ANNUAL REPORT 2004

Chugach Electric Association

Powering Alaska's Future

POWERING ALASKA'S FUTURE

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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 900 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 services to other utilities throughout Alaska's Railbelt region from Fairbanks to Homer.

Cover photo

Chugach provides power to Ted Stevens Anchorage International Airport, including the new C Concourse. The new concourse includes a business center, new shops, restaurants and an Alaska Native artifact and art display.

service

2004 Year in Review

Chugach worked with government officials on issues affecting electric service for many Alaskans, including maintaining and providing a safe, reliable, affordable power supply. A Chugach project approved for federal funding through the Denali Commission in 2004 was a study of a transmission interconnection between Fire Island and the Railbelt grid that would make it possible to provide service to Fire Island and connect a wind generation site to the grid.

In March Chugach participated in the 44th Anchorage Home & Remodeling Show that drew an attendance of about 10,600 people. Chugach's booth focused on member services and provided information for the types of plants and shrubs to plant near utility facilities.

Chugach held its 2004 Annual Membership Meeting April 29. One hundred seventy-eight members registered for the event. More than 12 percent of the 61,679 members of record voted in the election. David J. Cottrell and Bruce E. Davison were elected to 3-year terms on the board of directors. Members also approved a bylaw amendment that was on the ballot.

Chugach's late payment fee changes went into effect in May. The Regulatory Commission of Alaska approved increasing late fees from $2 to $3 that affected residential, small general service and lighting customers. While large general service customers saw a late fee reduced from $10 to $3 per meter, a second component added an interest charge on all overdue account balances.

In July Chugach began working on two of three projects that will ultimately improve service and reliability for the regional transmission system and help ensure an adequate power supply for South Anchorage. A new South Anchorage Substation will be built, along with a transmission line linking it to Chugach's International Substation. A third project linking the South Anchorage and University substations is expected to start in 2006.

Chugach removed the fuel cells located at the Anchorage U.S. Postal Service Mail Processing Center in August. It was the largest fuel cell project in the nation when first commissioned and Chugach received national recognition for its participation in research and development in the advancement of fuel cell technology.

In September Chugach submitted a proposal to the Department of Defense, responding to the Elmendorf AFB Utility System Privatization RFP for its electrical distribution system. While Chugach hopes the Air Force will determine that Chugach is the best qualified and has the best value offer to operate their distribution system, the selection won't take place for several months.

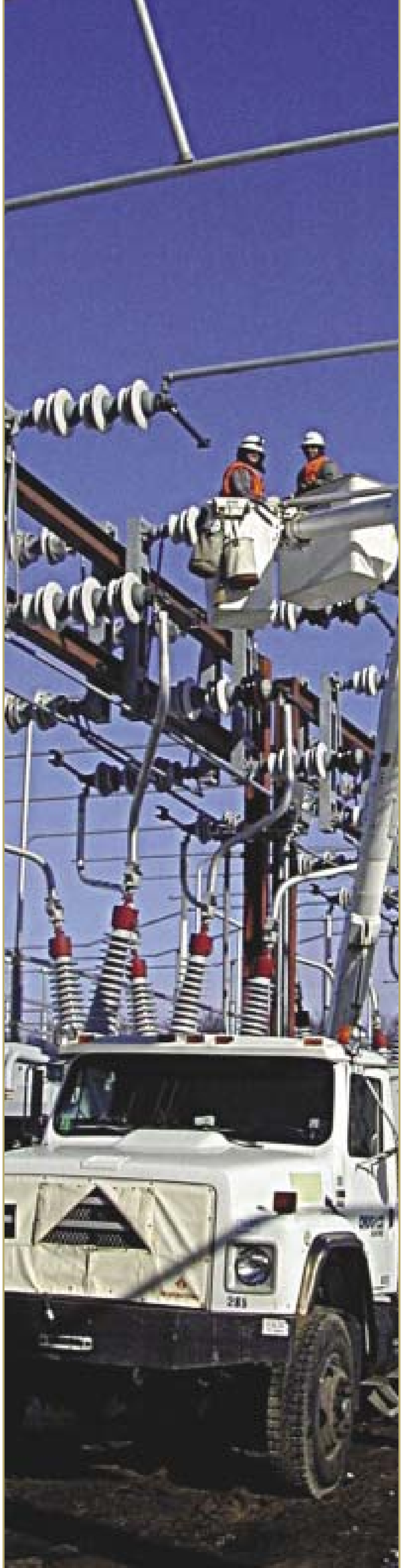
The Alaska Business Monthly named Chugach one of Alaska's Top 49 businesses. The annual listing names Alaskan-owned and operated businesses.

