and Schedules shall be construed to refer to Sections of, and Schedules to, this Agreement, and (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time.

For the avoidance of doubt, all Schedules and Exhibits attached to this Agreement shall be deemed to be a part hereof.

Section 20.6. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 20.7. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of

New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

Section 20.8. Jurisdiction and Process; Waiver of Jury Trial. (a) The Company irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement, the Financing Agreements or the 2019 Series A Bonds. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company agrees, to the fullest extent permitted by applicable law, that a final judgment in any suit, action or proceeding of the nature referred to in Section 20.8 brought in any such court shall be conclusive and binding upon it subject to rights of appeal or rehearing, as the case may be, and may be enforced in the courts of the United States of America or the State of New York (or any other courts to the jurisdiction of which it or any of its assets is or may be subject) by a suit upon such judgment. The Company hereby irrevocably appoints CT Corporation System, with offices as of the date of this Agreement at 111 8th Avenue, 13th Floor, New York, New York 10011, as its authorized agent for service of process in relation to any action, suit or proceeding of the nature referred to in Section 20.8(a). The Company consents to process being served by or on behalf of any holder of a 2019 Series A Bond with respect to any such any action, suit or proceeding by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested to CT Corporation System at the address noted above. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service. The Company further agrees that any failure of CT Corporation System to give notice to the Company of any such service shall not impair or affect the validity of such service of any judgment rendered in any such action, suit or proceeding. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

(c) Nothing in this Section 20.8 shall affect the right of any holder of a 2019 Series A Bond to serve process in any manner permitted by law, or limit any right that the holders of any of the 2019 Series A Bonds may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE 2019 SERIES A BONDS OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HERewith OR THEREWITH.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

CHUGACH ELECTRIC ASSOCIATION, INC.

By 
Name: Sherri L. Highers
Its: Senior Vice President,
Finance and Administration
and Chief Financial Officer

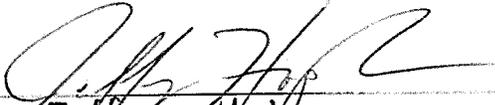
CHUGACH ELECTRIC ASSOCIATION, INC.

Bond Purchase Agreement

Accepted as of the date first written above.

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF
AMERICA, a New York domiciled life insurance
company

By: Nuveen Alternatives Advisors L.L.C, a Delaware
limited liability company, its investment manager

By 
Name: Jeffrey Hughes
Its: Senior Director



CHUGACH ELECTRIC ASSOCIATION

INFORMATION RELATING TO PURCHASERS

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF BONDS TO BE PURCHASED
TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA 730 Third Avenue New York, New York 10017	\$75,000,000

Payments

All payments on or in respect of the First Mortgage Bonds shall be made in immediately available funds on the due date by electronic funds transfer, through the Automated Clearing House System, to:

JPMorgan Chase Bank, N.A.
ABA # 021-000-021
Account Number: 900-9-000200
Account Name: Teachers Insurance and Annuity Association of America
For Further Credit to the Account Number: G04217
Reference: PPN 171265 C*0
Maturity Date: May 15, 2049/Interest Rate: 3.86%/P&I Breakdown

Payment Notices

All notices with respect to payments and prepayments of the First Mortgage Bonds shall be sent to:

Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, New York 10017
Attention: Securities Accounting Division
Phone: (212) 916-5504
Facsimile: (212) 916-4699

With a copy to:

JPMorgan Chase Bank, N.A.
P.O. Box 35308
Newark, New Jersey 07101

Contemporaneous written confirmation of any electronic funds transfer shall be sent to the above addresses setting forth (1) the full name, private placement number, interest rate and maturity date of the Notes, (2) allocation of payment between principal, interest, Make-Whole Amount, other premium or any special payment and (3) the name and address of the bank from which such electronic funds transfer was sent.

Notices and Communications

All notices and communications, including notices with respect to payments and prepayments, shall be delivered or mailed to:

Teachers Insurance and Annuity Association of America
c/o Nuveen Alternatives Advisors LLC
8500 Andrew Carnegie Blvd
Charlotte, NC 28262
Attention: Global Private Markets
Telephone: (704) 988-4349 (Name: Ho Young-Lee)
(212) 916-4000 (General Number)
Facsimile: (704) 988-4916

Taxpayer Identification Number: 13-1624203

Physical Delivery of Notes:

JPMorgan Chase Bank, N.A.
4 Chase Metrotech Center
3rd Floor
Brooklyn, New York 11245-0001
Attention: Physical Receive Department
For TIAA A/C # G04217

With a copy to (include note, transmittal letter & tracking information):

Email: parrish.mccormack@nuveen.com

SCHEDULE B

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

“*2019 Series A Bonds*” is defined in Section 1.

“*Affiliate*” means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, “*Control*” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an “*Affiliate*” is a reference to an Affiliate of the Company.

“*Agreement*” means this Bond Purchase Agreement, dated as of May 15, 2019, by and among the Company and the Purchasers.

“*Anti-Corruption Laws*” means any law or regulation in a U.S. or any non-U.S. jurisdiction regarding bribery or any other corrupt activity, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010.

“*Anti-Money Laundering Laws*” means any law or regulation in a U.S. or any non-U.S. jurisdiction regarding money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes, including the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act) and the USA PATRIOT Act.

“*Blocked Person*” means (a) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by OFAC, (b) a Person, entity, organization, country or regime that is blocked or a target of sanctions that have been imposed under U.S. Economic Sanctions Laws or (c) a Person that is an agent, department or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, any Person, entity, organization, country or regime described in clause (a) or (b).

“*Business Day*” means for the purposes of any provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York are required or authorized to be closed.

“*Capital Lease*” means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

“*Closing*” is defined in Section 3.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

“*Collateral Filings*” is defined in Section 4.11.

“*Company*” means Chugach Electric Association, Inc., an electric cooperative existing under the laws of the State of Alaska, or any successor that becomes such in the manner prescribed in Article 12 of the Indenture.

“*Confidential Information*” is defined in Section 18.

“*Control*” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; and the terms “*Controlled*” and “*Controlling*” shall have meanings correlative to the foregoing.

“*Controlled Entity*” means (a) any of the Subsidiaries of the Company and any of their or the Company’s respective Controlled Affiliates and (b) if the Company has a parent company, such parent company and its Controlled Affiliates.

“*Default*” means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

“*Electronic Delivery*” is defined in Section 7.1(a).

“*Environmental Laws*” means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to Hazardous Materials.

“*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“*ERISA Affiliate*” means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

“*Event of Default*” is defined in the Indenture.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Fifth Supplemental Indenture*” is defined in Section 1.

“*Financing Agreements*” means this Agreement, the Indenture (including, without limitation, the First Supplemental Indenture, the Second Supplemental Indenture, the Third

Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, Sixth Supplemental Indenture and the Seventh Supplemental Indenture) and the 2019 Series A Bonds.

“*First Supplemental Indenture*” is defined in Section 1.

“*Form 10-K*” is defined in Section 7.1(b).

“*Form 10-Q*” is defined in Section 7.1(a).

“*Fourth Supplemental Indenture*” is defined in Section 1.

“*GAAP*” means generally accepted accounting principles as in effect from time to time in the United States of America.

“*Governmental Authority*” means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

“*Governmental Official*” means any governmental official or employee, employee of any government-owned or government-controlled entity, political party, any official of a political party, candidate for political office, official of any public international organization or anyone else acting in an official capacity.

“*Guaranty*” means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet

condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

“Hazardous Material” means any and all pollutants, toxic or hazardous wastes or other substances that might pose a hazard to health and safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or filtration of which is or shall be restricted, prohibited or penalized by any applicable law including, but not limited to, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, lead based paint, radon gas or similar restricted, prohibited or penalized substances.

“holder” means, with respect to any 2019 Series A Bond, the Person in whose name such 2019 Series A Bond is registered in the register maintained by the Trustee.

“Indebtedness” with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) (i) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases and (ii) all liabilities which would appear on its balance sheet in accordance with GAAP in respect of Synthetic Leases assuming such Synthetic Leases were accounted for as Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money);

(f) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (e) above.

“*Indenture*” is defined in Section 1.

“*INHAM Exemption*” is defined in Section 6.2(e).

“*Institutional Investor*” means (a) any Purchaser of a 2019 Series A Bond, (b) any holder of a 2019 Series A Bond holding (together with one or more of its affiliates) more than 5% of the aggregate principal amount of the 2019 Series A Bonds then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any 2019 Series A Bond.

“*Lien*” means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

“*Make-Whole Amount*” is defined in the Seventh Supplemental Indenture.

