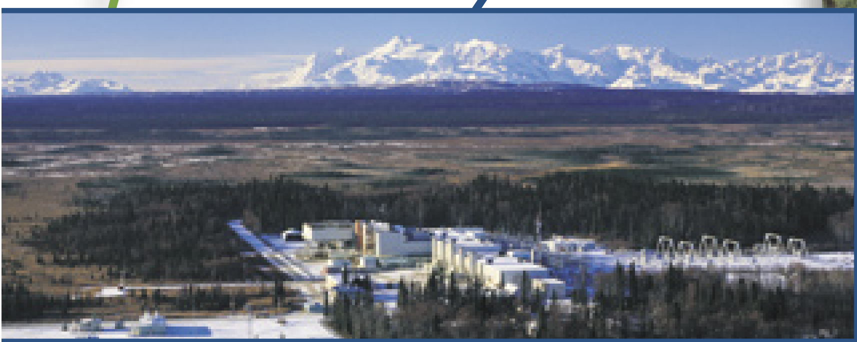
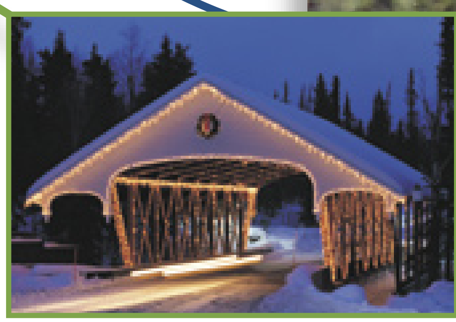
2003

Chugach Electric Association

Annual Report



Powering Alaska's Future



CHUGACH

Contents

Corporate mission

Through superior service, safely provide reliable and competitively priced energy.

Corporate vision

Powering Alaska's future.

Incorporation

Chugach Electric Association was incorporated in Alaska, March 1, 1948, with funding under the Rural Electrification Act of 1936, as amended. In 1991 Chugach refinanced and paid off its federal debt, leaving the REA program. Chugach remains a cooperative, and ranks among the largest of the nearly 1,000 electric cooperatives in the nation.

Personnel policy

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

Chugach snapshot

Chugach provides retail service to more than 50 percent of the homes and businesses in the Municipality of Anchorage, and wholesale and economy energy sales to other utilities throughout Alaska's Railbelt region from Fairbanks to Homer.

Cover

A collage of photos depicts some of the history of Chugach and the work its employees accomplish. The Beluga Power Plant is Chugach's largest, with a generating capacity of 385 megawatts. An archived photo provides a historical look back at Chugach's beginnings. Chugach linemen changed out a lighted aircraft warning ball high over Fossil Creek on Fort Richardson. A lighted bridge marks the entrance to a subdivision in South Anchorage.

2003 Year in Review

Chugach continued to provide safe, reliable, low-cost energy to its members in 2003.

Chugach proactively worked with the community and legislators. Starting in January Chugach hosted work sessions, provided tours of Chugach's Beluga Power Plant and aerial flyovers of electrical infrastructure to some community leaders, assembly members and legislators. In addition, some attended presentations on how power is made and moved in the Railbelt.

In February Alaska Department of Transportation crews triggered avalanches along Bird Flats between Indian and Girdwood. At the south end of Bird Flats one slide hit a structure on Chugach's 115-kilovolt University-to-Quartz Creek transmission line, causing an outage to communities along Turnagain Arm.

In March Chugach participated in the 2003 Anchorage Home & Remodeling Show that drew an attendance of more than 11,000 people. Chugach's booth focused on member services and payment options.

Chugach held its 53rd Annual Membership Meeting April 26th and 208 members registered for the event. About 14 percent of the 60,656 members of record voted in the election, in which Chris Birch and Jeff Lipscomb were elected to 3-year terms on the board. Members also approved three bylaw amendments that were on the ballot.

In June Chugach began overhauling Beluga Unit No. 6. The $13 million project was the biggest overhaul effort planned for the year. It was completed in September.

The Anchorage Municipal Assembly voted in August to approve Chugach's request to amend the Municipal Utility Corridor Plan. The vote allowed Chugach to finish designing the proposed 138-kilovolt transmission line that will use the Alaska Railroad right of way as a route to link the International Substation to the proposed South Anchorage Substation.

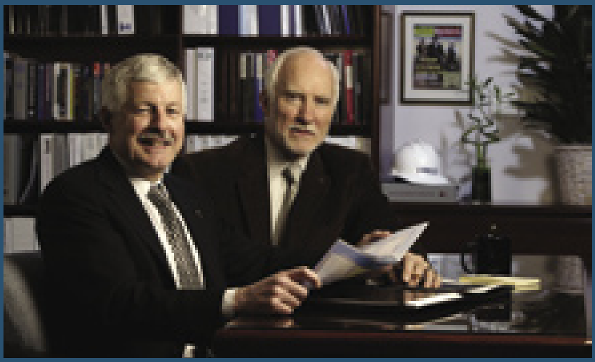
In addition to its other generation, Chugach also has a share of the state-owned Bradley Lake hydroelectric project near Homer. As part of the agreement, Chugach dispatches the power. In October, the Bradley Lake reservoir spilled due to heavy rains. Although Chugach had the plant operating at full output to use as much water as possible, the utilities that share in the output of the Bradley Lake generation lost about a day of normal output from the plant.

In November Chugach issued approximately $5 million in refunds to its wholesale customers, and began planning how to refund about $600,000 to its small commercial customers. The refunds were the result of rulings from the Regulatory Commission of Alaska in a general rate case.

Chugach continued discussions on the benefits of participating in the Southern Intertie project. In 2003, interest earned on the funds that were set aside for the project was pulled back into the state's general fund and were lost to the participating utilities. In December, the Chugach Board authorized its Chief Executive Officer to withdraw from participation in the Southern Intertie project.

Chugach linemen installing a bank of transformers on an overhead line.

Chairman of the Board & Chief Executive Officer Report



Bruce Davison, Chairman of the Board
Joe Griffith, Chief Executive Officer

Chugach is a member-owned electric cooperative, and is the largest in the State of Alaska. Chugach is unique in that it not only distributes power, but also generates and transmits it to many of the homes and businesses throughout the Railbelt through retail, wholesale and economy energy sales.

However, there is much more to the electricity business than providing the power that people use on a day-to-day basis.

Chugach is divided into four distinct business units. Energy Supply makes the energy Chugach provides, and Power Delivery operates and maintains the transmission and distribution facilities, and sends safe, reliable power to the doors of the retail and wholesale consumers it serves. Administration provides support services and the Chief Financial Officer and his staff care for the financial health of the cooperative.

While the four business units are responsible for most of the utility's everyday needs, there are many behind the scenes working diligently on the members' behalf.

Chugach continued to comply with the decisions of the Regulatory Commission of Alaska in the general rate case Chugach had filed with the RCA. The RCA handed down several major decisions in 2003 that had a number of effects on Chugach and its members, including a substantial reduction in revenues that left a $2 million loss in 2002. In addition, Chugach was ordered to refund millions of dollars – most of which were paid to its wholesale customers. Chugach was unable to pay capital credits to its members in 2003, and was downgraded by two of its three rating agencies.

The Southern Intertie project was a unique challenge for Chugach and its members. While Chugach continues to view the intertie as beneficial to the cooperative, once the interest it had earned on the funding was taken by the state, Chugach could not justify the potential costs to its members of continuing with the project because the direct costs exceeded the direct benefits. In addition to voting to withdraw from participating in the project, the Chugach Board also voted to pursue a return of the expended funds that have not yet been reimbursed to Chugach.

While Chugach works hard to provide reliable, low-cost power to its members, it also has to look to the future.

That future includes continuing to purchase power from some Alaska Energy Authority power projects, including the Bradley Lake hydroelectric project. The Chugach Board voted to direct management to take all steps necessary to form a Joint Action Agency proposal together with other Alaska electric utilities, including Anchorage Municipal Light & Power and Golden Valley Electric Association in Fairbanks with the purpose of using, owning and operating the AEA resources for the benefit of all. In addition, the JAA allows the utilities to work together on future projects thereby creating an economy of scale that would benefit all consumers.

In addition, Chugach accomplished a Railbelt Energy Study to identify generation and transmission resources required in the Railbelt between 2008 and 2033. Chugach also updated its business plan that forecasts financial health, reliability, capital credit retirements and electric rates.

Looking further into the future, Chugach began working on a transition plan for wholesale contracts, as some of those contracts will expire within the next 10 years and the impact of losing these customers and how it will affect Chugach's retail members must be explored.

Throughout the year Chugach met with the Anchorage Assembly and community councils about a planned transmission line that would feed power to a proposed bulk substation in South Anchorage. The line and substation are two of three planned projects that would, when completed, provide increased strength and operating flexibility to the regional transmission system. They will also help ensure an adequate power supply for growth and reliability in South Anchorage. The first two projects are expected to start in early-2004 and be completed by 2005.

Chugach has continued to meet with representatives of the community to provide them with information about wind generation. Chugach has also looked to them for feedback, as many Chugach members continue to have a desire to add wind generation to the mix of generation options. In fact, two Chugach projects have now been approved for federal funding through the Denali Commission for 2004. One is a study of a transmission interconnection between Fire Island and the Railbelt grid that would make it possible to extend Chugach commercial service to customers on the island and to connect an excellent wind power site to the grid. The other project is a study of whether some portions of the line that supplies power to the community of Hope could reasonably be moved closer to the road to shorten outages and improve service.

In 2003, we set new goals and made a conscious decision to heighten safety awareness. We are proud to say that everyone worked hard to make safety a priority. The marked improvement in Chugach's safety statistics is evidence of this effort. 2003 is the best record Chugach has had in five years in the number of employees having lost time from work due to an accident.

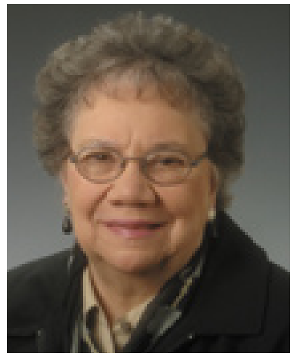
Chugach has a mission to safely provide reliable and competitively-priced energy through superior service. The Board and Chugach's staff and employees are dedicated to this mission and will continue to strive for excellence in the next year and into the future.