The Cooper Lake Relicensing project continued as Chugach completed environmental and cultural studies, and submitted the draft license application. The final license application must be submitted in April 2005.

Chugach helped to form a Joint Action Agency to combine expertise, resources and borrowing power. In the JAA, Chugach would join other utilities in an effort to meet growing demands for power, replace aging generation and help contain the rising costs of energy in Railbelt communities.

In December Chugach mailed capital credits checks and credited accounts as part of a $3.2 million retail capital credits retirement approved by the board at its November meeting.

Chugach began work on two of the three new projects that will improve service and reliability of the regional transmission system.



Chairman of the Board & Chief Executive Officer Report

This was a year of many challenges. Chugach started and completed projects to benefit its members, worked with all levels of government and looked into the future to provide safe, reliable, competitively priced energy. A major undertaking was planning for dividing the vertically integrated corporation into a generation and transmission division and distribution division. This plan will be implemented in 2005.

In early 2004, some Chugach board members and staff met with Fitch Ratings to present updated financial projections and prospective business and rate strategy after being downgraded by the agency in December. While Chugach's unsecured bond rating changed from "A" to "A-" based mostly upon results from a rate case and uncertainty in the regulatory environment, the change to a stable rating outlook was seen as positive.

Chugach worked with the Energy Policy Task Force created by the Legislature to review issues associated with the growth and maintenance of a reliable power supply for Alaskans in the future.

The relationship with government is an important one in view of several long-term issues. While new generation is a possibility in the future to meet growth in the Railbelt, Chugach's largest wholesale customer has stated it will be building its own generation and not purchasing wholesale power from Chugach after 2014. These issues are ones that will require the Chugach Board of Directors and staff to make educated decisions to ensure reliable, safe, low-cost energy to our members.

In July the Department of Energy released the results of its Southcentral Alaska Gas Study. The objective of the study was to determine the future demand and supply of natural gas in Southcentral Alaska and to evaluate options to meet the long-term demand. According to the leaders of the major utilities that provide heat and light to homes and businesses in the Anchorage area and other Railbelt communities, the study results show that there could be a gas shortage as early as 2009 unless new reserves are found and developed. The utilities are working together to raise the awareness of customers. There may be exploration that could find a supply, but it will be more expensive. Another option that the utilities are exploring is to tap into the North Slope gas supply by building a pipeline to market the gas, as a spur could connect that pipeline to Southcentral Alaska. While both are expensive propositions, they could provide a cost advantage to Alaskans and an extensive supply for future uses.

While base rates remained stable, the fuel surcharge continued to vary from quarter-to-quarter, and by the end of the year was 1.424 cents per kilowatt-hour, up from the 0.9360 cents per kwh in January. The fuel surcharge is primarily the cost of fuel that is passed through to the members. It provides a way for Chugach to recover fuel and purchased power costs and is expected to continue rising in 2005.

In an effort to work together with other utilities and plan for our generation requirements in the future, Chugach is participating in a Joint Action Agency, called the Alaska Railbelt Energy Authority. The JAA is a means of combining expertise, resources and borrowing power that would benefit all Railbelt electricity users. While all of the details are not yet worked out, Chugach and the other utilities that are participating expect the JAA will soon begin dealing with Railbelt generation and transmission issues.