“*Material*” means material in relation to the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole.

“*Material Adverse Effect*” means:

(a) when used in Sections 4, 5 and 7, a material adverse effect on (i) the business, operations, affairs, financial condition, assets or properties of the Company, (ii) the ability of the Company to perform its obligations under this Agreement, the 2019 Series A Bonds or the Indenture or (iii) the validity or enforceability of this Agreement, the 2019 Series A Bonds or the Indenture; and

(b) when used in Section 8, a material adverse effect on (i) the ability of the Company to perform its obligations under this Agreement, the 2019 Series A Bonds or the Indenture or (ii) the validity or enforceability of this Agreement, the 2019 Series A Bonds or the Indenture.

“*Member*” means each holder of a membership or other equity interest in the Company.

“*Multiemployer Plan*” means any Plan that is a “multiemployer plan” (as such term is defined in section 4001(a)(3) of ERISA).

“*NAIC*” means the National Association of Insurance Commissioners or any successor thereto.

“*Non-U.S. Plan*” means any plan, fund or other similar program that (a) is established or maintained outside the United States of America by the Company or any Subsidiary primarily for the benefit of employees of the Company or one or more Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and (b) is not subject to ERISA or the Code

“*OFAC*” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“*OFAC Sanctions Program*” means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.

“*Officer’s Certificate*” means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

“*PBGC*” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

“*Person*” means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

“*Plan*” means an “employee benefit plan” (as defined in section 3(3) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

“*Preferred Stock*” means any class of capital stock of a Person that is preferred over any other class of capital stock (or similar equity interests) of such Person as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such Person.

“*property*” or “*properties*” means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

“*PTE*” is defined in Section 6.2(a).

“*Purchaser*” is defined in the first paragraph of this Agreement.

“*QPAM Exemption*” is defined in Section 6.2(d).

“*Qualified Institutional Buyer*” means any Person who is a “qualified institutional buyer” within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

“*Related Fund*” means, with respect to any holder of any 2019 Series A Bond , any fund or entity that (i) invests in Securities or bank loans, and (ii) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

“*Required Holders*” means, at any time, the holders of more than 50% in principal amount of the 2019 Series A Bonds at the time outstanding (exclusive of 2019 Series A Bonds then owned by the Company or any of its Affiliates).

“*Responsible Officer*” means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

“*SEC*” means the Securities and Exchange Commission of the United States, or any successor thereto.

“*Second Amended and Restated Indenture of Trust*” is defined in Section 1.

“*Second Supplemental Indenture*” is defined in Section 1.

“*Securities*” or “*Security*” shall have the meaning specified in Section 2(1) of the Securities Act.

“*Securities Act*” means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“*Senior Financial Officer*” means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

“*Seventh Supplemental Indenture*” is defined in Section 1.

“*Sixth Supplemental Indenture*” is defined in Section 1.

“*Source*” is defined in Section 6.2.

“*State Sanctions List*” means a list that is adopted by any state Governmental Authority within the United States of America pertaining to Persons that engage in investment or other commercial activities in Iran or any other country that is a target of economic sanctions imposed under U.S. Economic Sanctions Laws.

“*Subsidiary*” means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns

sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a “Subsidiary” is a reference to a Subsidiary of the Company.

“SVO” means the Securities Valuation Office of the NAIC or any successor to such Office.

“*Synthetic Lease*” means, at any time, any lease (including leases that may be terminated by the lessee at any time) of any property (a) that is accounted for as an operating lease under GAAP and (b) in respect of which the lessee retains or obtains ownership of the property so leased for United States federal income tax purposes, other than any such lease under which such Person is the lessor.

“*Third Supplemental Indenture*” is defined in Section 1.

“*Trustee*” means U.S. Bank National Association, as trustee under the Indenture, and its successors and assigns that becomes such in the manner prescribed in Article X of the Indenture.

“*UCC*” means, the Uniform Commercial Code as enacted and in effect from time to time in the state whose laws are treated as applying to the Trust Estate.

“*United States Person*” has the meaning set forth in Section 7701(a)(30) of the Code.

“*USA PATRIOT Act*” means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001 and the rules and regulations promulgated thereunder from time to time in effect.

“*U.S. Economic Sanctions Laws*” means those laws, executive orders, enabling legislation or regulations administered and enforced by the United States pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Iran Sanctions Act, the Sudan Accountability and Divestment Act and any other OFAC Sanctions Program.

SCHEDULE 4.11

COLLATERAL FILINGS

1. Alaska Recording District: 301 Anchorage
2. Alaska Recording District: 302 Kenai
3. Alaska Recording District: 311 Palmer
4. Alaska Recording District: 314 Seward

SCHEDULE 5.3

DISCLOSURE DOCUMENTS

1. Annual Report on Form 10-K for the fiscal year ended December 31, 2017.
2. Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2018.
3. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2018.
4. Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2018.
5. Investor Presentation dated February 7, 2019.

SCHEDULE 5.5

FINANCIAL STATEMENTS

1. Financial statements accompanying Form 10-K of the Company filed with the SEC for the fiscal year ended December 31, 2017.
2. Financial statements accompanying Form 10-Q of the Company filed with the SEC for the fiscal quarter ended September 30, 2018.
3. Financial statements accompanying Form 10-Q of the Company filed with the SEC for the fiscal quarter ended June 30, 2018.
4. Financial statements accompanying Form 10-Q of the Company filed with the SEC for the fiscal quarter ended March 31, 2018.

SCHEDULE 5.7

GOVERNMENT AUTHORIZATIONS

None.

SCHEDULE 5.15(a)

EXISTING INDEBTEDNESS

The following sets forth a list of all outstanding Indebtedness of the Company as of March 31, 2019.

	<u>Balance</u>	<u>Limit</u>
2011 Series A Bonds	\$189,666,664	\$189,666,664
2012 Series A Bonds	\$172,750,000	\$172,750,000
2016 CoBank Note	\$36,366,000	\$36,366,000
2017 Series A Bonds	\$36,000,000	\$36,000,000
Operating Lease Liability	\$934,371	\$982,526
Commercial Paper	\$85,000,000	\$150,000,000
National Rural Utilities Cooperative Finance Corporation Line of Credit Agreement	\$0	\$50,000,000

SCHEDULE 5.15(b)

RESTRICTIONS ON INDEBTEDNESS

1. Second Amended and Restated Indenture of Trust, dated as of January 20, 2011, between Chugach Electric Association, Inc. and U.S. Bank National Association, as Trustee, as amended and supplemented by that First Supplemental Indenture dated as of January 20, 2011, Second Supplemental Indenture dated as of September 30, 2011, Third Supplemental Indenture dated as of January 5, 2012, Fourth Supplemental Indenture dated as of February 3, 2015, Fifth Supplemental Indenture dated as of June 30, 2016, Sixth Supplemental Indenture dated as of March 17, 2017.
2. Second Amended and Restated Master Loan Agreement, dated as of June 30, 2016, between Chugach Electric Association, Inc. and CoBank, ACB (the "*CoBank Master Loan Agreement*").
3. Credit Agreement, dated as of June 13, 2016, among Chugach Electric Association, Inc., and the lenders party thereto, and National Rural Utilities Cooperative Finance Corporation, as Administrative Agent (the "*2016 Credit Agreement*").

SCHEDULE 5.18(d)

EXCLUDABLE PROPERTY

All right, title and interest of the Company in and to each of the following:

1. Grant Agreement dated November 14, 2011, between the Company and the Alaska Energy Authority (as amended, modified, restated or supplemented from time to time);
2. Power Purchase Agreement dated as of June 21, 2011, between the Company and Fire Island Wind, LLC, a Delaware limited liability company (“FIW”) (as amended, modified, restated or supplemented from time to time), and Consent and Agreement dated November 30, 2011, among the Company, FIW and CoBank, ACB, as administrative agent, relating thereto;
3. Interconnection & Integration Agreement (I&I Agreement) dated as of September 13, 2011, between the Company and FIW (as amended, modified, restated or supplemented from time to time), and Consent and Agreement dated November 30, 2011, among the Company, FIW and CoBank, ACB, as administrative agent, relating thereto;
4. Build Transfer Agreement (“BTA”) dated as of November 16, 2011 among the Company, FIW and Cook Inlet Transmission LLC, a Delaware limited liability company (“CIT”), relating to the design and construction of a new transmission line (the “New Transmission Line”), and Consent and Agreement dated November 30, 2011, among the Company, CIT and CoBank, ACB, as administrative agent, relating thereto;
5. Agency Agreement, dated as of November 15, 2011, between the Company and CIT (as amended, modified, restated or supplemented from time to time), and Consent and Agreement dated November 30, 2011, among the Company, CIT and CoBank, ACB, as administrative agent, relating thereto;
6. State of Alaska Department of Transportation and Public Facilities Ted Stevens Anchorage International Airport Land Use Permit ADA-31773, dated November 18, 2011;
7. Cable Crossing Agreement between the Company, ACS Cable Systems, Inc., a Delaware corporation, and CIT, dated October 27, 2011;
8. Fire Island Transmission System (AIA-FI Transmission System) including that certain 34.5 kV transmission system for interconnecting the Fire Island Wind Project with the Company’s Transmission System, which shall include the Mainland Transmission Line Section, the Fire Island Transmission Line Section, and the Submarine Transmission Line Section, running from the load side of the

switchgear included in the Company's Interconnection Facilities at the Point of Change of Ownership to the International Substation;