Chugach's Beluga Power Plant

2003 Board of Directors

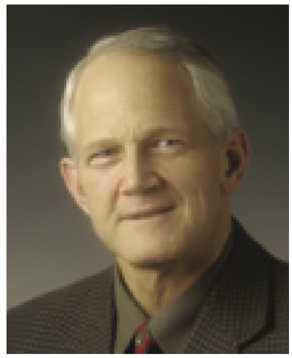
Chairman of the Board Bruce E. Davison is an attorney and professional engineer. He was appointed to the board in June 1997 to fill a vacancy, elected to the board in 1998 and re-elected in 2001. Davison also chairs the board's Operations Committee.

Vice Chairman H.A. "Red" Boucher is a communications consultant who owns H.A. "Red" Boucher & Associates. He was elected to the board in 1999 and re-elected in 2002. Boucher chairs the board's Technology Committee and the Government & External Affairs Committee.



Secretary Patricia Jasper is a small-business owner and a former computer programmer and systems analyst. She was first elected to the board in 1995, elected to a 3-year term in 1996 and again in 1999 and 2002.

Treasurer Jeff Lipscomb is a project management consultant with JWL Engineering. He was elected to the board in 2000 and re-elected in 2003. Lipscomb also chairs the board's Finance and Audit committees.



Director Chris Birch is a civil engineer and Director of Engineering, Planning and Environment for the Ted Stevens Anchorage International Airport. He was appointed to the board in 1996 to fill a vacancy, elected to the board in 1997 and re-elected in 2000 and 2003.

Director Sam Cason is a self-employed attorney. He was elected to a 3-year term on the board in 2002.

Director Dave Cottrell is a founding member and past managing partner of Mikunda, Cottrell & Co., Certified Public Accountants. Currently he is the president and managing director of Mikunda, Cottrell, Accountants and Consultants. He was elected to the board in 2001.

Administration

Administration is responsible for Chugach's administrative functions, including purchasing, environmental issues, information services, commercial and community relations, member services, safety and industrial health, and regulatory affairs and pricing.

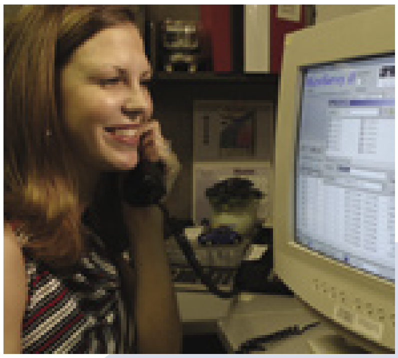
Among other things, Administration has:

- Decreased the number of lost time injuries at work due to an accident from 4.25 employees per hundred to 2.33 – Chugach's best record in 5 years.
- Received 139,193 calls through the Member Services Department during normal operations, of which 118,599 were answered within an average of 19 seconds.
- Received 5,530 payments from members who used a new Chugach program allowing them to pay their bills using their telephone keypads.
- Implemented a geographic information system that provides access to integrated information that streamlines outage, service, planning, design and customer support processes.
- Chugach successfully completed the Krause Creek water quality study at the Beluga Power Plant in June. As a result, the Alaska Department of Environmental Conservation issued Chugach a favorable non-domestic waste water discharge permit.

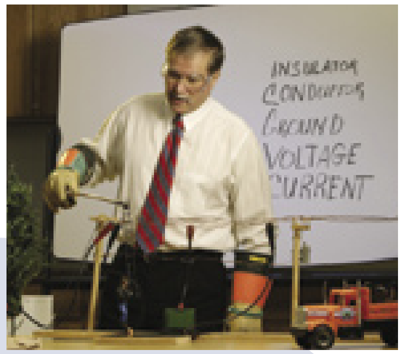
Chugach is achieving cost savings by no longer having meter readers make frequent trips to collect meter readings.

Chugach is using a system called a MicroNetwork at a large apartment complex in the Anchorage area. The system – located on the roof of the complex – allows Chugach to gather meter readings that are within range of a concentrator device that then transmits the readings to a receiving station.

In June Chugach implemented a new payment option for members. Using the keypad on their phone, members can pay their bills using their credit card, bank account or a debit card.



The concentrated meter reads are collected and sent to a receiving station that is accessed via a phone line. The meter readings are then integrated into the computerized Chugach billing system.



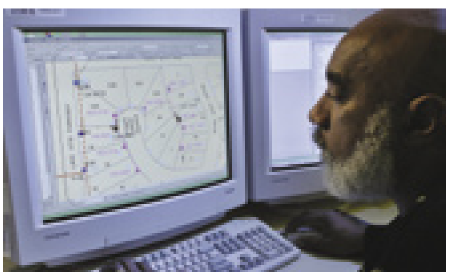
Chugach performed its electrical safety demonstration for more than 2,100 children and adults through school presentations, and programs for contractors and other agencies. While the demonstration is targeted to 4th, 5th and 6th graders, Chugach tailors the program to each audience.

Chugach lineman performing annual pole top rescue training

Power Delivery

A transmission tower near Dynamite Slough on the Susitna River was moved to prevent damage from erosion.

The Power Delivery group also maintains underground distribution lines and uses a cable injection technique for extending the life of aging underground systems. In 2003, Power Delivery crews injected 31,400 feet of underground distribution cable in six subdivisions, including Bayshore West, Oceanview North, and Stonegate Townhouse, extending the life of the underground cable by 15-20 years.



Geographic Information System software allows computer access to layers of data on Chugach's primary distribution system. Technicians can easily update, analyze, map, and integrate information such as Chugach's customer information or municipal assessor data.

Power Delivery is responsible for delivering safe, reliable power to Chugach's retail and wholesale members. In 2003, 90 percent of members surveyed graded us a "B" or better in service reliability and power restoration. Chugach consumers experienced an average outage time of 33 minutes in 2003, well below the U.S. average of 79 minutes. These results indicate that we are doing something right. From the construction of new facilities, to regular maintenance of our transmission and distribution lines, the Power Delivery group is committed to keeping the lights on for Chugach members.

Keeping up with rapid development has challenged reliability, especially in South Anchorage. To address this challenge, two major Power Delivery projects are slated for completion in 2004/2005: the construction of a bulk substation in South Anchorage and the linking of this new substation to International Substation. Once completed, these additions to the Chugach infrastructure will greatly enhance service reliability.

With development also comes the demand for new service installations for commercial and residential construction. In 2003, Power Delivery kept pace with this demand, installing 140 commercial new services and 1,789 residential new services. Residential installations averaged an impressive 2.5 days per installation!

Regular maintenance is key to ensuring service reliability and restoration for Chugach members. Power Delivery is responsible for maintaining Chugach's 43 high-voltage substations and switchyards. These facilities connect from North Kenai to Soldotna, Cooper Landing, Girdwood, Anchorage, Wasilla, and Point MacKenzie and terminate at Tyonek on the west side of Cook Inlet. Using cutting edge technology to pinpoint where corrective and preventive maintenance is required, data is compiled and logged into a computerized program and used to schedule efficient, cost-effective maintenance for these facilities.

For Chugach's high-voltage transmission lines, Power Delivery performs aerial inspections six times a year. An inspection earlier in 2003 revealed that a tower on the Dynamite Slough channel of the Susitna River was threatened by erosion. The tower was subsequently relocated to more stable ground and a second tower was airlifted and installed to ensure adequate ground clearance on the 230-kilovolt-transmission line.

Vegetation and trees entangle power lines and cause power outages if not cleared from the rights of way. In 2003, Power Delivery cleared vegetation on 176 miles of distribution line and 480 acres on the transmission system. In addition, 7,980 danger trees were removed from distribution line rights of way and 855 from transmission line rights of way.

Service reliability and restoration is what Power Delivery is all about. It's challenging work and with continued focus on safety, construction, and maintenance, 2004 will be another successful year for Chugach.

Energy Supply

Energy Supply is responsible for operating and generating the power at Chugach's power plants. It also manages Chugach's responsibilities in other power projects.

In addition to those responsibilities, a considerable amount of effort that employees' expend is toward maintenance projects, both large and small. Small maintenance projects can include replacing an oil pump or installing a new drive motor in the 40-ton crane at the Beluga Power Plant while the large projects that are the most time-consuming and labor-intensive can include major overhauls and other maintenance of the generating units.

The biggest effort for Energy Supply in 2003 was the overhaul of Beluga Unit 6. Chugach crews started the project June 11th, and completed it in September. The work included completely disassembling the turbine, and inspecting and replacing components as necessary. In addition, the rotor was replaced as it had reached the end of its rated life, approximately 200,000 operating hours. The $13 million overhaul of Unit 6 was unusual because Chugach replaced not only the rotor but also the compressor blading.

While Beluga Unit 6 required the most effort, Chugach continued its annual inspections of the units at its other generating facilities, including the remaining Beluga units and those at the Bernice Lake Power Plant, Cooper Lake Power Plant and International Substation. Annual inspections are normally completed yearly on a rotating schedule.

Throughout the year, Chugach continued the relicensing process for the Cooper Lake Power Plant. There was on-going fieldwork, including dam safety inspections, radio tagging and tracking of fish in Cooper Lake, and surveys of vegetation and habitats in Cooper Creek.

In 2003, the Chugach Board of Directors and staff placed a higher emphasis on safety. In keeping with increased safety goals, a new safety procedure was implemented at the Beluga Plant in June. Generally known as a lockout/tagout procedure, individuals working on Chugach generation facilities – such as the mechanical or electrical systems – are now applying a lock and a tag to prevent them from inadvertently re-energizing the system. The procedure was a joint effort of the Generation Safety Committee, power plant employees and the safety department. Chugach's other plants are also implementing the procedure.

HDR, who is under contract to Chugach for relicensing studies, inserted radio tracking tags in Arctic char as Chugach continued the relicensing effort for the Cooper Lake Power Plant.

HDR radio-tracked the tagged fish in Cooper Lake.

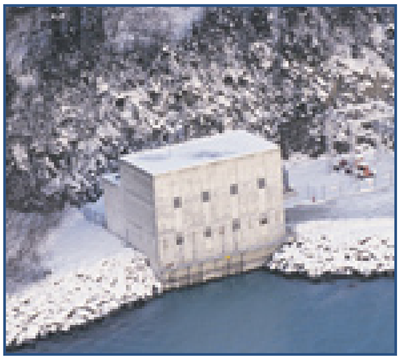
A Beluga Power Plant employee aligned the newly-installed rotor during the Unit 6 Overhall.