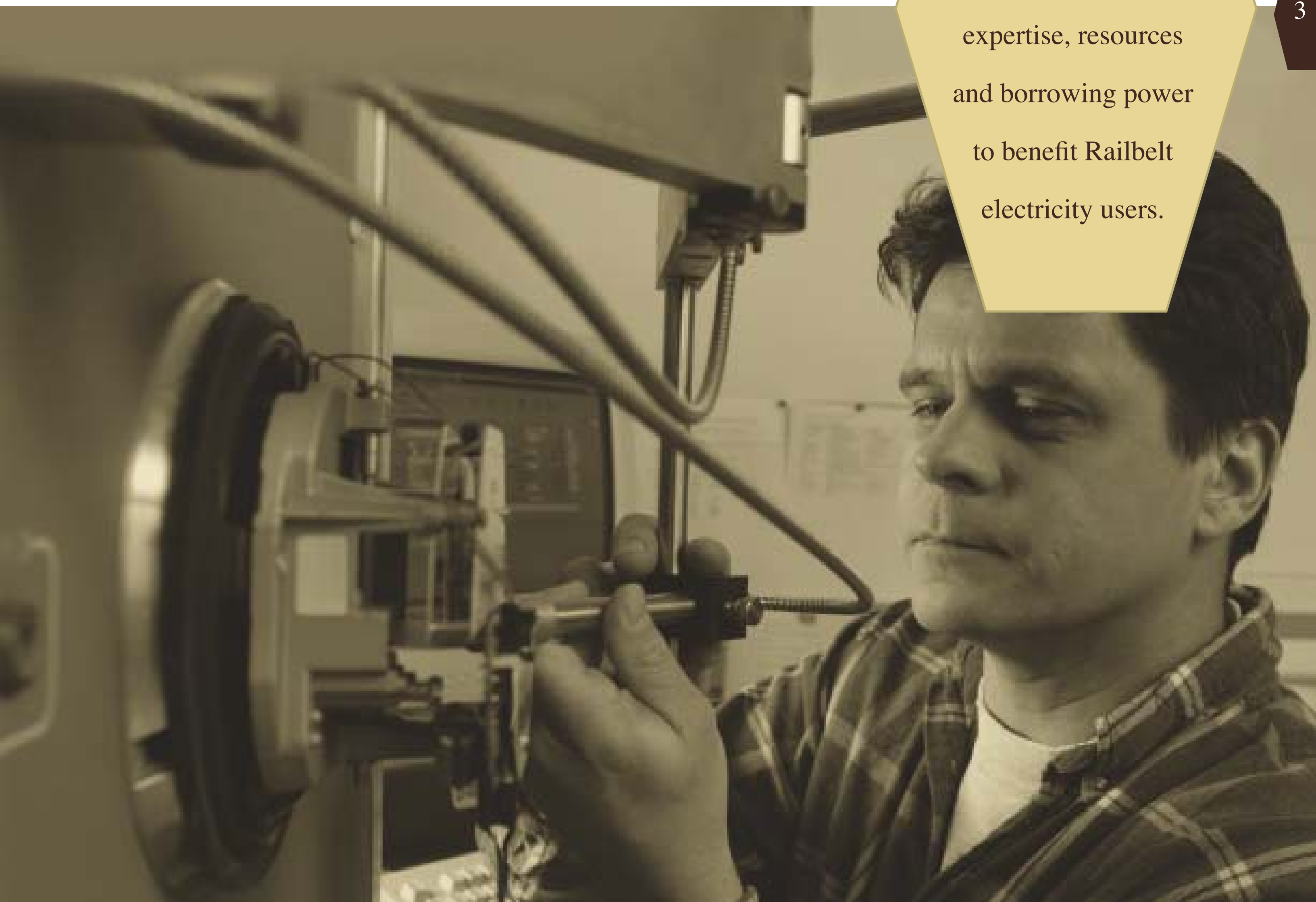
Throughout the year, Chugach and its staff worked to keep safety a priority in the workplace. In addition to setting safety goals, Chugach updated and maintained policies, procedures and a safety handbook, and kept current on safety training. Chugach met one of its goals by achieving national safety accreditation through the National Rural Electric Cooperative Association. The benefits to making safety a priority are increased productivity and cost savings due to fewer incidents and lost time.