9. The BTA facilities including (i) the Company's Interconnection Facilities; (ii) the System Upgrades, which include the AIA-FI Transmission System and the Company's International Substation Upgrades; (iii) the Company's Metering Equipment; (iv) System Protection Facilities on the high-side of the Point of Change of Ownership; and (v) the Communications Equipment, unless title to such Communications Equipment is expressly to remain with FIW or CIT pursuant to the I&I Agreement. The BTA facilities are generally depicted in Appendix A-3 to the BTA;
10. An undivided 30% interest (constituting the Company's entire interest) in the following: All rights and property interests included in the term "Property" as defined in that Purchase and Sale Agreement, effective January 1, 2016, between ConocoPhillips Alaska, Inc., as Assignor, and the Municipality of Anchorage d/b/a Municipal Light & Power and the Company, jointly and severally as Assignee, including but not limited to the oil, gas and mineral interests, royalty and net revenue interests identified therein, any rights to production relating thereto, all rights and interests in any unit areas in which such interests and production rights are included, oil and gas condensate wells relating thereto and related equipment; and
11. All energy or other output of any of the foregoing property, and all property, rights, privileges and franchises of the Company of every kind and description, real, personal or mixed, tangible or intangible, whether now owned or hereafter acquired by the Company, wherever located, including goods (including equipment, materials and supplies), accounts and general intangibles, relating solely to the foregoing property or the energy or other output of such property.

EXHIBIT A

SEVENTH SUPPLEMENTAL INDENTURE

[See attached]

EXHIBIT 4.4(a)(i)

**FORM OF OPINION OF THE GENERAL COUNSEL
OF THE COMPANY**

1. The Company is an electric cooperative validly existing under Alaska law.
2. The Company has corporate power and authority to enter into, and to perform its obligations under, each of this Agreement, the Seventh Supplemental Indenture and the 2019 Series A Bonds (collectively, the “*Opinion Documents*”), and to own its properties and to carry on its business as, to our knowledge, it is now conducted.
3. The Company has authorized, by all necessary corporate action on the part of the Company, the execution and delivery of each of the Opinion Documents.
4. The Company has duly executed and delivered each of the Opinion Documents.
5. Each of the Indenture and the 2019 Series A Bonds constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.
6. The execution and delivery by the Company of, and the performance by the Company of the transactions effected by, each of the Opinion Documents do not (a) violate the Company’s Articles of Incorporation or Bylaws; or (b) to his knowledge, breach, or result in a default under, any existing obligation of the Company under any of the Second Amended and Restated Indenture of Trust, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture and the CoBank Master Loan Agreement (each, a “*Specified Agreement*”).
7. The execution and delivery by the Company of, and the performance of the transactions effected by, each of the Opinion Documents (including the issue and sale of the 2019 Series A Bonds) are not prohibited by, nor do they violate any applicable statutes or regulations of any Alaska governmental authority having jurisdiction over the Company or any of its properties, or any order of any governmental authority having jurisdiction over the Company of which he has knowledge.
8. No consent, approval, authorization, order, license, filing, registration or qualification of or with any Alaskan governmental authority having jurisdiction over the Company or any of its properties is required for execution and delivery of the Opinion Documents and consummation by the Company of the transactions effected by the Opinion Documents, including the issuance and sale of the 2019 Series A Bonds pursuant to the Indenture.

EXHIBIT 4.4(a)(ii)

**FORM OF OPINION OF ALASKA COUNSEL
TO THE COMPANY**

1. The Indenture creates in the Trustee's favor, as security for all obligations of the Company stated in the Indenture to be so secured, a valid lien on the real property described in Exhibit A of the opinion, and a security interest in fixtures included therein, to the extent that the Company has rights in the real property described in Exhibit A of the opinion.
2. The Indenture creates in the lender's favor, as security for all obligations of the Company under the Opinion Documents that are stated in the Indenture to be so secured, a security interest in the collateral described therein (except that described only by reference to "all the Company's assets" or "all the Company's personal property" or words of similar import) to the extent that (i) the Company has rights in or the power to transfer such collateral and (ii) creation of a security interest in such collateral is governed by Article 9 of the Uniform Commercial Code in effect in the State of Alaska as of the date hereof (the "*Article 9 Collateral*").
3. The Trustee has acquired, for the benefit of the Purchasers, a perfected security interest in that portion of the Article 9 Collateral in which a security interest can be perfected by filing a financing statement under the Uniform Commercial Code in effect in the State of Alaska as of the date hereof.

EXHIBIT 4.4(a)(iii)

**FORM OF OPINION OF SPECIAL COUNSEL
TO THE COMPANY**

1. The Agreement constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms.
2. The issue and sale of the 2019 Series A Bonds and the performance by the Company of the Agreement and the Indenture and consummation of the transactions contemplated therein will not result in any violation of the provisions of any statute or any order, rule or regulation of any New York or federal governmental authority having jurisdiction over the Company or any of its properties.
3. No consent, approval, authorization, order, license, filing, registration or qualification of or with any New York or federal governmental authority having jurisdiction over the Company or any of its properties is required for the issue and sale of the 2019 Series A Bonds or the consummation by the Company of the transactions contemplated by the Agreement or the Indenture.
4. Neither the registration of the 2019 Series A Bonds under the Securities Act nor the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, is required for the offer and sale of the 2019 Series A Bonds in the manner contemplated by the Agreement.
5. None of the transactions contemplated by the Agreement will result in a violation of Regulation T, U or X of the Federal Reserve Board.
6. The Company is not an “investment company,” or a company “controlled” by an “investment company,” under the Investment Company Act of 1940, as amended.
7. The execution and delivery by the Company of the Agreement does not result in a breach or constitute a default under the 2016 Credit Agreement.

EXHIBIT 4.4(b)

**FORM OF OPINION OF SPECIAL COUNSEL
TO PURCHASERS**

[To be provided on a case by case basis]

THIS 2019 SERIES A BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM EXCEPT UNDER CIRCUMSTANCES WHERE NEITHER SUCH REGISTRATION NOR SUCH EXEMPTION IS REQUIRED BY LAW.

THE COMPANY IS PERSONALLY OBLIGATED AND FULLY LIABLE FOR THE AMOUNT DUE UNDER THIS 2019 SERIES A BOND AND, SUBJECT TO THE PROVISIONS OF THE INDENTURE, THE HOLDER HAS THE RIGHT TO SUE ON THIS BOND AND OBTAIN A PERSONAL JUDGMENT AGAINST THE COMPANY FOR SATISFACTION OF THE AMOUNT DUE HEREUNDER EITHER BEFORE OR AFTER A FORECLOSURE OF THE INDENTURE UNDER ALASKA STATUTES 09.45.170 - 09.45.220.

CHUGACH ELECTRIC ASSOCIATION, INC.

FIRST MORTGAGE BONDS, 2019 SERIES A, DUE MAY 15, 2049

**NO. 1
\$75,000,000**

**ISSUANCE DATE: MAY 15, 2019
PPN: 171265 C*0**

FOR VALUE RECEIVED, the undersigned, **CHUGACH ELECTRIC ASSOCIATION, INC.** (herein called the "*Company*"), an electric cooperative organized and existing under the laws of the State of Alaska, hereby promises to pay to TEACHERS' INSURANCE AND ANNUITY ASSOCIATION OF AMERICA, or registered assigns, the principal sum of Seventy-Five Million Dollars (or so much thereof as shall not have been prepaid) on May 15, 2049, with interest computed on the basis of a 360-day year of twelve 30-day months (a) on the unpaid balance hereof at a rate of 3.86% per annum (plus, upon the occurrence and during the continuation of an Interest Rate Adjustment Event (as hereinafter defined), an additional 2% per annum) from the date hereof, payable semiannually on the 15th day of each May and November, commencing on November 15, 2019, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest, any overdue payment of any Make-Whole Amount (as defined in the Seventh Supplemental Indenture referred to below), payable semiannually as aforesaid (or, at the option of the registered Holder hereof, on demand), at the Default Rate (as defined in the Seventh Supplemental Indenture referred to below).