Generation Resources

Chugach uses various generation resources to ensure reliable, affordable power. Chugach has 531.10 megawatts of installed capacity as detailed. The unit ratings shown are nominal ratings taken at 30 degrees Fahrenheit. Chugach also takes power from the state-owned Bradley Lake hydroelectric project near Homer. In addition, Chugach owns and operates a 1-megawatt fuel cell that is the primary source of power for the U.S. Postal Service at the Anchorage Mail Processing Center.

Beluga
- Located on the west side of Cook Inlet near Tyonek
- Combustion turbines 1–3, and 5-7 fueled by natural gas
- Unit 8 is a steam turbine

Units	Commissioned	Power Rating (megawatts)
No. 1	1968	19.6
No. 2	1968	19.6
No. 3	1972	64.8
No. 5	1975	68.7
No. 6	1975	79.2
No. 7	1978	80.1
No. 8	1981	53.0
		Total 385.0



Cooper Lake
- Located near Cooper Landing on the Kenai Peninsula
- Hydro-turbines

Units	Commissioned	Power Rating (megawatts)
No. 1	1960	9.6
No. 2	1960	9.6
		Total 19.2

Fuel cell project
- Located at the U.S. Postal Service Anchorage mail processing center

Commissioned	Power Rating (megawatts)
2000	1.0
	Total 1.0

Bernice Lake
- Located near Nikiski on the Kenai Peninsula
- Natural gas combustion turbines

Units	Commissioned	Power Rating (megawatts)
No. 2	1971	19.0
No. 3	1978	26.0
No. 4	1981	22.5
		Total 67.5

International
- Located off International Airport Road in Anchorage
- Natural gas combustion turbines

Units	Commissioned	Power Rating (megawatts)
No. 1	1964	14.1
No. 2	1965	14.1
No. 3	1969	18.5
		Total 46.7

Eklutna
- Former federal hydroelectric project along the Knik River
- Jointly owned with Anchorage Municipal Light & Power and Matanuska Electric Association
- Chugach's share is 30%, 11.7 Mw maximum

Units	Commissioned	Power Rating (megawatts)
No. 1	1955	23.5
No. 2	1955	23.5
		Total 47.0

Key Comparisons

Services at year-end	
2001	73,239
2002	74,632
2003	76,159

Total revenue	
2001	$180.2 Million
2002	$173.4 Million
2003	$185.1 Million

Kilowatt-hours sold	
2001	2.27 Billion kwh
2002	2.39 Billion kwh
2003	2.50 Billion kwh

Expenses	
2001	$174.7 Million
2002	$175.4 Million
2003	$178.8 Million

Retail kwh	
2001	1.11 Billion kwh
2002	1.14 Billion kwh
2003	1.18 Billion kwh

Margins	
2001	$5.5 Million
2002	($2 Million)
2003	$6.3 Million

Wholesale kwh	
2001	1.16 Billion kwh
2002	1.13 Billion kwh
2003	1.13 Billion kwh

Cost per residential kwh in December (based on a 700 kwh average*)	
2001	11.5059 cents/kwh
2002	10.7047 cents/kwh
2003	11.1 cents/kwh

Economy energy kwh	
2001	81.9 Million kwh
2002	125.8 Million kwh
2003	191.6 Million kwh

Cost of 700 kwh of residential service in December*	
2001	$80.54
2002	$74.93
2003	$77.77

*Includes customer and energy charges, fuel surcharge and regulatory cost charge.

Outage Statistics

Chugach averaged 2.0 outage hours per customer in 2003, down from 2.45 hours in 2002. The 5-year average for customer outage hours increased to 2.40 hours in 2003, from 2.23 hours in 2002.

Chugach linemen replacing a lighted aircraft warning ball on a 230-kilovolt transmission line.

Treasurer Report

Treasurer Jeff Lipscomb

In 2003, Chugach rebounded from the adverse financial results we reported in 2002. Our year-end 2003 "bottom line" or "margins" (as they are referred to in the cooperative world) were $6.3 million. This compares favorably to the more than $2 million loss we recognized in 2002 due to the adverse regulatory actions taken by the Regulatory Commission of Alaska (RCA) in January 2003. While the positive margin is good, a margin of just over three percent on gross sales is too low to maintain our credit rating, pay back capital credits to you our members, and reduce our debt.

Chugach earned the margins based on $174.1 million of direct sales of electricity, $7.1 million of economy energy sales and $2.8 million of other revenues. This was an increase of $12.1 million from 2002. We sold 2.5 billion kilowatt-hours (kwh) of electricity, an increase of 100 million kwh over 2002.

Two public debt-rating agencies downgraded our bond rating from "A" to "A-" in response to the rate case decisions. We continue to work with the rating agencies to build their confidence in our ability to meet future financial challenges and projections.

Chugach continued to manage debt to take advantage of historically low interest rates. Our existing variable rate long-term debt continues to be priced monthly at just over one percent. In addition, we converted more than $54 million of long-term debt from 5.6 percent interest to 2.75 percent variable rate interest. Compared to last year, our total interest expense was reduced by $3.2 million.

RCA mandated that refunds in the amount of $4.7 million were made to our wholesale customers. We made the refunds in spite of our continuing efforts to appeal the rate decisions handed down by the RCA. The main issue we are appealing is a continuing rate disparity that causes Chugach members to subsidize our wholesale customers. This is very evident in that wholesale and economy energy customers purchased 53 percent of the power we generated, but provided only about 36 percent of our booked sales revenue.

In an effort to contain costs in 2003, a hiring freeze was implemented in May and overtime was reduced $1 million from 2002 levels. We implemented these cost containment measures while still completing major inspections and maintenance on our generating units and performed transmission system maintenance that had been deferred in 2002.

The Finance and Audit committees continued to be very active in the accounting and financial matters of Chugach. We are confident in the accounting, internal controls and reporting of the finances of our Association. Our external auditor again noted "no exceptions" to our 2003 financial statements, which are contained in this annual report.

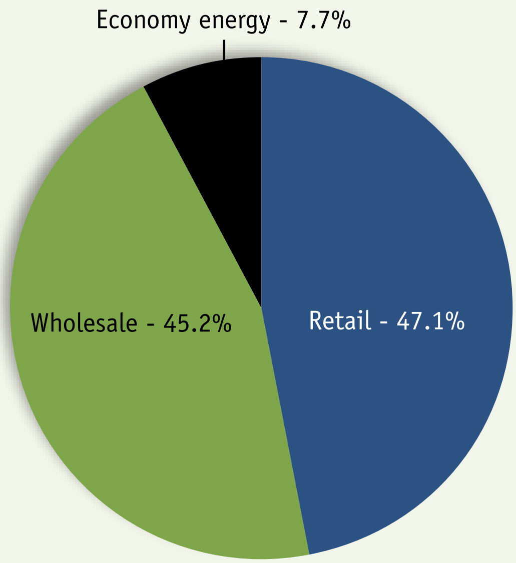
Due to the loss we recorded in 2002, Chugach could not return patronage capital to our members in 2003. Without the adverse RCA rate decision, Chugach could have paid out approximately $4.7 million in capital credits to our members. We plan to return capital credits to our members in 2004 based on the bottom line performance in 2003. We have just reviewed a Financial Management Plan that projects our ability to return margins to our members over the next five years. Unfortunately, the current rates imposed by the RCA will impact our ability to fully pay capital credits to you, the Chugach members.

2004 will be another challenging year for Chugach as we work through the rate case appeal and meet the challenges of continuing to provide low-cost, reliable electric energy to our members and wholesale customers.

Power Sales at a Glance

By Kilowatt-hours, Total: 2,497,362,313

Overview



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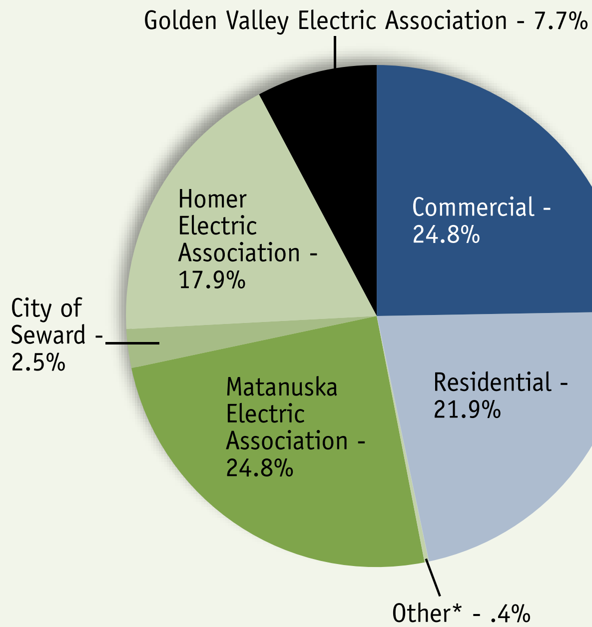
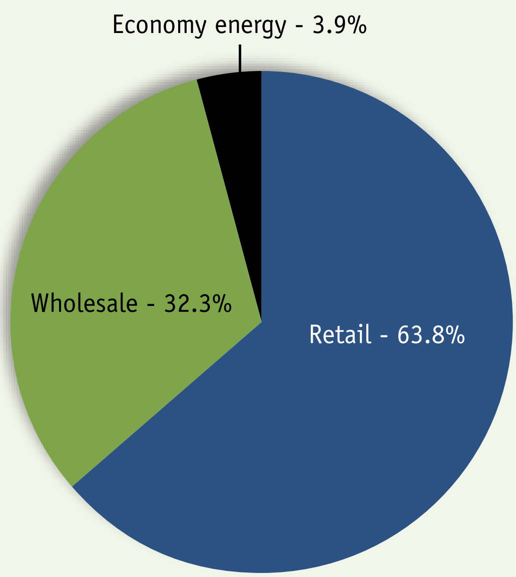


By Operating Revenues, Total: $181,229,468

Overview



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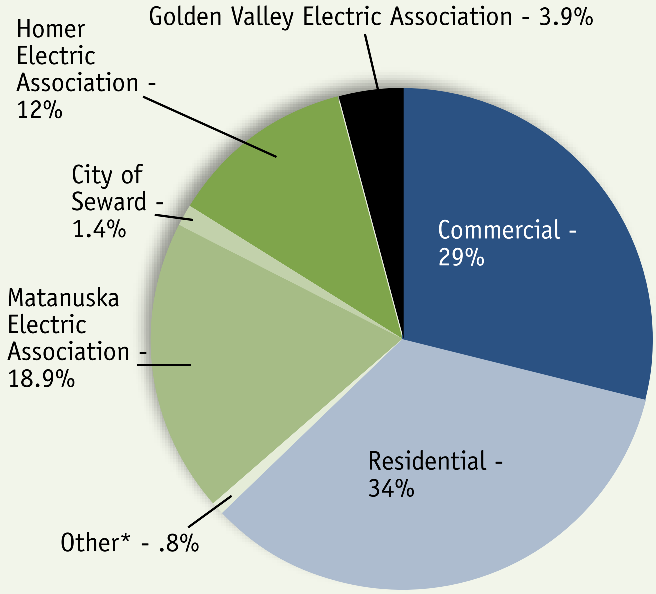

*Streetlighting and Fuel Cell

Note: Amounts may not total 100% due to rounding.