Chugach continued to work on fulfilling the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 relating to management assessment of internal controls, including improving documentation of internal controls over financial reporting, expanding risk and internal control awareness and improving business processes. Chugach expects to be compliant by Dec. 31, 2005. The Sarbanes-Oxley Act expands corporate governance, increases public confidence in financial reporting information, and strengthens capital market systems.

Chugach also continues its cyber-security efforts to protect its automated systems from outside attacks.

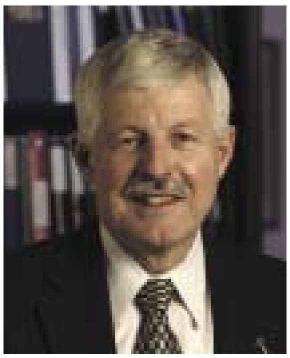
Finally, we are proud that Chugach and its employees continue to help others. While Chugach makes donations to local organizations, its employees also contribute and volunteer to further enhance our community.

Chugach is participating in a Joint Action Agency that will combine expertise, resources and borrowing power to benefit Railbelt electricity users.



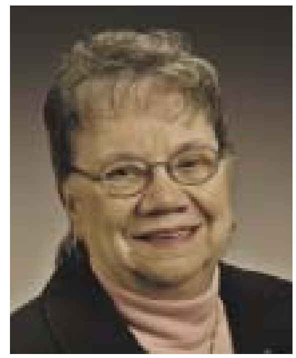
2004 Board of Directors

H.A. “Red” Boucher, 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 serves on the board’s Operations, Finance, and Technology committees.

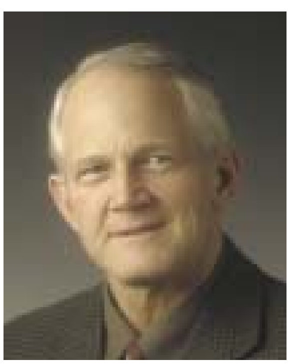


Bruce E. Davison, Vice Chairman
Bruce E. Davison is an attorney and professional engineer. He was appointed to the board in June 1997 to fill a vacancy, elected to the board in 1998 and re-elected in 2001 and 2004. Davison also chairs the board’s Operations Committee and serves on the Technology Committee.

Jeff Lipscomb, 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 has chaired the board’s Finance Committee since 2001. In addition, he serves on the Operations and Audit committees.



Patricia Jasper, 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 re-elected in 1999 and 2002. Jasper serves on the board’s Operations Committee. In addition, she serves as Chugach’s representative on the Alaska Power Association Board of Directors and on the APA’s Executive Committee.



Chris Birch, Director
Chris Birch is a senior engineer with Tryck Nyman Hayes, Inc. He recently retired as 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. Birch is chair of the board’s Technology Committee.

Sam Cason, Director
Sam Cason is a self-employed attorney. He was elected to a 3-year term on the board in 2002. Cason is chair of the board’s Government & External Affairs Committee and serves on the Finance and Technology committees. He became an NRECA-certified director in September 2003.

Dave Cottrell, 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 and re-elected in 2004. Cottrell chairs the board’s Audit Committee and serves on the Finance Committee.

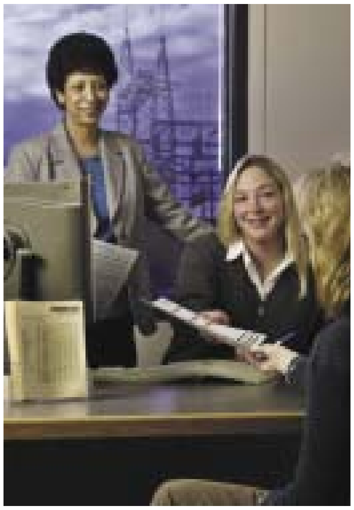
Administration

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.