"Interest Rate Adjustment Event" means the occurrence of any of the following:

- (a) the Company defaults in the performance of Section 7.1(a) or (b) or Section 7.2 of the Bond Purchase Agreement (as defined below); or

(b) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in the Indenture or the Bond Purchase Agreement (as defined below) or in any writing furnished in connection with the transactions contemplated by the Seventh Supplemental Indenture (referred to below) proves to have been false or incorrect in any material respect on the date as of which made and, with respect to representations and warranties made after the date hereof, for which accurate information has not since been provided in writing to the Holder of this Bond.

Subject to Section 11 of the Bond Purchase Agreement (defined below), payments of principal of, interest on, and any Make-Whole Amount with respect to this Bond are to be made in lawful money of the United States of America in accordance with the terms of the Indenture.

This Bond is one of the 2019 Series A Bonds due May 15, 2049 (herein called the “*Bonds*”) issued pursuant to the Seventh Supplemental Indenture, dated as of May 15, 2019 (as from time to time amended, the “*Seventh Supplemental Indenture*”), between the Company and the Trustee named therein which amends and supplements the Second Amended and Restated Indenture of Trust, dated as of January 20, 2011 (as amended and supplemented from time to time, the “*Indenture*”) and is entitled to the benefits thereof and the Bond Purchase Agreement dated May 15, 2019, between the Company and the purchasers listed in Schedule A thereto (the “*Bond Purchase Agreement*”). Each Holder of this Bond will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 18 of the Bond Purchase Agreement and (ii) made the representations set forth in Section 6 of the Bond Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Bond shall have the respective meanings ascribed to such terms in the Seventh Supplemental Indenture.

This Bond shall be registered in the name of the Holder hereof. This Bond is transferable, as provided in the Indenture, only upon the registration books of the Company maintained by the Obligation Registrar, which shall be the Trustee, kept at its principal office, upon presentation at said office of this Bond with the written request of the registered owner hereof or his attorney duly authorized in writing, and a written instrument of transfer satisfactory to the Obligation Registrar duly executed by the registered owner or his duly authorized attorney.

The Bonds shall be issued as fully registered Bonds without coupons and in minimum denominations of \$1.00 and any integral multiple of \$1.00 in excess thereof. The Trustee may impose a charge sufficient to reimburse the Company or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Bond. The cost, if any, of preparing each new Bond issued upon such exchange or transfer, and any other expenses of the Company or the Trustee incurred in connection therewith, shall be paid by in accordance with Section 3.7 of the Indenture.

The Company will make the required prepayments of principal on this Bond on the dates and in the amount specified in the Seventh Supplemental Indenture. This Bond is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Seventh Supplemental Indenture, but not otherwise.

If an Event of Default under the Indenture occurs and is continuing, the principal of this Bond may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Indenture. In the event that the principal of this Bond shall have been declared or otherwise become due and payable as described in the preceding sentence, then, in addition to paying the Holder hereof the entire unpaid principal amount of this Bond and all accrued and unpaid interest hereon (including, but not limited to, interest accrued hereon at the Default Rate), the Company shall pay to the Holder hereof (to the full extent permitted by applicable law) an amount equal to the Make-Whole Amount determined in respect of such principal amount.

The Holder of this Bond shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture and the Bond Purchase Agreement.

All acts and proceedings required by law and by the Articles of Incorporation and Bylaws of the Company necessary to make the 2019 Series A Bonds issued under the Indenture, when executed by the Company, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal obligations of the Company, in accordance with its terms, have been done and taken.

It is the intention of the Holder to comply with the usury laws of the State of Alaska and of the United States of America. This Bond is hereby expressly limited such that in no contingency or event whatsoever, whether by reason of acceleration, prepayment, or otherwise, shall the amount of interest contracted for, charged or received by the Holder for the use, forbearance, or detention of the principal indebtedness or interest hereof, which remains unpaid from time to time, exceed the highest maximum rate permitted by applicable law. If fulfillment of any provisions hereof, at the time of performance of such provisions shall be due, shall involve transcending the valid limits prescribed by applicable law, then, ipso facto, the obligation to be fulfilled shall be reduced to the maximum rate allowed by applicable law. If any Holder receives as interest an amount which will exceed the maximum rate allowed by applicable law, such amount shall be applied to the reduction of the principal amount owing hereunder or on account of any other principal indebtedness owed to Holder and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal hereof and such other indebtedness, such excess shall be refunded. To the extent not prohibited by applicable law, determination of the maximum rate allowed by applicable law shall at all times be made by amortizing, prorating, allocating and spreading in equal parts during the full term of this Bond, all interest at any time contracted for, charged or received from the Company in connection with this Bond, so that the actual rate of interest on account of such indebtedness is uniform throughout the term of this Bond. The terms of this paragraph shall control and supersede any other provisions of this Bond.

This Bond shall be construed in accordance with and governed by the law of the State of Alaska.

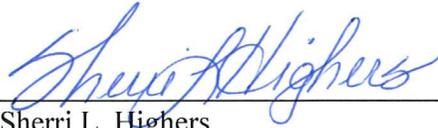
No covenant or agreement contained in this Bond, the Indenture or the Seventh Supplemental Indenture shall be deemed to be a covenant or agreement of any official, officer,

agent or employee of the Company in his individual capacity, and no officer of the Company executing this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by reason of the issuance of this Bond.

This Bond shall not be entitled to any benefit under the Indenture or be valid until this Bond shall have been authenticated by the execution by the Trustee, or its successor as Trustee, of the Certificate of Authentication inscribed hereon.

IN WITNESS WHEREOF, the Company has caused this Bond to be executed by a duly authorized officer of the Company.

**CHUGACH ELECTRIC ASSOCIATION,
INC.**

By: 
Name: Sherri L. Highers
Title: Senior Vice President,
Finance and Administration
and Chief Financial Officer

This is one of the Obligations of the series designated therein referred to in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By:  _____
Authorized Signatory

Date of Authentication: May 15, 2019

FIRST AMENDMENT TO CREDIT AGREEMENT

dated as of July 30, 2019

among

CHUGACH ELECTRIC ASSOCIATION, INC.,

The LENDERS Party Hereto,

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION,
as Administrative Agent, Lead Arranger, Swingline Lender and Issuing Lender,

and

BANK OF AMERICA, N.A. and KEYBANK NATIONAL ASSOCIATION,
as Co-Syndication Agents,

\$300,000,000

FIRST AMENDMENT TO CREDIT AGREEMENT

This **FIRST AMENDMENT TO CREDIT AGREEMENT** (this “Amendment”) is made as of July 30, 2019, by and among CHUGACH ELECTRIC ASSOCIATION, INC. (the “Borrower”), each LENDER (as defined in the Credit Agreement (as defined below)), and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, as a Lender, the Issuing Lender, the Swingline Lender and the Administrative Agent for the Lenders (in its capacity as the administrative agent for the Lenders, the “Administrative Agent”).

RECITALS

A. Pursuant to that certain Credit Agreement, dated as of June 13, 2016, by and among the Borrower, the Lenders party thereto, the Issuing Lender, the Swingline Lender and the Administrative Agent (as amended or otherwise modified prior to the date hereof, the “Credit Agreement”), the Lenders have made certain funds available to the Borrower in accordance with the terms and conditions set forth therein.

B. The Borrower has requested an amendment to the Credit Agreement in the manner and for the purposes set forth in this Amendment.

C. The Administrative Agent and the Lenders party hereto are willing to agree to such requests, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained in this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Defined Terms. Capitalized terms used but not otherwise defined in this Amendment shall have the meanings that are set forth in the Credit Agreement. Unless otherwise noted, all references to sections or section numbers are to those of the Credit Agreement.

2. Amendments to the Credit Agreement.

(a) The “\$150,000,000” set forth on the cover page to the Credit Agreement is hereby amended to read “\$300,000,000”.