Independent Auditors' Report

The Board of Directors
Chugach Electric Association, Inc.

We have audited the accompanying balance sheets of Chugach Electric Association, Inc. (Chugach) as of December 31, 2003 and 2002, and the related statements of revenues, expenses and patronage capital and cash flows for each of the years in the three-year period ended December 31, 2003. These financial statements are the responsibility of Chugach's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chugach Electric Association, Inc. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

February 13, 2004
Anchorage, Alaska

Chugach linemen working at the International Substation near its headquarters building.

Balance Sheets

Assets	2003	2002
Utility plant (notes 1, 3, 12 and 13):		
Electric plant in service	$744,260,390	$730,439,297
Construction work in progress	16,560,438	20,224,302
	760,820,828	750,663,599
Less accumulated depreciation	293,371,966	279,958,912
Net utility plant	467,448,862	470,704,687
Other property and investments, at cost:		
Nonutility property	3,550	3,550
Investments in associated organizations (note 4)	11,381,796	10,963,715
	11,385,346	10,967,265
Current assets:		
Cash and cash equivalents, including repurchase agreements of $12,663,761 in 2003 and $8,007,424 in 2002	11,185,086	7,284,292
Cash-restricted construction funds	488,846	598,864
Special deposits	222,163	222,163
Accounts receivable, less provision for doubtful accounts of $273,793 in 2003 and $313,545 in 2002	18,812,199	26,410,264
Fuel cost recovery (note 1)	2,032,730	0
Materials and supplies	21,888,794	23,747,590
Prepayments	1,458,649	1,953,350
Other current assets	357,265	336,798
Total current assets	56,445,732	60,553,321
Deferred charges, net (notes 5 and 14)	23,511,563	27,989,601
Total assets	$558,791,503	$570,214,874

Liabilities & Equities	2003	2002
Equities and margins (note 6 and 7):		
Memberships	$1,155,818	$1,108,243
Patronage capital	126,341,413	120,148,502
Other	6,718,891	6,221,150
Total equities and margins	134,216,122	127,477,895
Long-term obligations, excluding current installments (notes 8, and 9):		
2001 Series A Bonds payable	150,000,000	150,000,000
2002 Series A Bonds payable	120,000,000	120,000,000
2002 Series B Bonds payable	51,100,000	55,700,000
National Bank for Cooperatives Promissory Notes payable	63,189,179	64,134,179
	384,289,179	389,834,179
Current liabilities:		
Current installments of long-term obligations (notes 8 and 9)	5,545,000	5,165,821
Short-term obligations (note 8)	0	6,081,250
Accounts payable	7,676,906	7,719,974
Provision for rate refund (note 2)	671,071	7,050,000
Consumer deposits	1,834,752	1,826,265
Fuel cost payable (note 1)	0	363,862
Accrued interest	6,165,790	6,381,106
Salaries, wages and benefits	4,886,600	4,977,594
Fuel	9,006,758	7,095,402
Other current liabilities	785,760	2,027,938
Total current liabilities	36,572,637	48,689,212
Deferred credits (note 10)	3,713,565	4,213,588
Total liabilities and equities	$558,791,503	$570,214,874

See accompanying notes to financial statements.

Statements of Revenues, Expenses and Patronage Capital

	2003	2002	2001
Operating revenues (note 2)	$184,032,413	$171,944,918	$178,595,214
Operating expenses:			
Fuel	48,667,262	46,822,943	56,130,437
Other power production	13,961,565	13,500,103	12,397,465
Purchased power	18,244,921	18,750,936	14,717,318
Transmission	4,511,002	3,930,902	3,545,707
Distribution	10,866,251	10,869,335	10,417,736
Consumer accounts	5,589,788	5,594,572	5,121,394
Sales expense	0	0	495,523
Administrative, general and other (note 1)	26,370,189	22,251,895	19,574,476
Depreciation	27,792,051	27,649,250	25,096,665
Total operating expenses	156,003,029	149,369,936	147,496,721
Interest expense:			
On long-term obligations	23,110,239	26,161,891	27,128,662
Charged to construction – credit	(411,312)	(418,078)	(1,063,643)
On short-term obligations	161,901	298,930	1,164,495
Net interest expense	22,860,828	26,042,743	27,229,514
Net operating margins	5,168,556	(3,467,761)	3,868,979
Nonoperating margins:			
Interest income	325,324	774,814	679,640
Other	679,179	897,761	1,236,907
Property gain (loss)	80,061	(220,964)	(246,390)
Assignable margins	6,253,120	(2,016,150)	5,539,136
Patronage capital at beginning of year	120,148,502	125,184,374	122,925,253
Retirement of capital credits and estate payments (note 6)	(60,208)	(3,019,722)	(3,280,015)
Patronage capital at end of year	$126,341,413	$120,148,502	$125,184,374

See accompanying notes to financial statements.

Statements of Cash Flows

	2003	2002	2001
Operating activities:			
Assignable margins	$6,253,120	$(2,016,150)	$5,539,136
Adjustments to reconcile assignable margins to net cash provided by operating activities:			
Provision for rate refund	(1,400,000)	7,050,000	0
Depreciation and amortization	33,780,103	33,472,159	30,265,821
Capitalization of interest	(487,359)	(491,349)	(1,370,319)
Impairment of long-lived asset	1,846,816	0	0
Property (gains) losses, net	(80,061)	220,964	246,390
Loss on deferred charges	1,088,260	0	0
Other	1,145	1,568	(19,169)
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Special deposits	0	0	(10,000)
Accounts receivable	7,598,064	(4,107,864)	(3,101,488)
Fuel cost recovery	(2,032,730)	3,591,963	(676,230)
Materials and supplies	1,858,796	(925,587)	(7,464,805)
Prepayments	494,702	(1,325,806)	127,732
Other assets	(20,468)	(1,044)	(3,507)
Deferred charges	(1,887,037)	(4,479,028)	(13,761,107)
Increase (decrease) in liabilities:			
Accounts payable	(43,068)	(3,292,931)	1,519,030
Provision for rate refund	(4,978,929)		
Consumer deposits	8,487	222,574	279,478
Fuel cost payable	(363,862)	363,862	0
Accrued interest	(215,316)	(996,952)	1,516,668
Other liabilities	578,184	(4,209,158)	4,134,563
Deferred credits	(836,016)	(14,580,533)	(1,584,906)
Net cash provided by operating activities	41,162,831	8,496,688	15,637,287
Investing activities:			
Extension and replacement of plant	(26,526,858)	(16,859,047)	(36,901,033)
Purchase of investments in associated organizations	(419,226)	(480,097)	(608,864)
Net cash used in investing activities	(26,946,084)	(17,339,144)	(37,509,897)
Financing activities:			
Net transfer of restricted construction funds	110,018	(80,993)	(139,023)
Proceeds from long-term obligations	0	180,000,000	150,000,000
Repayments of long-term obligations	(5,165,821)	(164,638,695)	(93,930,350)
Repayments of short-term borrowings	(6,081,250)	0	(29,000,000)
Memberships and donations received	545,316	705,061	734,245
Retirement of patronage capital	(60,208)	(3,019,722)	(3,280,015)
Net receipts (refunds) of consumer advances for construction	335,992	(653,670)	(392,642)
Net cash provided by financing activities	(10,315,953)	12,311,981	23,992,215
Net change in cash and cash equivalents	3,900,794	3,469,525	2,119,605
Cash and cash equivalents at beginning of year	$7,284,292	$3,814,767	$1,695,162
Cash and cash equivalents at end of year	$11,185,086	$7,284,292	$3,814,767
Supplemental disclosure of cash flow information			
Interest expense paid, including amounts capitalized	$23,076,144	$27,039,695	$25,712,846

See accompanying notes to financial statements.

(1) Description of Business and Significant Accounting Policies

Description of Business
Chugach Electric Association, Inc., (Chugach) is the largest electric utility in Alaska. Chugach is engaged in the generation, transmission and distribution of electricity to directly served retail customers in the Anchorage and upper Kenai Peninsula areas. Through an interconnected regional electrical system, Chugach's power flows throughout Alaska's 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 also supplies much of the power requirements of three wholesale customers, Matanuska Electric Association (MEA), Homer Electric Association (HEA) and the City of Seward (Seward). Chugach's members are the consumers of the electricity sold.

Chugach 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 reasonable margins and reserves. Chugach is subject to the regulatory authority of the Regulatory Commission of Alaska (RCA).

Management Estimates
In preparing the financial statements, 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. Critical estimates include the provision for rate refund and allowance for doubtful accounts. Actual results could differ from those estimates.

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 Statement of Financial Accounting Standards 71, *Accounting for the Effects of Certain Types of Regulation (SFAS 71)*.

Utility Plant and Depreciation
Additions to electric plant in service are recorded at original cost of contracted services, direct labor and materials, indirect overhead charges and capitalized interest. For property replaced or retired, the average unit cost of the property unit, plus removal cost, less salvage, is charged to accumulated provision for depreciation. The cost of replacement is added to electric plant. Renewals and betterments are capitalized, while maintenance and repairs are charged to expense as incurred. In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144),* In accordance with SFAS No. 144, utility plant is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability section of the balance sheet. Chugach performed an analysis of certain generation assets in the second quarter of 2003 and determined an impairment of an asset existed. As a result of this analysis, the value of an asset was reduced by $1,846,816 to its estimated salvage value. This amount is included in the 2003 Statement of Revenues, Expenses and Patronage Capital, "Administrative, general and other," category.