In 2004 Chugach earned safety accreditation through the National Rural Electric Cooperative Association. NRECA's Rural Electric Safety Accreditation Program promotes safety and loss control as a high-priority goal for electric utility management. Chugach achieved an overall accreditation score of 90 percent after comprehensive on-site facility and document reviews. NRECA reviewed Chugach's safety training, including hazard communication, pole top rescue, CPR and first aid and its injury reporting system. NRECA also reviewed Chugach's line inspection programs, right of way maintenance and vehicle maintenance programs. Obtaining safety accreditation was an important goal for Chugach. Safety is crucial in this industry.

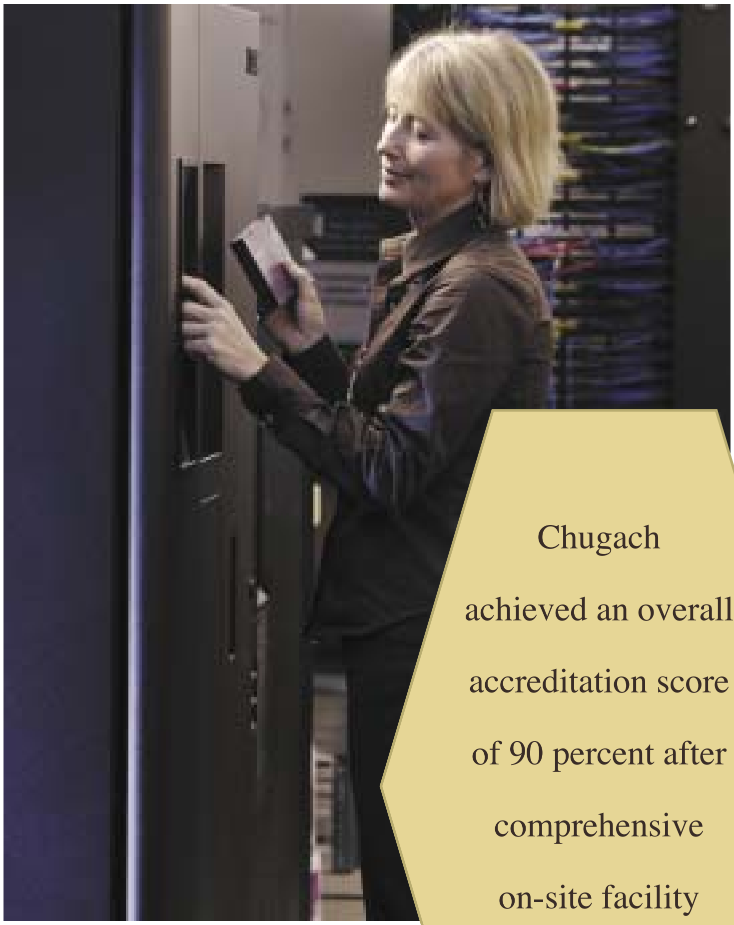
Administration also continued a major effort to reduce the Association's administrative costs in 2004. Several initiatives included reducing planned overtime by more than 30 percent, automating new functions in capital credits, implementing new reconciliation procedures and reducing printing costs. These initiatives helped Chugach to achieve almost a million dollars in reduced administrative expenditures.

Chugach's Customer Service and Large Commercial Accounts departments continued to score high in annual surveys. Chugach averaged just under 90 percent in very favorable marks from all the customers' responses in 2004. Chugach customers also rate "reliability" as their greatest concern and was Chugach's highest score.



Chugach prides itself on providing exceptional customer service for reliable and competitively-priced energy.