(b) The introductory paragraph immediately preceding Article I is hereby amended and restated in its entirety to read as follows:

The Borrower (as hereinafter defined) has requested that the Lenders (as hereinafter defined), the Swingline Lender (as hereinafter defined) and the Issuing Lenders (as hereinafter defined) make loans and extend credit to it in an aggregate principal amount at any one time outstanding not exceeding the aggregate amount of the Lenders’ Commitments (as hereinafter defined), which can be increased hereunder

in accordance with Section 2.20, subject to the terms and conditions set forth herein. The Lenders, the Swingline Lender and the Issuing Lenders are prepared to extend such credit upon the terms and conditions hereof, and, accordingly, the parties hereto agree as follows:

(c) The term “ABR Applicable Margin” set forth in Section 1.01 of the Credit Agreement is hereby amended by replacing the column entitled “ABR Applicable Margin” in the table included therein with the following:

Level	ABR Applicable Margin
I	0.00%
II	0.00%
III	0.00%
IV	0.15%
V	0.30%
VI	0.50%

(d) The term “ABR Applicable Margin” set forth in Section 1.01 of the Credit Agreement is hereby amended by inserting the following sentence at the end thereof: “The applicable pricing level for the ABR Applicable Margin, as of the Amendment No. 1 Effective Date, is pricing level II.”

(e) The term “Alternate Base Rate” set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“Alternate Base Rate” means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate for such day, plus 0.50%, and (c) the Adjusted LIBO Rate for a one-month Interest Period for such day (or if such day is not a Business Day, the immediately preceding Business Day), plus 1.00%; provided that in no event shall the Alternate Base Rate at any time be less than 0.00% per annum. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate for a one-month Interest Period shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate for a one-month Interest Period, as the case may be.

(f) The last sentence of the term “Commitment” set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“The aggregate amount of the Lenders’ Commitments as of the Amendment No. 1 Effective Date is \$300,000,000.”

(g) The term “LIBO Rate” set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“LIBO Rate” means, for any Interest Period with respect to a LIBO Borrowing, or with respect to any determination of the Alternate Base Rate based on the Adjusted LIBO Rate, the LIBOR Screen Rate as of approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, or prior to such date of determination, as applicable, for Dollar deposits for such Interest Period or with respect to any determination of the Alternate Base Rate based on the Adjusted LIBO Rate, for an interest period of one month, as applicable; provided that, if a LIBOR Screen Rate shall not be available at the applicable time for the applicable Interest Period, then the LIBO Rate shall be, for any Interest Period, the rate per annum reasonably determined by the Administrative Agent as the rate of interest at which Dollar deposits in the approximate amount of such LIBO Borrowing would be offered by major banks in the London interbank eurodollar market to other major banks in the London interbank eurodollar market at their request at or about 10:00 a.m., London time, two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; and provided, further, that in no event shall the LIBO Rate for any Interest Period at any time be less than 0.00% per annum.

(h) The term “LIBOR Screen Rate” set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“LIBOR Screen Rate” means the London interbank offered rate administered by the ICE Benchmark Administration (or any other Person that takes over the administration of such rate) for Dollars for a period equal in length to such Interest Period (or with respect to any determination of the Alternate Base Rate based on the Adjusted LIBO Rate, a period of one month) as displayed on page US001 of the Reuters screen or, in the event such rate does not appear on such Reuters screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate as shall be selected by the Administrative Agent from time to time in its reasonable discretion.

(i) The term “Material Indebtedness” set forth in Section 1.01 of the Credit Agreement is hereby amended by replacing the reference to “\$15,000,000” therein with “\$25,000,000.”

(j) The term “Maturity Date” set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“Maturity Date” means July 30, 2024, as such date may be extended from time to time pursuant to Section 2.21; provided that if such day is not a Business Day, the Maturity Date shall be the immediately preceding Business Day.

(k) The term “Unsecured Credit Rating” set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“Unsecured Credit Rating” means, for any Person, the long-term, senior, unsecured, non-credit enhanced debt ratings or issuer credit rating assigned to such Person by Moody’s, S&P or Fitch, as applicable; provided that, if Fitch publicly announces an issuer default rating for such Person in lieu of a long-term, senior, unsecured, non-credit enhanced debt rating and an issuer credit rating, the issuer default rating shall be the “Unsecured Credit Rating” with respect to Fitch for such Person.

(l) The following definitions are hereby added to Section 1.01 of the Credit Agreement in the correct alphabetical order:

“Amendment No. 1 Effective Date” shall mean July 30, 2019.

“Beneficial Ownership Certification” means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

“Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.

“FCPA” means the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder.

“ML&P Acquisition” means the transactions contemplated by the Asset Purchase and Sale Agreement, dated as of December 28, 2018, between the Borrower and the Municipality of Anchorage.

(m) Section 2.12 of the Credit Agreement is hereby amended and restated in its entirety as set forth on Annex A hereto.

(n) Article II of the Credit Agreement is hereby amended by inserting a new Section 2.21 therein as set forth on Annex B hereto.

(o) Section 3.14 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

Section 3.14(a) Indebtedness and Liens.

(a) Indebtedness. Schedule 3.14(a) is a complete and correct list of each agreement, lease, deed of trust, mortgage, credit agreement, loan agreement,

indenture, purchase agreement, Guarantee, letter of credit or other arrangement (other than, for so long as the Borrower is an SEC reporting company, those that have been filed as exhibits to annual reports, quarterly reports and other reports filed by the Borrower with the SEC) providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or Guarantee by, the Borrower outstanding as of March 31, 2019, the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) \$1,000,000 and the aggregate principal or face amount outstanding or that may become outstanding under each such agreement, lease, deed of trust, mortgage, credit agreement, loan agreement, indenture, purchase agreement, Guarantee, letter of credit or other arrangement is correctly described in Schedule 3.14(a) or such exhibits and reports (the "Existing Indebtedness"). The Borrower is in compliance in all material respects with all covenants and agreements set forth in each of such agreements, leases, deeds of trust, mortgage, credit agreements, loan agreements, indentures, purchase agreements, Guarantees, letters of credit or other arrangements.

(b) Liens. Schedule 3.14(b) is a complete and correct list of each Lien securing Indebtedness of any Person outstanding as of March 31, 2019, the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) \$1,000,000 and covering any property of the Borrower, and the aggregate Indebtedness secured (or that may be secured) by each such Lien and the property covered by each such Lien is correctly described in Schedule 3.14(b) (the "Existing Liens").

(p) Section 3.19 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

Section 3.19. OFAC and FCPA Compliance. The Borrower, its Subsidiaries and their respective trustees, directors, officers and employees and, to the knowledge of the Borrower, the agents of the Borrower and its Subsidiaries, are in compliance with (a) the country- or list-based economic and trade Sanctions administered and enforced by OFAC or any Anti-Terrorism Laws and (b) the FCPA and any other applicable anti-corruption laws. None of the Borrower, any of its Subsidiaries or, to the knowledge of the Borrower, director, officer, employee, or Affiliate of the Borrower or any of its Subsidiaries is an individual or entity ("person") that is, or is owned or controlled by persons that (a) are a Sanctioned Person or a Sanctioned Entity, (b) has any of its assets located in Sanctioned Entities, and (c) derives any of its revenues from investments in, or transactions with Sanctioned Persons or Sanctioned Entities. No proceeds of any Loan will be used by the Borrower (i) for the purpose of violating any Anti-Terrorism Laws or (ii) in violation of Sanctions..

(q) Article III of the Credit Agreement is hereby amended by inserting the following new Section 3.20 at the end thereof:

Section 3.20. Beneficial Ownership. As of the Amendment No. 1 Effective Date, the information included in the Beneficial Ownership Certification, if applicable, is true and correct in all respects.

(r) Section 4.02(a) of the Credit Agreement is hereby amended by inserting “, Section 3.15” after “Section 3.14” therein.

(s) Section 5.02 of the Credit Agreement is hereby amended by inserting the following new clauses (g) and (h) therein:

(g) knowledge of the failure of any officer, trustee or director of any Subsidiary of the Borrower to comply with applicable Sanctions and with the FCPA and any other anti-corruption laws in all material respects; and

(h) any change in the information provided in the Beneficial Ownership Certification that would result in a change to the list of beneficial owners in parts (c) or (d) of such certification.

(t) Article V of the Credit Agreement is hereby amended by inserting the following new Section 5.14:

Section 5.14 Sanctions and Anti-Corruption Policies. The Borrower will comply in all material respects with (a) applicable Sanctions and (b) the FCPA and any other applicable anti-corruption laws.

(u) Section 6.01(c) of the Credit Agreement is hereby amended by replacing the reference to “\$150,000,000” therein with “\$300,000,000.”

(v) Section 6.01(f) of the Credit Agreement is hereby amended by replacing the first parenthetical therein with the following: “(other than the Indebtedness referred to in clauses (a), (b), (c), (d), (e) or (h) of this Section 6.01).”