Depreciation and amortization rates have been applied on a straight-line basis and at December 31 are as follows:

	Annual Depreciation Rate Ranges					
	2002-2003			2001		
Steam production plant	2.55%	-	2.80%	2.70%	-	2.96%
Hydraulic production plant	0.04%	-	1.56%	1.33%	-	2.88%
Other production plant	2.67%	-	7.62%	3.34%	-	6.50%
Transmission plant	1.50%	-	4.24%	1.85%	-	5.37%
Distribution plant	2.13%	-	9.22%	2.10%	-	4.55%
General plant	2.21%	-	20.40%	2.22%	-	20.00%
Other	2.35%	-	2.75%	1.88%	-	2.75%

Chugach uses remaining life rates set forth in the most recently approved depreciation study. In 2003 an update of the Depreciation Study was completed utilizing Electric Plant in Service balances as of December 31, 2002. A request to implement the rates developed in that study will be submitted to the RCA in 2004.

Capitalized Interest
Allowance for funds used during construction (AFUDC) and interest charged to construction (IDC) - credit are the estimated costs during the period of construction of equity and borrowed funds used for construction purposes. Chugach capitalized such funds at the weighted average rate (adjusted monthly) of 4.8% during 2003, 4.7% during 2002 and 7.5% during 2001.

Investments in Associated Organizations
Investments in associated organizations represent capital requirements as part of financing arrangements. These investments are non-marketable and accounted for at cost.

Fair Value of Financial Instruments
SFAS 107, *Disclosures About the Fair Value of Financial Instruments*, requires disclosure of the fair value of certain on and off balance sheet financial instruments for which it is practicable to estimate that value. The following methods are used to estimate the fair value of financial instruments:

Cash and cash equivalents and restricted cash - the carrying amount approximates fair value because of the short maturity of those instruments.

Investments in associated organizations - the carrying amount approximates fair value because of limited marketability and the nature of the investments.

Consumer deposits - the carrying amount approximates fair value because of the short refunding term.

Long-term obligations - the fair value is estimated based on the quoted market price for same or similar issues (note 8).

Treasury rate lock agreements – the fair value is estimated based on discounted cash flow using current rates.

Financial Instruments and Hedging
Chugach used U.S. Treasury forward rate lock agreements to hedge expected interest rates on the February 2002 debt re-financings. Chugach accounted for the agreements under SFAS 80 and 71 through December 31, 2000, and SFAS 133, 138 and 71 subsequent to that date. Chugach adopted SFAS 133 on January 1, 2001. Accordingly, the unrealized gain or loss was not recorded and was treated as a regulatory asset upon settlement (note 6). This accounting treatment was approved by the RCA in Order U-01-108(26). See note 2, "Regulatory Matters."

Cash and Cash Equivalents
For purposes of the statement of cash flows, Chugach considers all highly liquid debt instruments with a maturity of three months or less upon acquisition by Chugach (excluding restricted cash and investments) to be cash equivalents.

Accounts Receivable
Trade accounts receivable are recorded at the invoiced amount. The allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in existing accounts receivable. Chugach determines the allowance based on its historical write-off experience and current economic conditions. Chugach reviews its allowance for doubtful accounts monthly. Past due balances over 90 days in a specified amount are reviewed individually for collectibility. All other balances are reviewed in aggregate. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Chugach does not have any off–balance-sheet credit exposure related to its customers.

Materials and Supplies
Materials and supplies are stated at the lower of average cost or market.

Deferred Charges and Credits
Deferred charges, representing regulatory assets, are amortized to operating expense over the period allowed for rate-making purposes. In accordance with SFAS 71, Chugach's financial statements reflect regulatory assets and liabilities. Continued accounting under SFAS 71 required certain criteria be met. Management believes Chugach's operations currently satisfy these criteria. However, if events or circumstances should change so the criteria are not met, the write off of regulatory assets and liabilities could have a material effect on the financial position and results of operations.

Deferred credits, representing regulatory liabilities, are amortized to operating expense over the period allowed for rate-making purposes. It also includes nonrefundable contributions in aid of construction, which are credited to the associated cost of construction of property units. Refundable contributions in aid of construction are held in deferred credits pending their return or other disposition.

Patronage Capital
Revenues in excess of current period costs (net operating margins and nonoperating margins) in any year are designated on Chugach's statement of revenues and expenses as assignable margins. These excess amounts (i.e. assignable margins) are considered capital furnished by the members, and are credited to their accounts and held by Chugach until such future time as they are retired and returned without interest at the discretion of the Board of Directors. Retained assignable margins are designated on Chugach's balance sheet as patronage capital. This patronage capital constitutes the principal equity of Chugach.

Operating Revenues
Revenues are recognized when customers are billed. Operating revenues are based on billing rates authorized by the RCA, which are applied to customers' usage of electricity. Included in operating revenue are billings rendered to customers adjusted for differences in meter read dates from year to year. Chugach's tariffs include provisions for the flow through of gas costs according to existing gas supply contracts.

In 1998 a power sales agreement was negotiated between Chugach and Seward. The contract was approved by the RCA on June 14, 1999 for a three-year term, which expired on September 11, 2001. The parties negotiated and executed an Amendment, extending the term of the contract to January 31, 2006, which was approved by the RCA July 9, 2001. The RCA's approval required a revision to the contract to include an option to re-negotiate the terms of the contract if rates are adjusted by the 2000 Test Year general rate case. Seward had three choices within sixty days of the final order. The choices were to continue the contract using the rate methodology adopted in the case, negotiate a new contract or give notice of termination effective twelve months from the effective date of the final order of the RCA. On December 17, 2003, Seward provided notice to Chugach of their election to continue with the contract, as amended, under the new permanent rates established by final order of the RCA in Docket No. U-01-108.

Fuel Costs
Fuel costs are expensed as fuel is used. Chugach is authorized by the RCA to recover fuel and purchased power costs through the fuel surcharge mechanism, which is adjusted quarterly to reflect increases and decreases of such costs. Revenues are adjusted for differences between recoverable fuel costs and amounts actually recovered through rates. Fuel costs were under-recovered by $2.0 million in 2003 and over-recovered by $364 thousand in 2002.

Environmental Remediation Costs
Chugach accrues for losses and establishes a liability associated with environmental remediation obligations when such losses are probable and can be reasonably estimated. Such accruals are adjusted as further information develops or circumstances change. Estimates of future costs for environmental remediation obligations are not discounted to their present value. However, various remediation costs may be recoverable through rates and accounted for as a regulatory asset.

Income Taxes
Chugach is exempt from federal income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code, except for unrelated business income. For the years ended December 31, 2003, 2002 and 2001 Chugach received no unrelated business income.

Reclassifications
Certain reclassifications, which have no affect on assignable margins, have been made to the 2001 and 2002 financial statements to conform to the 2003 presentation.

New Accounting Pronouncements
In May 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. Many of those instruments were previously classified as equity. Some of the provisions of this Statement are consistent with the current definition of liabilities in FASB Concepts Statement No. 6, *Elements of Financial Statements*. The remaining provisions of this Statement are consistent with FASB's proposal to revise that definition to encompass certain obligations that a reporting entity can or must settle by issuing its own equity shares depending on the nature of the relationship established between the holder and the issuer. While FASB still plans to revise that definition through an amendment to Concepts Statement 6, FASB decided to defer issuing that amendment until it has concluded its deliberations on the next phase of this project.

That next phase will deal with certain compound financial instruments including puttable shares, convertible bonds, and dual-indexed financial instruments.

Chugach plans to implement SFAS 150 effective January 1, 2004. Chugach does not believe the impact of this statement on its financial statements will be material.

(2) Regulatory Matters

Chugach filed a general rate case on July 10, 2001, based on the 2000 test year, requesting a permanent base rate increase of 6.5%, and an interim base rate increase of 4.0%. On September 5, 2001, the RCA granted a 1.6% interim increase effective September 14, 2001. Chugach filed a petition for reconsideration and on October 25, 2001, the RCA approved an interim base rate increase of 3.97%. The additional rate increase was implemented on November 1, 2001. The interim rate increase was based on a normalized (adjusted for recurring expenses) test year and a system ratemaking Times Interest Earned Ratio (TIER) of 1.35. In this filing for permanent rates, Chugach proposed that margins be calculated using a return on rate base methodology rather than the TIER methodology previously used.

As anticipated in Chugach's July 2001 original filing, on April 15, 2002, Chugach submitted a filing with the RCA to update certain known and measurable costs and savings that had occurred outside the 2000 Test Year. In the updated filing, Chugach reduced its base rate increase request from 6.5% to 5.7%, or approximately $0.9 million in the revenue requirement on a system basis. The revised filing also reflected an increase in depreciation expense of approximately $1.5 million due to the completion of the Beluga Unit 7 re-powering project and a reduction in annualized interest expense, due to Chugach's recent refinancing efforts, of $2.4 million. In that revised filing, Chugach continued to request $11.9 million in margins. As a result of reduced interest costs, this would have yielded an equivalent system TIER of 1.47.

Three intervenors filed pre-filed testimony with the RCA in July 2002 opposing various aspects of Chugach's proposal. Chugach filed its reply testimony with the RCA on October 1, 2002. The hearing to resolve the outstanding issues associated with the 2000 test year rate case took place in November and December of 2002, concluding on December 13, 2002.

Between February 6, 2003 and January 27, 2004, the RCA issued Order Nos. 26 through 38 addressing various components of Chugach's rate case. The orders that significantly impact Chugach are discussed below.

Docket U-01-108, Order No. 26
On February 6, 2003, Chugach received Order U-01-108(26) (Order 26) from the RCA.

Order 26 required a refund of revenues collected in 2001 of approximately $1.1 million and in revenues collected in 2002 of approximately $6.0 million, which resulted in a net operating loss of approximately $2 million in 2002. Under the Order, Chugach's financial performance for 2002 fell below the 1.10 level contained in the Rate Covenants in its currently effective indenture, the Amended and Restated Indenture, the CoBank Master Loan Agreement and the MBIA Insurance Corporation's (MBIA) Reimbursement and Indemnity Agreement. (Note 8)

In accordance with the Rate Covenant in the Amended and Restated Indenture, on February 13, 2003, Chugach filed a Motion with the RCA asking the RCA to stay the effect of Order 26 until after the RCA considered Chugach's Petition for Reconsideration. On February 18, 2003, the RCA granted, in part, our motion for stay. Chugach filed the Petition for Reconsideration with the RCA on February 28, 2003.