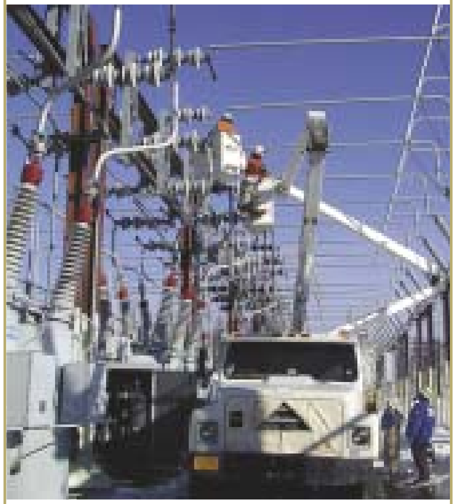
Chugach mailed checks or gave credits to past and current members as part of a $3.2 million retail capital credits retirement in 2004.



Chugach copies all of its data to tapes nightly as part of its disaster recovery procedures.

Chugach achieved an overall accreditation score of 90 percent after comprehensive on-site facility and document reviews.

Chugach installed a unique temporary steel bracing system designed to stabilize the foundation piling on a three-pole transmission structure located on the north side of the mouth of Glacier Creek where it drains into Turnagain Arm in Girdwood. The brace will hold the outer pole in place in the event the foundation is undermined by the erosion while a permanent solution is being developed.



A Chugach crew used an infrared camera to locate hot spots on the contacts and connections on some of the 138-kilovolt switches at the Pt. MacKenzie Substation. The crew took individual switches out of service, cleaned the connections and then re-energized and returned them to service.

Chugach started construction on the 138-kilovolt transmission line linking the International and new South Anchorage substations. Rebar support cages were inserted into drilled holes that were backfilled with concrete at two of the structure locations.

Power Delivery

Power Delivery is responsible for delivering safe, reliable power to Chugach's retail and wholesale members.

In 2004 Chugach broke ground on two of three projects known as the South Anchorage Loop that will ultimately provide increased strength, reliability and operating flexibility to the regional transmission system. These projects will also ensure an adequate power supply for growth and reliability in South Anchorage.

The first project was a new bulk substation in South Anchorage. The cost is anticipated to be between $13 million and $16 million. Chugach started site work in mid-July, and began substation construction in September. Chugach anticipates the substation will be energized in the fall of 2006.

Chugach started construction in August on the $4 - $6 million 138-kilovolt transmission line that will link Chugach's International Substation to the new South Anchorage Substation. Chugach anticipates completion in early 2005.

The routing process began for the line that will ultimately close the loop by linking the South Anchorage Substation to the University Substation. Chugach gave presentations to Community Councils who provided input to Chugach through a working group. The final route selection should be completed in early 2005.

Chugach re-cleared 178.2 miles of distribution right of way and removed 7,483 danger trees located outside of the rights of way on private property with the owner's permission. Chugach also re-cleared 360.7 acres of transmission line right of way and removed 587 danger trees along the three transmission lines carrying power from Chugach's largest generating facility at the Beluga Power Plant.

For the sixth consecutive year, Chugach was recognized as a Tree Line USA Utility by the National Arbor Day Foundation and National Association of State Forresters for its outstanding Vegetation Management Program.

In 2004 Chugach crews installed 2,026 new services, including 1,804 residential services and 212 commercial services. While the total was a 6.8 percent decline from 2003, it represented Chugach's fifth straight year with more than 2,000 new service installations.

Chugach patrolled its transmission lines monthly and completed ongoing inspections of the distribution system. Chugach's objective is to thoroughly inspect the entire overhead distribution system once every five years as the inspections are important for the safe and reliable operation of the electrical system.

Chugach crews removed a faulty 22-ton reactor, which helps control voltage, at the Pt. Woronzof Substation during the summer. The crews repaired the reactor and extended its life by 15-20 years at a cost of $160,000. A new reactor would cost about $450,000 plus installation costs.

As part of the Cooper Lake Power Plant re-licensing project, Chugach surveyed the vegetation in the area to determine if there was exotic terrestrial vegetation that might be impacted by the plant operations. The survey was one of 18 environmental and cultural studies performed for the re-licensing process.