(w) Section 6.01 of the Credit Agreement is hereby amended by inserting the following new clause (h) at the end thereof: “(h) Indebtedness of a tenor no greater than eighteen (18) months in a principal amount no greater than \$800,000,000 incurred in connection with, and prior to or simultaneous with, the closing of the ML&P Acquisition.”

(x) Section 6.05(d) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(d) Hedging Agreements entered into in the ordinary course of the Borrower’s business or the ML&P Acquisition and, in each case, not for speculative purposes.

(y) Section 6.05(g) of the Credit Agreement is hereby amended by replacing the reference to “\$10,000,000” therein with “\$25,000,000”.

(z) Section 6.07(b) of the Credit Agreement is hereby amended by replacing the reference to “\$145,000,000” therein with “\$150,000,000.”

(aa) Section 6.09 of the Credit Agreement is hereby amended by inserting the following sentence at the end thereof: “The Borrower will not, directly or indirectly, use the proceeds of any Loan or any Letter of Credit in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of the FCPA and any other applicable anti-corruption laws.”

(bb) Section 7.01 of the Credit Agreement is hereby amended by replacing the references to “\$10,000,000” therein with “\$25,000,000”.

(cc) Section 9.12(b) of the Credit Agreement is hereby amended by inserting the following language at the end of the first paragraph therein: “In addition, the Administrative Agent and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors and similar service providers to the lending industry.”

(dd) Article IX of the Credit Agreement is hereby amended by inserting the following new Section 9.17 at the end thereof:

Section 9.17. Acknowledgement Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for any Hedging Agreement or any other agreement or instrument that is a QFC (such support, “QFC Credit Support”, and each such QFC, a “Supported QFC”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “U.S. Special Resolution Regimes”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

(a) In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan

Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

(b) As used in this Section 9.17, the following terms have the following meanings:

“BHC Act Affiliate” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“Covered Entity” means any of the following: (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

(ee) Exhibit A attached to the Credit Agreement is hereby amended by removing “\$150,000,000” from the description of the Credit Agreement on the second page thereof.

3. Joinder.

(a) Wells Fargo Bank, National Association (the “New Lender”) hereby agrees to provide a Commitment in the amount of \$50,000,000 on the terms and subject to the conditions set forth herein.

(b) The New Lender (i) confirms that it has received a copy of the Credit Agreement and the other Loan Documents, together with copies of the most recent financial statements delivered pursuant to Section 5.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement and it is sophisticated with respect to decisions to make loans similar to those contemplated to be made hereunder and it is experienced in making loans of such type; (ii) agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender or Agent Party and based on such documents and information as it shall deem appropriate

at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement and the other Loan Documents as are delegated to the Administrative Agent, as the case may be, by the terms thereof, together with such powers as are reasonably incidental thereto and (iv) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

(c) The New Lender and the Borrower each acknowledge and agree that, upon the effectiveness of this Agreement, the New Lender shall become a “Lender” under, and for all purposes of, the Credit Agreement and the other Loan Documents, with a Commitment of \$50,000,000 as set forth on Schedule I attached to this Amendment, and shall be subject to and bound by the terms thereof, and shall perform all the obligations of and shall have all rights of, a Lender thereunder.

4. Increase and Reallocation of Commitments. The Borrower has requested, and the Lenders have agreed to, increase and reallocate their respective Commitments. Each of the Administrative Agent, the Lenders and the Borrower hereby consents to the requested increase and reallocation of the Commitments. On the date this Amendment becomes effective and after giving effect to such increase and reallocation, the Commitment of each Lender shall be as set forth on Schedule I and the Issuing Lender Sublimit shall be as set forth on Schedule II, in each case, attached to this Amendment. Each Lender hereby consents to the Commitments set forth on Schedule I and the Issuing Lender Sublimits set forth on Schedule II, in each case, attached to this Amendment. The reallocation of the aggregate Commitments among the Lenders shall be deemed to have been consummated pursuant to the terms of the Assignment and Assumption Agreement attached as Exhibit A to the Credit Agreement as if the Lenders had executed an Assignment and Assumption Agreement with respect to such reallocation. The Administrative Agent hereby waives the \$3,500 assignment fee set forth in Section 9.04(b)(ii)(C) of the Credit Agreement with respect to the assignments and reallocations contemplated by this Section 3.

5. Conditions. The amendments to the Credit Agreement set forth in Section 2 of this Amendment, the joinder of the New Lender set forth in Section 3 of this Amendment and the increase and reallocation of Commitments set forth in Section 4 of this Amendment shall be effective on the date that each of the following conditions is satisfied:

(a) The Administrative Agent shall have received, pursuant to Section 9.02 of the Credit Agreement, a counterpart of this Amendment, executed by the Borrower and the Lenders;

(b) The Lenders shall have received, if requested, new or replacement promissory notes substantially in the form of Exhibit C to the Credit Agreement (each, a “Note”), executed by the Borrower and evidencing each Lender’s Commitment as set forth on Schedule I attached hereto;

(c) The Administrative Agent shall have received the following, each dated as of the date hereof (unless otherwise specified or agreed to by the Administrative Agent), in form and substance reasonably satisfactory to the Administrative Agent (unless otherwise specified or agreed to by the Administrative Agent):

(i) such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Borrower, the authorization of the Borrower to enter into this Amendment and perform its obligations thereunder and any other legal matters relating to the Borrower or this Amendment; and

(ii) a written opinion of Orrick, Herrington & Sutcliffe LLP, New York counsel to the Borrower, and Matthew Clarkson, Esq., general counsel to the Borrower, each addressed to the Administrative Agent, the Issuing Lender, the Swingline Lender and each Lender, in form and substance satisfactory to the Administrative Agent;

(d) At least two (2) Business Days prior to the date hereof, the Borrower shall have delivered, to each Lender that so requests at least five (5) Business Days before the Effective Date, a Beneficial Ownership Certificate (as defined in Section 2(1) herein);

(e) The Borrower shall have paid to the Administrative Agent and each Lender consenting to this Amendment, in immediately available funds, such fees as separately agreed upon by the Borrower and the Administrative Agent and previously disclosed to the Lenders in that certain Overview of Transaction setting forth the terms of this Amendment;

(f) No Default shall have occurred or be continuing or would result from the consummation of the transactions contemplated by this Amendment; and

(g) The Administrative Agent and the Lenders shall have received such other documents, information or agreements regarding the Borrower as the Administrative Agent may reasonably request.

6. Confirmation of Loan Documents; Representations and Warranties.

(a) The Borrower hereby reaffirms (i) the Credit Agreement, as amended by this Amendment, (ii) the other Loan Documents, and (iii) its obligations to the Administrative Agent, the Lenders thereunder and the Issuing Lender.

(b) The Borrower represents and warrants that (i) no Default has occurred or is continuing or would result from the consummation of the transactions contemplated by this Amendment, (ii) the representations and warranties of the Borrower set forth in the Credit Agreement and in the other Loan Documents shall be true and correct on and as of the date hereof and after giving effect to this Amendment hereof (provided, however, that for purposes of the remaking of such representations and warranties as of the date of this Amendment, the references to Schedule 3.14 and Schedule 3.15 in the Credit Agreement shall be deemed to be references to Schedule 3.14 and Schedule 3.15 attached to this Amendment, as applicable), other

than any such representations or warranties that, by their terms refer to a specific date, in which case such representations and warranties shall be true and correct as of such specific date, (ii) since December 31, 2018, with respect to any event, act, condition or occurrence of whatever nature (including any adverse determination in any litigation, arbitration or governmental investigation or proceeding), whether singularly or in conjunction with any other event or events, act or acts, condition or conditions, occurrence or occurrences whether or not related, there shall have been no material adverse change in, or a material adverse effect on (A) the business, assets, liabilities (actual or contingent), operations or condition (financial or otherwise) of the Borrower, (B) the ability of the Borrower to pay any amounts due, or otherwise perform its obligations, under this Agreement or any of the other Loan Documents or (C) the rights or benefits available to any Lender or the Administrative Agent under this Agreement or any of the other Loan Documents, (iii) the Borrower has all requisite power to execute, deliver and perform this Amendment, any Notes delivered in connection with this Amendment and any other documents delivered in connection herewith, (iv) the execution, delivery and performance by the Borrower of this Amendment, any Notes delivered in connection with this Amendment and any other documents delivered in connection herewith have been duly authorized by all necessary corporate action of the Borrower and all governmental and other approvals and consents therefore have been duly obtained and are in full force and effect and (v) this Amendment, any Notes delivered in connection with this Amendment and any other documents delivered in connection herewith constitute the legal, valid and binding obligations of the Borrower and are enforceable against the Borrower in accordance with their respective terms, except as such enforceability may be limited by (y) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (z) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

7. **Costs and Expenses.** The Borrower agrees to pay all reasonable out-of-pocket costs and expenses incurred by the Administrative Agent in connection with the preparation and administration of this Amendment, as provided in Section 9.03 of the Credit Agreement.