Docket U-01-108, Order No. 30
On April 14, 2003, the RCA issued Order No. 30 in Docket U-01-108, significantly revising its earlier ruling.

On April 28, 2003 Chugach submitted a revised revenue requirement and cost of service study in compliance with RCA Order No. 30. The revised filing reflected adjustments related to the ratemaking treatment of AFUDC/IDC, interest expense, and legal expense, which had the impact of increasing Chugach's revenue requirement by $3.1 million and adjusting the required refund from $7.1 million to $1.9 million.

Docket U-01-108, Order No. 33
On August 26, 2003, the RCA issued Order No. 33 and accepted Chugach's April 28, 2003 compliance filing, in part. The RCA re-reversed its earlier decision on the ratemaking treatment of AFUDC/IDC and required Chugach to comply with the RCA's original ruling contained in Order No. 26 that reduced the recovery of long-term interest expense by $1.2 million associated with AFUDC/IDC.

Docket U-01-108, Electronic Ruling
On November 7, 2003 the RCA issued an electronic ruling approving Chugach's September 8 compliance filing and final rates in this docket. As a result, and in relation to prior-approved permanent rates, Chugach's rates on a system basis increased 0.07 percent, or an increase of 3.5 percent to retail customers and a decrease of 7.9 percent to wholesale customers.

The results of the RCA's decision on final rates were implemented on November 10, 2003.

Payment of Refunds
In Order No. 30 the RCA clarified, as requested by Chugach, that the refund over the interim rate period cannot go below the "floor" of the rates that were in place prior to Chugach's interim increase. In Order No. 32 issued on August 15, 2003, the RCA established January 31, 2003 as the rate effective date of the final rates in this docket such that Chugach's prior-permanent rates no longer serve as the "floor".

On November 10, 2003 Chugach issued refunds in the following amounts, pursuant to Superior Court Order dated October 31, 2003, for demand and energy usage between September 2001 and September 2003:

Homer Electric Association, Inc.	$1,762,774
Matanuska Electric Association, Inc.	$2,901,290
Seward Electric System	$ 103,307

Chugach issued additional refund amounts totaling $70,894 to HEA and $162,015 to MEA on December 29, 2003 for refund adjustments related to Chugach's pre-refinancing activity that took place in February 2002.

Additional payments will be made to reflect interest on the refund amounts. The RCA has not yet determined what interest rate will be applied.

Customers in Chugach's Small General Service rate class may also receive a refund. Chugach expects that approximately 2,100 Small General Service customers will receive refunds for electric service provided between January 31, 2003 and November 10, 2003. In Order No. 38, the RCA ruled that interest on Small General Service refunds would be applied at an annual rate 3.034 percent. Chugach expects the refund amount to the Small General Service class will total approximately $0.6 million, including interest. Chugach expects this refund to be completed by April 2004 and is recorded as a provision for rate refund at December 31, 2003.

Docket U-01-108, Order No. 30 Appeal
Chugach has appealed the RCA's decisions in Order No. 26 to modify Chugach's generation and transmission TIER of 1.10, from the previously authorized level of 1.15 and a distribution TIER of approximately 1.6. Chugach asserts that such a disparity in TIER violates the requirements of AS 42.05.141(a)(3) and AS 42.05.391 (a) in that the resulting rates are not just, fair and reasonable and yield an unreasonable difference as to rates between Chugach's retail and wholesale customers. Chugach further asserts that the resulting rates grant an unreasonable preference or advantage to Chugach's wholesale customers by creating an unreasonable prejudice or disadvantage to its retail customers.

On April 29, 2003, Chugach filed an appeal in Alaska Superior Court on two issues. In Order No. 30 of this docket, the RCA reconsidered and reversed its earlier decision and agreed with Chugach that requiring AFUDC/IDC as an offset to long-term interest expense would cause under-recovery and should, therefore, not be required. However, the specific language of the RCA's order on reconsideration limited its ruling to projects commenced and concluded within the test year. This could cause under-recovery of project costs over the life of the asset resulting in a confiscatory rate. Chugach has filed an appeal as to this portion of the RCA's decision on reconsideration in Order No. 30.

On May 13, 2003, MEA filed a cross appeal challenging several of the RCA's decisions.

On July 21, 2003, the Superior Court of Alaska granted Chugach's motion for stay on condition that the excess interim rate refund be placed into an interest bearing escrow account and the revenues received from future rates, which may be subject to refund, be held in the same account.

On October 3, 2003 Chugach filed for a motion to dissolve the stay that was granted by the Superior Court on July 21. Based on the results of RCA orders, subsequent to Chugach's request for stay in Superior Court, Chugach determined that removal of the stay on implementation of rates pursuant to Order 33 would increase Chugach revenues by approximately $0.7 million on an annual basis. Chugach will continue to pursue all issues raised in its appeals in Alaska Superior Court.

On October 31, 2003, the superior court issued an order granting Chugach's motion to remove stay, releasing the escrow funds and ordering Chugach to pay refunds within 10 days of the order based upon the RCA's orders.

Provision For Rate Refund
At December 31, 2002, Chugach recorded a provision for rate refund of $7.1 million. On April 15, 2003, the RCA issued Order No. 30 in Docket U-01-108, significantly revising its earlier ruling in which $5.2 million of that provision was reversed. Between March and November of 2003, additional provisions were recorded in the amount of $3.8 million reflecting RCA decisions through Order No. 30, in addition to RCA orders that continued through the period. In October and November of 2003, Chugach's wholesale customers were refunded $5.0 million, leaving approximately $700 thousand at December 31, 2003, which represented the provision for rate refund due Chugach's small commercial customers and interest associated with wholesale refunds.

(3) Utility Plant

Major classes of electric plant as of December 31 are as follows:

	2003	2002
Electric plant in service		
Steam production plant	$60,392,869	$60,392,869
Hydraulic production plant	17,990,505	17,904,105
Other production plant	109,737,781	103,046,773
Transmission plant	215,716,581	208,103,602
Distribution plant	202,573,670	188,775,770
General plant	52,053,256	52,273,770
Unclassified electric plant in service*	77,256,535	91,346,892
Equipment under capital lease	0	56,323
Other	8,539,193	8,539,193
Total electric plant in service	744,260,390	730,439,297
Construction work in progress	16,560,438	20,224,302
Total electric plant in service and construction work in progress	$760,820,828	$750,663,599

* Unclassified electric plant in service consists of complete unclassified of general plant, generation, transmission and distribution projects

Depreciation of unclassified electric plant in service has been included in functional plant depreciation accounts in accordance with the anticipated eventual classification of the plant investment.

(4) Investments in Associated Organizations

Investments in associated organizations, which are non-marketable and accounted for at cost, include the following at December 31:

	2003	2002
National Rural Utilities Cooperative Finance Corporation (NRUCFC)	$6,095,980	$6,095,980
National Bank for Cooperatives (CoBank)	5,125,524	4,703,331
NRUCFC capital term certificates	43,647	44,631
Other	116,645	119,773
	$11,381,796	$10,963,715

The Farm Credit Administration, CoBank's federal regulators, requires minimum capital adequacy standards for all Farm Credit System institutions. CoBank's loan agreements require, as a condition of the extension of credit, that an equity ownership position be established by all borrowers. Chugach's investment in NRUCFC similarly was required by Chugach's financing arrangements with NRUCFC.

(5) Deferred Charges

Deferred charges, net of amortization, consisted of the following at December 31:

	2003	2002
Debt issuance and reacquisition costs	$12,569,713	$14,155,863
Refurbishment of transmission equipment	225,309	234,568
Computer software and conversion	3,334,230	5,666,620
Studies (note 14)	2,942,082	1,952,074
Business venture studies	172,216	601,217
Fuel supply negotiations	278,745	329,901
Major overhaul of steam generating unit	2,287,466	2,701,076
Environmental matters and other	88,071	154,205
Other regulatory deferred charges	1,613,731	2,194,077
	$23,511,563	$27,989,601

At December 31, 2003 and 2002, $3.6 million and $3.4 million, respectively, of total deferred charges represent regulatory assets in progress and not currently being amortized.

(6) Patronage Capital

Chugach has an approved capital credit retirement policy, which is contained in the Chugach Financial Management Plan. This establishes, in general, a plan to return the capital credits of wholesale and retail customers based on the members' proportionate contribution to Chugach's assignable margins on an approximately 15-year rotation. At December 31, 2003, Chugach had assigned $122,104,444 of patronage capital (net of capital credit retirements). Approval of actual capital credit retirements is at the discretion of Chugach's Board of Directors. Chugach records a liability when the retirements are approved by the Board of Directors.

In November 2001, the Board of Directors authorized the retirement of $3,000,000 of retail patronage for 1985.

In November 2002, the Board of Directors authorized the retirement of $2,769,568 of retail patronage for 1985.

In 2003, the Board of Directors was unable to authorize a capital credit retirement due to covenant restrictions contained in the Amended and Restated Indenture of Trust. (Note 8)

Estate payments in the amount of $60,208, $250,154 and $280,015 were made in 2003, 2002 and 2001, respectively.

Following is a five-year summary of anticipated capital credit retirements:

Year ending December 31,	Total
2004	$ 3,000,000
2005	$ 3,000,000
2006	$ 2,600,000
2007	$ 2,900,000
2008	$ 3,500,000

(7) Other Equities

A summary of other equities at December 31 follows:

	2003	2002
Nonoperating margins, prior to 1967	$23,625	$23,625
Donated capital	183,633	183,807
Unclaimed capital credit retirement	6,511,633	6,013,718
	$6,718,891	$6,221,150

(8) Debt

Long-term obligations at December 31 are as follows:	2003	2002
CoBank 7.76% note maturing in 2005, with interest payable monthly	$10,000,000	$10,000,000
CoBank 5.60% note, with principal due in 2007 and 2012, and with interest payable monthly	10,000,000	10,000,000
2001 Series A Bond of 6.55%, maturing in 2011, with interest payable semi-annually March 15 and September 15:	150,000,000	150,000,000
2002 Series B Bond of a rate set for 28-day auction periods, maturing in 2012, with interest payable monthly and principal due annually	55,700,000	60,000,000
2002 Series A Bond of 6.20%, maturing in 2012, with interest payable semi-annually February 1 and August 1:	120,000,000	120,000,000
CoBank 5.60% note maturing in 2022, with interest payable monthly and principal due annually beginning in 2003	44,134,179	45,000,000
Total long-term obligations	$389,834,179	$395,000,000
Less current installments	5,545,000	5,165,821
Long-term obligations, excluding current installments	$384,289,179	$389,834,179

Covenants

Chugach is required to comply with all covenants set forth in the Amended and Restated Indenture, dated April 1, 2001, which became effective January 22, 2003. The indenture initially governing the outstanding bonds of Chugach, 2001 Series A, 2002 Series A and 2002 Series B, provided that the bonds were secured by a mortgage on substantially all of Chugach's assets so long as any amounts remained outstanding to CoBank on bonds issued under the indenture. Upon the retirement of the bonds issued to CoBank, Chugach's outstanding bonds became subject to the Amended and Restated Indenture pursuant to which the bonds became unsecured obligations of Chugach.