8. **References in the Credit Agreement.**

(a) Upon the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of similar import shall mean and be a reference to the Credit Agreement as amended by this Amendment.

(b) Except as specifically amended above, the Credit Agreement and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed in all respects.

(c) This Amendment shall not, except as expressly provided in this Amendment, operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other Loan Document.

(d) This Amendment (together with any other document executed and delivered in connection herewith) is not intended to be, nor shall it be construed as, a novation of the Credit Agreement.

9. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AMENDMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

11. Headings. Section headings in this Amendment are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

12. Counterparts. This Amendment may be executed in counterparts, and such counterparts taken together shall be deemed to constitute one and the same instrument. Facsimile signatures (or signatures transmitted by electronic means, including by email with a “.pdf” copy thereof attached) on this Amendment shall be treated for all purposes as binding on such signatory to the same extent as an original signature. If a party delivers an executed counterpart of this Amendment, such party shall deliver to the Administrative Agent (or its counsel) such number of original signatures of this Amendment promptly after its effectiveness as the Administrative Agent may request.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized as of the date first written above.

CHUGACH ELECTRIC ASSOCIATION, INC.,
as the Borrower

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

**NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION,**
as a Lender, the Issuing Lender, the Swingline
Lender and the Administrative Agent

By: 

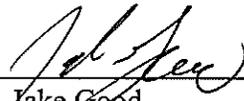
Name: J. Andrew Don

Title: Senior Vice President and Chief Financial
Officer

KEYBANK NATIONAL ASSOCIATION,
as a Co-Syndication Agent, Issuing Lender and
Lender

By: 
Name: Tracy Morris
Title: VP Commercial Bank

COBANK, ACB, as a Lender

By:  _____
Name: Jake Good
Title: Vice President

BANK OF AMERICA, N.A.,
as a Co-Syndication Agent, Issuing Lender and
Lender

By: 
Name: Jim McCary
Title: Senior Vice President

WELLS FARGO BANK, NATIONAL
ASSOCIATION,
as a Lender

By: Monica J. Balters
Name: MONICA J. BALTERS
Title: SENIOR VICE PRESIDENT

Notices to New Lender:

Wells Fargo Bank N.A.
7711 Plantation Road
Roanoke, VA 24019
Attention: Brenda Brinkley
Telephone No.: (540) 759-3125
Facsimile No.: (866) 270-7214
E-mail RKELCMemberSynd@wellsfargo.com

SCHEDULE I

Commitments¹

Name of Lender	Applicable Percentage	Commitment Amount
National Rural Utilities Cooperative Finance	25.000000000%	\$75,000,000
KeyBank National Association	20.833333333%	\$62,500,000
Bank of America, N.A.	20.833333333%	\$62,500,000
CoBank, ACB	16.666666667%	\$50,000,000
Wells Fargo Bank, National Association	16.666666667%	\$50,000,000
Total	100.000000000%	\$300,000,000

¹ As of the Amendment No.1 Effective Date

SCHEDULE II

Issuing Lender Sublimits

Name of Issuing Lender	Issuing Lender Sublimit as of the Amendment No. 1 Effective Date
National Rural Utilities Cooperative Finance	\$50,000,000
KeyBank National Association	\$50,000,000
Bank of America, N.A.	\$20,000,000

SCHEDULE 3.14(a)

Existing Indebtedness

The following sets forth a list of all outstanding Indebtedness of the Company as of March 31, 2019:

	Balance	Limit
2011 Series A Bonds	\$189,666,664	\$189,666,664
2012 Series A Bonds	\$172,750,000	\$172,750,000
2016 CoBank Note	\$36,366,000	\$36,366,000
2017 Series A Bonds	\$36,000,000	\$36,000,000
Operating Lease Liability	\$934,371	\$982,526
Commercial Paper	\$85,000,000	\$150,000,000
NRUCFC Line of Credit Agreement	\$0	\$50,000,000

SCHEDULE 3.14(b)

Existing Liens

\$434,782,664 is secured as of March 31, 2019, under the lien of the Second Amended and Restated Indenture of Trust, dated as of January 20, 2011, between Chugach Electric Association, Inc. and U.S. Bank National Association, as Trustee, as amended and supplemented

SCHEDULE 3.15

Jointly-Participant and/or Owned Assets

Chugach Electric Association, Inc. is joint owner or participant in the following assets as of March 31, 2019:

Bradley Lake Hydroelectric Project ¹	30.4%
Eklutna Hydroelectric Power Project ²	30.0%
Southcentral Power Project ³	70.0%
Beluga River Unit ⁴	10.0%

1. Chugach is a participant in the Bradley Lake Hydroelectric Project (Bradley Lake). Bradley Lake was built and financed by the Alaska Energy Authority (AEA) through State of Alaska grants and \$166,000,000 of revenue bonds. Chugach and other participating utilities have entered into take-or-pay power sales agreements under which shares of the project capacity have been purchased and the participants have agreed to pay a like percentage of annual costs of the project (including ownership, operation and maintenance costs, debt service costs, and amounts required to maintain established reserves). Chugach has a 30.4% share of the project's capacity. The Battle Creek Diversion Project is a project to increase water available for generation, increasing annual energy output. Chugach currently is entitled to 39.38% of the additional energy produced.
2. Chugach is a joint owner in the Eklutna Hydroelectric Project which is located on federal land pursuant to a United States Bureau of Land Management right-of-way grant issued in October of 1997. The facility is jointly owned by Chugach (30%), Matanuska Electric Association, Inc. (MEA) (17%) and Anchorage Municipal Light & Power (AML&P) (53%). The facility is operated by Chugach and maintained jointly by Chugach and AML&P. Chugach owns rights to 11.7 MW of capacity.
3. The Southcentral Power Project (SPP) is a natural gas-fired generation plant on land owned by Chugach near its Anchorage headquarters that began commercial operation on February 1, 2013. Chugach owns and takes approximately 70% of the plant's output and AML&P owns and takes the remaining 30%. Chugach proportionately accounts for its ownership in SPP.
4. Chugach has a working interest in the Beluga River Unit (BRU), an established natural gas field located on the western side of Cook Inlet, approximately 35 miles from Anchorage. The BRU is jointly owned by Hilcorp (33.3%), AML&P (56.7%) and Chugach (10.0%)

ANNEX A

Section 2.12

Section 2.12 Alternate Rate of Interest. If prior to the commencement of the Interest Period for any LIBO Borrowing:

- (a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that:
 - (i) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such LIBO Borrowing, or
 - (ii) adequate and reasonable means do not exist for determining the Adjusted LIBO Rate for such Interest Period with respect to a proposed LIBO Loan or in connection with an existing or proposed ABR Loan; or
- (b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their respective Loans included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone, facsimile or electronic communication as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (A) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or the continuation of any Revolving Borrowing as, a LIBO Borrowing shall be ineffective and such Revolving Borrowing (unless prepaid) shall be continued as, or converted to, a Revolving ABR Borrowing, and (B) if any Borrowing Request requests a LIBO Borrowing, such Borrowing shall be made as a Revolving ABR Borrowing.

Notwithstanding the foregoing, if the Administrative Agent has made the determination (which determination shall be conclusive absent manifest error) that (x) the circumstances set forth in clause (a) above have arisen (including because the LIBOR Screen Rate is not available or published on a current basis) and such circumstances are unlikely to be temporary or (y) the circumstances set forth in clause (a) above have not arisen, but the supervisor for the administrator of the LIBOR Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the LIBOR Screen Rate shall no longer be used for determining interest rates for loans, then the Administrative Agent and the Borrower shall endeavor to establish an alternative interest rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans denominated in dollars in the United States at such time, and the Administrative Agent and the Borrower shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this

Agreement as may be applicable (which amendment shall not, for the avoidance of doubt, reduce the Applicable Margin); provided that if such alternate rate of interest shall be less than zero, such rate shall be deemed to be zero for all purposes of this Agreement. Such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five Business Days of the date a copy of such amendment is provided to the Lenders, a written notice from the Required Lenders stating that the Required Lenders object to such amendment. Until an alternate rate of interest shall be determined in accordance with this clause (but, in the case of the circumstances described in clause (a)(ii) above, only to the extent the LIBOR Screen Rate for such Interest Period is not available or published at such time on a current basis), (1) any request for the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Borrowing of LIBO Loans shall be ineffective, and such Borrowing (unless prepaid) shall be converted to, or continued as, a Borrowing of Revolving ABR Loans, and (2) if any Borrowing Request requests a Revolving Borrowing of LIBO Loans, such Borrowing shall be made as a Borrowing of Revolving ABR Loans.

ANNEX B

Section 2.21

Section 2.21 Extension of Maturity Date.

(a) **Requests for Extension.** The Borrower may, by notice to the Administrative Agent (who shall promptly deliver a copy to each of the Lenders, the date of receipt by the Lenders of such notice, the “Notice Date”) not earlier than ninety (90) days and not later than forty-five (45) days prior to any anniversary date of the Effective Date, request that each Lender extend the Maturity Date then in effect hereunder (the “Existing Maturity Date”), and thereby the termination date of such Lender’s Commitment (the “Commitment Termination Date”), for an additional 364 days from the Existing Maturity Date (each such Lender that agrees to so extend the Commitment Termination Date and the Maturity Date applicable to its Loans, an “Extending Lender”); provided that the Borrower may not extend the Maturity Date pursuant to this Section 2.21 more than two times. Notwithstanding anything herein to the contrary, after giving effect to any such extension, the Commitment Termination Date of any Lender shall not be later than five (5) years after the applicable anniversary date.

(b) **Lender Elections to Extend.** Each Lender, acting in its sole and individual discretion, shall, by notice to the Administrative Agent given not later than fifteen (15) days following the Notice Date, advise the Administrative Agent whether or not such Lender agrees to such extension (and each Lender that determines not to so extend the Commitment Termination Date and the Maturity Date applicable to its Loans (a “Non-Extending Lender”) shall notify the Administrative Agent of such fact promptly after such determination (but in any event no later than fifteen (15) days following the Notice Date) and any Lender that does not so advise the Administrative Agent on or before such date shall be deemed to be a Non-Extending Lender). The election of any Lender to agree to such extension shall not obligate any other Lender to so agree.

(c) **Notification by Administrative Agent.** The Administrative Agent shall notify the Borrower of each Lender’s determination under this Section 2.21 no later than the date sixteen (16) days following the Notice Date (or, if such date is not a Business Day, on the next Business Day).

(d) **Additional Commitment Lenders.** The Borrower shall have the right on or before the Existing Maturity Date to replace each Non-Extending Lender with, and add as “Lenders” under this Agreement in place thereof, one or more banks or other financial institutions (each, an “Additional Commitment Lender”) with the approval of the Administrative Agent, the Issuing Lenders and the Swingline Lender (which approvals shall not be unreasonably withheld), each of which Additional Commitment Lenders shall have entered into an agreement in form and substance satisfactory to the Borrower and the Administrative Agent pursuant to which such Additional Commitment Lender shall, effective as of a date to be agreed between the Borrower and each Additional Commitment Lender (such date to be on or prior to the Existing Maturity Date), (i) undertake a Commitment (and, if any such Additional Commitment Lender is already a Lender, its Commitment shall be in addition to such Lender’s Commitment hereunder

on such date) and (ii) purchase and assume the outstanding Loans of any Non-Extending Lenders being replaced by such Additional Commitment Lender (and, if any such Additional Commitment Lender is already a Lender, such purchased Loans shall be in addition to such Lender's Loans hereunder on such date), and such Loans shall be continued hereunder in accordance with the terms hereof. Upon completion of the actions described in this Section 2.21(d), each Additional Commitment Lender shall thereupon become a "Lender" for all purposes of this Agreement and, to the extent such Additional Commitment Lender becomes a Lender prior to the applicable Extension Effective Date (as defined below), such Additional Commitment Lender shall be an Extending Lender.

(e) Minimum Extension Requirement. If (and only if) the total of the Credit Exposure, or if none, the Commitments, of the Lenders that have agreed so to extend their Commitment Termination Date and the Maturity Date of their Loans, as applicable, shall be more than 50% of the aggregate amount of the Credit Exposure, or if none, the Commitments, in effect immediately prior to the Notice Date, then, effective as of the applicable anniversary of the Effective Date (the "Extension Effective Date"), the Maturity Date with respect to the Loans and the Commitment Termination Date of each Extending Lender and the new Commitment Termination Date and the Maturity Date of any assumed Loans of each Additional Commitment Lender shall be extended to the date falling 364 days after the Existing Maturity Date (except that, if such date is not a Business Day, such Commitment Termination Date and Maturity Date as so extended shall be the next preceding Business Day) and each Additional Commitment Lender shall thereupon become a "Lender" for all purposes of this Agreement.

(f) Conditions to Effectiveness of Extensions. Notwithstanding the foregoing, the extension of the Maturity Date and the Commitment Termination Date pursuant to this Section 2.21 shall not be effective with respect to any Lender unless:

(i) no Default or Event of Default shall have occurred and be continuing on the Extension Effective Date and after giving effect thereto;

(ii) the Borrower shall have delivered updated schedules, as applicable, to be attached hereto;

(iii) the representations and warranties of the Borrower set forth in this Agreement and in the other Loan Documents shall be true and correct on and as of (i) the date of such Extension Effective Date and after giving effect thereto, as though made on and as of such date; provided that, the representations and warranties in Section 3.04 shall be made by reference to the most recent audited financial statements delivered pursuant to Section 5.01, and (ii) with respect to any representation or warranty expressly stated to have been made as of a specific date, as of such specific date; and

(iv) on or prior to the applicable Extension Effective Date, the Borrower shall deliver to the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent (A) resolutions of the Borrower authorizing such extension and all Authorizations (if any) required in

connection with such extension, certified as being in effect as of the Extension Effective Date and the related incumbency certificate of the Borrower, (B) a favorable opinion of counsel for the Borrower as to such matters as any Lender through the Administrative Agent may reasonably request, and (C) a certificate of the Borrower stating that on and as of such Extension Effective Date, and immediately after giving effect to the extension to be effective on such date, all conditions precedent to a Credit Extension under Section 4.02 are satisfied.

(g) Non-Extending Lenders. The Commitment of any Non-Extending Lender shall terminate on the Existing Maturity Date in effect prior to giving effect to the applicable extension hereunder and, on or before such Existing Maturity Date, the Borrower shall (i) pay all outstanding principal, interest and other amounts owing to each Non-Extending Lender (or the Loans of such Non-Extending Lender shall have been purchased by an Additional Commitment Lender pursuant to Section 2.21(d)), and (ii) make such other prepayments of the Loans hereunder as shall be required in order that, after giving effect to the termination of the Commitments of, and all payments to, the Non-Extending Lenders pursuant to this sentence, the total Credit Exposures would not exceed the total Commitments. Notwithstanding the foregoing provisions of this paragraph, the Borrower shall have the right, pursuant to Section 2.21(d), at any time prior to the Existing Maturity Date, to replace a Non-Extending Lender with an Additional Commitment Lender, and any such Additional Commitment Lender shall for all purposes constitute a Lender hereunder in accordance with Section 2.21(d).

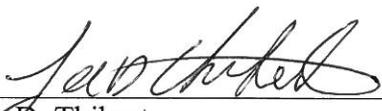
CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Certification Pursuant to 18 U.S.C. Section 1350 (Adopted Pursuant to Section 302
of the Sarbanes-Oxley Act of 2002)

I, Lee D. Thibert, 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 the registrant 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 registrant's second 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: August 8, 2019

By: 

Lee D. Thibert
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 the registrant's internal control over financial reporting that occurred during the registrant's second 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: August 8, 2019

By: 

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 June 30, 2019, as filed with the Securities and Exchange Commission (the "Report"), I, Lee D. Thibert, 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: August 8, 2019

By: _____



Lee D. Thibert
Chief Executive Officer
Principal Executive Officer

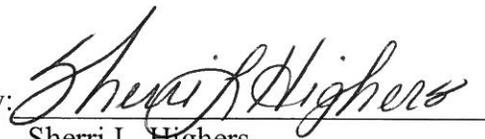
CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Certification Pursuant to 18 U.S.C. Section 1350 (Adopted Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002)

In connection with the quarterly report on Form 10-Q of Chugach Electric Association, Inc. (the "Company") for the quarter ended June 30, 2019, 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: August 8, 2019

By:



Sherri L. Highers
Chief Financial Officer
Principal Financial Officer