Chugach is also required to comply with the Master Loan Agreement between Chugach and CoBank dated December 27, 2002, pursuant to which CoBank and Chugach replaced the bonds issued to CoBank with unsecured promissory notes not governed by the indenture. CoBank returned the old CoBank bonds to Chugach on January 22, 2003. The CoBank Master Loan Agreement requires Chugach to establish and collect rates reasonably expected to yield margins for interest equal to at least 1.10 times interest expense. CoBank waived the rate covenant as of December 31, 2002, and reduced the rate covenant for 2003 from 1.10 to 1.08.

Security

Substantially all assets were pledged as collateral for the long-term obligations until retirement of the 1991 Series A Bonds and subsequent institution of the Amended and Restated Indenture. On January 22, 2003, the Bonds became general unsecured and unsubordinated obligations. Under the Amended and Restated Indenture, Chugach is prohibited from creating or permitting to exist any mortgage, lien, pledge, security interest or encumbrance on Chugach's properties and assets (other than those arising by operation of law) to secure the repayment of borrowed money or the obligation to pay the deferred purchase price of property unless Chugach equally and ratably secure all bonds subject to the Amended and Restated Indenture, except that Chugach may incur secured indebtedness in an amount not to exceed $5 million or enter into sale and leaseback or similar agreements.

Rate

The Amended and Restated Indenture requires Chugach, subject to any necessary regulatory approval, to establish and collect rates reasonably expected to yield margins for interest equal to at least 1.10 times total interest expense. The CoBank Master Loan Agreement also requires Chugach to establish and collect rates reasonably expected to yield margins for interest equal to at least 1.10 times interest expense. As described in note 2, "Regulatory Matters," Chugach received a waiver of the rate covenant from CoBank. Margins for interest generally consist of Chugach's assignable margins plus total interest expense. If there occurs any material change in the circumstances contemplated at the time rates were most recently reviewed, the Amended and Restated Indenture requires Chugach to seek appropriate adjustments to those rates so that they would generate revenues reasonably expected to yield margins for interest equal to at least 1.10 times interest charges. In order to maintain Chugach's compliance with this covenant, Chugach took the actions described in note 2, "Regulatory Matters."

Distribution to Members

The Amended and Restated Indenture prohibits Chugach from making any distribution of patronage capital to Chugach's customers if an event of default under the Amended and Restated Indenture exists. Otherwise, Chugach may make distributions to Chugach's members in each year equal to the lesser of 5% of Chugach's patronage capital or 50% of assignable margins for the prior fiscal year. This restriction does not apply if, after the distribution, Chugach's aggregate equities and margins as of the end of the immediately preceding fiscal quarter are equal to at least 30% of Chugach's total liabilities and equities and margins.

At December 31, 2003, Chugach was in compliance with all covenants described above.

Maturities of Long-term Obligations

Long-term obligations at December 31, 2002, mature as follows:

Year ending December 31	Sinking Fund Requirements 2001 Series A Bonds	Sinking Fund Requirements 2002 Series A Bonds	Sinking Fund Requirements 2002 Series B Bonds	Principal maturities CoBank Mortgage bonds	Total
2004	0	0	4,600,000	945,000	5,545,000
2005	0	0	4,900,000	11,031,393	15,931,393
2006	0	0	5,200,000	1,125,687	6,325,687
2007	0	0	5,500,000	6,228,569	11,728,569
2008	0	0	5,900,000	1,340,725	7,240,725
Thereafter	150,000,000	120,000,000	29,600,000	43,462,805	343,062,805
	$150,000,000	$120,000,000	$55,700,000	$64,134,179	$389,834,179

Short-term obligations

Chugach had an annual line of credit of $35,000,000 available in 2002 with CoBank. On December 27, 2002, Chugach chose to reduce the available line of credit to $20,000,000. The CoBank line of credit expires December 31, 2004. At December 31, 2003, there was no outstanding balance on this line of credit. At December 31, 2002, there was $6,081,250 million outstanding on this line of credit, which carried an interest rate of 3.17%. In addition, Chugach had an annual line of credit of $50,000,000 available at December 31, 2003 and 2002 with NRUCFC. At December 31, 2003 and 2002, there was no outstanding balance on this line of credit. The NRUCFC line of credit expires October 15, 2007.

Refinancing

On February 1, 2002, Chugach issued $120,000,000 of 2002 Series A Bond and $60,000,000 of 2002 Series B Bond for the purpose of redeeming $149.3 million in principal amount of the 1991 Series A Bond due 2022, to pay the redemption premium on the 1991 Series A Bond due 2022 in the amount of $13.6 million and for general working capital. The 2002 Series A Bond will mature on February 1, 2012, and bears interest at 6.20% per annum. Interest is payable semi-annually on February 1 and August 1 of each year commencing on August 1, 2002. Chugach may not redeem the 2002 Series A Bond prior to maturity.

The 2002 Series B Bond (the "Auction Rate Bond") will mature on February 1, 2012. The Auction Rate Bond bore interest from the date of original delivery to and through February 27, 2002, at a rate established by the underwriter prior to their date of delivery and thereafter bore interest at the rate set for 28-day auction periods. The initial auction took place on February 27, 2002. The applicable interest rate for any 28-day auction period is the term rate established by the auction agent based on the terms of the auction. The Auction Rate Bond may be converted, in Chugach's discretion, to a daily, seven-day, 35-day, three-month or a semi-annual period or a flexible auction period. The Auction Rate Bond is subject to optional and mandatory redemption and to mandatory tender for purchase prior to maturity in the manner and at the times described herein. Bankers Trust Company is the auction agent and J.P. Morgan Securities Inc., acted as the initial broker-dealer for the Auction Rate Bond.

The 2002 Series A Bond and the Auction Rate Bond (collectively the "Bonds") are unsecured obligations, ranking equally with Chugach's other unsecured and unsubordinated obligations. In addition, Chugach's ability is limited to secure obligations for borrowed money or the deferred purchase price of property unless Chugach equally and ratably secures Chugach's outstanding indebtedness subject to the Amended and Restated Indenture governing the Bonds.

In May 2001, Chugach reacquired $10,000,000 of its 1991 Series A 2022 Bond at a premium of 111.00. Total transaction costs, including accrued interest and premium, were $11,242,178.

In December 2001, Chugach reacquired $5,000,000 of its 1991 Series A 2022 Bond at a premium of 111.00. Total transaction costs, including accrued interest and premium, were $5,661,711.

The premiums paid are reflected as a regulatory asset and amortized over the life of the corresponding debt.

Treasury Rate Lock Agreements

On March 17, 1999, Chugach entered into a U.S.Treasury rate lock transaction with Lehman Brothers Financial Products Inc., (Lehman Brothers) for the purpose of taking advantage of favorable market interest rates in anticipation of refinancing Chugach's Series A Bond due 2022 on their optional call date (March 15, 2002). On May 11, 2001, Chugach terminated the $18.7 million 30-year U.S.Treasury portion of the Treasury Rate Lock Agreement in receipt of payment of $10,000 by Lehman. On December 7, 2001, Chugach terminated 50%, or $98.0 million, of the 10-year U.S.Treasury portion of the U.S.Treasury Rate Lock Agreement for a settlement payment of $4 million to Lehman Brothers. Chugach settled the remaining 50% of the 10-year U.S.Treasury portion of the Treasury Rate Lock Agreement for $3 million on December 19, 2001. On January 14, 2002, Chugach entered into an 18-day rate lock agreement with JP Morgan on the 2002 refinancing. Chugach terminated the rate lock on February 1, 2002, which generated a payment to Chugach of $1.2 million. The settlement payments were accounted for as regulatory assets and amortized over the life of the corresponding debt, which was authorized by the RCA in Order U-01-108(26).

(9) Fair Value of Long-Term Obligations

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

	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term obligations (including current installments)	$389,834	$418,424	$395,000	$425,279

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

(10) Deferred Credits

Deferred credits at December 31 consisted of the following:

	2003	2002
Refundable consumer advances for construction	$2,528,271	$2,817,614
Estimated initial installation costs for transformers and meters	369,153	364,766
Post retirement benefit obligation	405,700	405,700
New business venture	0	30,256
Other	410,441	595,252
	$3,713,565	$4,213,588

(11) Employee Benefits

Employee benefits for substantially all employees are provided through the Alaska Electrical Trust and Alaska Hotel, Restaurant and Camp Employees Health and Welfare Trust Funds (union employees) and the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program (nonunion employees). Chugach makes annual contributions to the plans equal to the amounts accrued for pension expense. For the union plans, Chugach pays a contractual hourly amount per union employee, which is based on total plan costs for all employees of all employers participating in the plan. In these master, multiple-employer plans, the accumulated benefits and plan assets are not determined or allocated separately to the individual employer. Costs for union plans were approximately $2,529,000 in 2003, $2,253,000 in 2002 and $1,990,000 in 2001. In 2003, 2002 and 2001, Chugach contributed $1,492,000, $1,401,000 and $1,397,000, respectively, to the NRECA plan.

(12) Bradley Lake Hydroelectric Project

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). Under these take-or-pay power sales agreements, the participants have agreed to pay all project costs from the date of commercial operation even if no energy is produced. Chugach has a 30.4% share of the project's capacity. The share of debt service exclusive of interest, for which Chugach has guaranteed, is approximately $44,000,000. Under a worst-case scenario, Chugach could be faced with annual expenditures of approximately $4.1 million as a result of Chugach's Bradley Lake take-or-pay obligations. Management believes that such expenditures, if any, would be recoverable through the fuel surcharge ratemaking process. Upon the default of a Bradley Lake participant, and subject to certain other conditions, AEA, through Alaska Industrial Development and Export Authority, is entitled to increase each participant's share of costs pro rata, to the extent necessary to compensate for the failure of another participant to pay its share, provided that no participant's percentage share is increased by more than 25%.

The following represents information with respect to Bradley Lake at June 30, 2003 (the most recent date for which information is available). Chugach's share of expenses was $4,212,072 in 2003, $4,343,562 in 2002 and $3,929,614 in 2001 and is included in purchased power in the accompanying financial statements.

(In thousands)	Total	Proportionate Share
Plant in service	$ 308,259	$ 93,711
Accumulated depreciation	(81,475)	(24,768)
Interest expense	9,004	2,737

Other electric plant in service represents Chugach's share of a Bradley Lake transmission line financed internally and Chugach's share of the Eklutna Hydroelectric Project, purchased in 1997 (note 13).

(13) Eklutna Hydroelectric Project

During October 1997, the ownership of the Eklutna Hydroelectric Project formally transferred from the Alaska Power Administration to the participating utilities. This group, including their corresponding interest in the project, consists of Chugach (30%), MEA (16.7%) and Anchorage Municipal Light & Power (AML&P) (53.3%).

Other electric plant in service includes $1,957,742 representing Chugach's share of the Eklutna Hydroelectric Plant. This balance will be amortized over the estimated life of the facility. During the transition phase and after the transfer of ownership, Chugach, MEA and AML&P have jointly operated the facility. Each participant contributes their proportionate share for operation, maintenance and capital improvement costs to the plant, as well as to the transmission line between Anchorage and the plant. Under net billing arrangements, Chugach then reimburses MEA for their share of the costs.

On January 22, 2004, the Eklutna Operating Committee voted by double majority to remove MEA as the operator of the plant. Chugach will provide personnel for the daily operation and maintenance of the power plant. ML&P will continue to perform major maintenance at the plant. Chugach personnel will perform daily plant inspections, meter reading, monthly report preparation, and other activities as required.

(14) Commitments, Contingencies and Concentrations

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.

Long-Term Fuel Supply Contracts
Chugach has entered into long-term fuel supply contracts from various producers at market terms. The current contracts will expire at the end of the currently committed volumes or the contract expiration dates of 2015 and 2025.

Concentrations

Approximately 72% of Chugach's employees are represented by the International Brotherhood of Electrical Workers (IBEW). The various IBEW contracts expire on June 30, 2006.

Chugach is the principal supplier of power under long-term wholesale power contracts with MEA and HEA. These contracts represented $55.8 million or 30.8% of operating revenues in 2003, $57.0 million or 33.7% in 2002 and $57.9 million or 32.9% in 2001. These contracts will expire in 2014.

Fuel is purchased directly from Marathon Oil Company, ChevronTexaco, ML&P and ConocoPhillips. The cost of fuel purchased from Marathon Oil Company represented 47.4% in 2003, 45.6% in 2002 and 45.0% in 2001 of total fuel costs.

Cooper Lake Hydroelectric Plant

Chugach discovered polychlorinated biphenyls (PCBs) in paint, caulk and grease at the Cooper Lake Hydroelectric plant during initial phases of a turbine overhaul. A FERC approved plan, prepared in consultation with the Environmental Protection Agency (EPA), was implemented to remediate the PCBs in the plant. As a condition of its approval of the license amendment for the overhaul project, FERC required Chugach to also investigate the presence of PCBs in Kenai Lake. A sampling plan was developed by Chugach in consultation with state and federal agencies and approved by FERC. In 2000, Chugach sampled sediments and fish collected from Kenai Lake and other waters. While low levels of PCBs were found in some sediment samples taken near the plant, no pathway from sediment to fish was established. While the levels of PCBs in fish from Kenai Lake were similar to levels found in fish from other lakes within the region, Chugach conducted additional sampling and analysis of fish in Kenai Lake and other waters and filed Chugach's final report dated April 1, 2002 with FERC, which analyzed the results of the sampling. Based on these analyses, Chugach concluded that no further PCB sampling and analysis in Kenai Lake was necessary. In a letter dated June 13, 2002, FERC informed Chugach that its review of the report supported Chugach's conclusions and agreed Chugach was not required to conduct further PCB sampling and analysis in Kenai Lake. In its recent order in Chugach's general rate case, Order U-01-108(26), the RCA permitted the costs associated with the overhaul and the PCB remediation to be recovered through rates. Consequently, management believes the costs of the PCB remediation and studies will have no material impact on Chugach's financial condition or results of operations.

Legal Proceedings

Matanuska Electric Association, Inc., v. Chugach Electric Association, Inc., Superior Court Case No. 3AN-99-8152 Civil

This action is a claim for a breach of the Tripartite Agreement, which is the contract governing the parties' relationship for a 25-year period from 1989 through 2014 and governing Chugach's sale of power to MEA during that time. MEA asserted Chugach breached that contract by failing to provide information, by failing to properly manage Chugach's long-term debt, and by failing to bring Chugach's base rate action to a Joint Committee before presenting it to the RCA. The committee is defined in the power sales contract and consists of one MEA and two Chugach board members. All of MEA's claims have been dismissed. On April 29, 2002, MEA appealed the Superior Court's decisions relating to Chugach's financial management and Chugach's failure to bring Chugach's base rate action to the joint committee before filing with the RCA to the Alaska Supreme Court. We cross appealed the Superior Court's decision not to dismiss the financial management claim on jurisdiction and res judicata grounds. Oral argument was heard by the Supreme Court on April 15, 2003. Management is uncertain as to the outcome and expects a decision within twelve months.

Chugach has certain additional litigation matters and pending claims that arise in the ordinary course of Chugach's business. In the opinion of management, no individual matter or the matters in the aggregate is likely to have a material adverse effect on Chugach's results of operations, financial condition or liquidity.

Regulatory Cost Charge

In 1992 the State of Alaska Legislature passed legislation authorizing the Department of Revenue to collect a regulatory cost charge from utilities in order to fund the governing regulatory commission, which is currently the RCA. The tax is assessed on all retail consumers and is based on kilowatt-hour (kWh) consumption. The Regulatory Cost Charge has changed since its inception (November 1992) from an initial rate of $.000626 per kWh to the current rate of $.000392, effective October 1, 2003.

(15) Quarterly Results of Operations (unaudited)

	2003 Quarter Ended			
	Dec. 31	Sept. 30	June 30	March 31*
Operating Revenue	$50,940,575	$41,163,160	$41,689,671	$50,239,007
Operating Expense	44,176,751	38,351,606	38,320,588	35,154,084
Net Interest	5,471,421	5,734,622	5,870,169	5,784,616
Net Operating Margins	1,292,403	(2,923,068)	(2,501,086)	9,300,307
Non-Operating Margins	614,311	153,236	91,000	225,917
Assignable Margins	$1,906,714	$(2,769,832)	$(2,409,986)	$9,526,224

	2002 Quarter Ended			
	Dec. 31*	Sept. 30	June 30	March 31
Operating Revenue	$39,015,326	$41,523,323	$42,837,727	$48,568,542
Operating Expense	39,742,069	35,548,872	36,589,007	37,489,988
Net Interest	6,013,016	5,994,890	6,039,051	7,995,786
Net Operating Margins	(6,739,759)	(20,439)	209,669	3,082,768
Non-Operating Margins	735,253	94,646	122,622	499,090
Assignable Margins	(6,004,506)	$74,207	$332,291	$3,581,858

*The reduction to operating revenue described in note 2 "Regulatory Matters" was recorded in the 2002 quarter ended December 31.

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The 2003 Chugach Annual Report was printed with environmentally friendly vegetable-based inks.

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Credits

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Community Involvement

Alaska Native Justice Center
Alaska Youth & Parent Foundation
AMEREE Group
American Cancer Society
American Diabetes Association/ Tour de Cure
Anchorage Chamber of Commerce
Anchorage Community Theatre
Anchorage Festival of Music
Anchorage Home Builder's Christmas Boxes
Anchorage Literacy Project
Anchorage Rescue Mission
Anchorage School District –
Homeless Children in Transition
Anchorage Youth Symphony
Anchorage Youth Court
AWAIC
Bean's Cafe
Big Brothers/Big Sisters
Catholic Social Services
Clare House
Covenant House
Downtown Food Kitchen
Easter Seals of Alaska
Engineer's Week
Family CARE Court
Food Bank of Alaska
Girl Scouts of America
Hilltop Ski Area
Homeless Veterans' Service
Hope Community Resources
Hospice of Anchorage
Imaginarium
Junior Achievement
Kid's Cafe
Lutheran Social Services
Mabel T. Caverly Senior Center
Mother Lawrence Foundation
Muscular Dystrophy Association
National Federation of the Blind
PARENTS, Inc.
Partners in Justice
Safe Harbor Inn
Salvation Army
St. Jude Children's Phone-A-Thon
Society of Women Engineers
Special Olympics of Alaska
STAR
United Way: Chugach employees exceeded their fund-raising goal by 35 percent in 2003.

Chugach donated more than 400 turkeys during the holidays to organizations that included the Salvation Army, the Anchorage Rescue Mission, Bean's Cafe and the Food Bank of Alaska. Courier Jerry Helton loaded the turkeys into a truck and distributed them on Nov. 24, 25 and 26.

Chugach power flows to nearly **three-fourths of Alaska's population. Chugach serves more than 76,000 metered retail locations in a service territory extending from Anchorage to the Northern Kenai Peninsula, and from Whittier on Prince William Sound to Tyonek on the west side of Cook Inlet. Chugach regularly provides power for Alaskans from Homer to Fairbanks through wholesale and economy energy sales to Homer Electric Association, the City of Seward, Matanuska Electric Association and Golden Valley Electric Association. On occasion, Chugach sells to or buys energy from Anchorage Municipal Light & Power.**

Chugach has 531.10 megawatts of installed generation capacity at five power plants and one fuel cell plant. Chugach operates 2,040 miles of energized line, made up of 402 miles of transmission line, 928 miles of overhead distribution line and 710 miles of underground distribution line.

Chugach's 2003 system peak load of 437.5 megawatts occurred between 6 and 7 p.m. on Dec. 2. Power sales for the year totaled 2.50 billion kilowatt-hours. Chugach finished 2003 with total revenues of $185.1 million, expenses of $178.8 million and margins of $6.3 million.