Energy Supply

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

An extensive amount of the Energy Supply effort goes into maintaining Chugach's power plants and their facilities. In 2004 projects at the Beluga Power Plant included fuel tank replacements, roof repairs and security fence and gate repairs.

In addition, Chugach continued to maintain and upgrade its units. Chugach completed a control upgrade on Beluga Unit No. 5, replacing 30-year-old controls with new digital ones. The controls start, stop and safely operate the gas turbine. The $1.2 million project was completed in December. Chugach also replaced the Beluga Unit No. 7 turbine rotor, and performed annual inspections on units at the Beluga, Cooper Lake, International and Bernice Lake power plants.

In August Chugach removed a source of generation – the 1-megawatt fuel cell project located at the Anchorage U.S. Postal Service Mail Processing Center. The project logged more than 30,000 hours of operation since it was installed in August of 2000. It was the subject of more than a dozen articles in national trade journals and over 3,000 people visited the site during its operation.

Another major project for Energy Supply is the Cooper Lake re-licensing project. Chugach held a workshop in March for more than 50 various permitting agency staff members and representatives from interested stakeholder groups. Chugach presented preliminary study results of the 18 environmental and cultural studies being done as part of the re-licensing process. The studies were completed and Chugach submitted the draft license application to the intervening parties. Currently settlement negotiations are ongoing for the proposed license conditions. The final license application must be submitted to the Federal Energy Regulatory Commission by April 2005.

In a continuing effort to provide an affordable power supply to Alaskans, Chugach received federal funding through the Denali Commission to study a transmission interconnection between Fire Island and the Railbelt grid. The 2004 studies indicate the project on the island is feasible. While the initial cost is high, the cost for power would remain flat so it is attractive as a long-term investment. There is currently a Memorandum of Understanding between Chugach, Municipal Light & Power, Golden Valley Electric Association and Homer Electric Association to pursue funding to help bring the project on line. If funding for the upfront costs can be found, wind generation could be on line as soon as 2007.

Fire Island is a site being studied for a possible wind generation project in the future. A crew used a drill rig to sample the soil as part of a gravel study.

Chugach used a 150-ton crane to remove the 1-megawatt fuel cell located at the U.S. Postal Service Facility near the Ted Stevens International Airport.

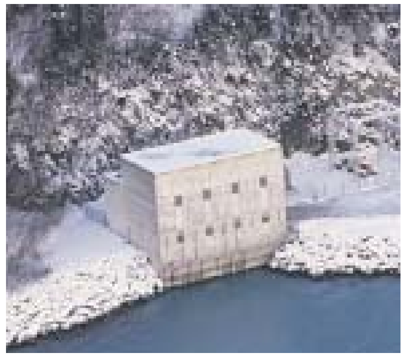
Generation Resources

Chugach uses various generation resources to ensure reliable, affordable power. Chugach has 530.10 megawatts of installed capacity. The unit ratings shown are taken at 30 degrees Fahrenheit. Chugach also takes power from the state-owned Bradley Lake hydroelectric project near Homer.

Chugach delivers power to nearly three-fourths of Alaska's population and serves more than 77,500 metered retail locations.

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

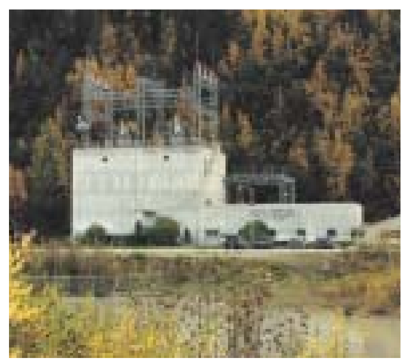
Units	Commissioned	Power Rating (megawatts)
No. 1	1960	9.6
No. 2	1960	9.6
	Total	19.2

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

2002	74,632
2003	76,159
2004	77,520

Total revenue/ Non-operating margins

2002	$173.4 Million
2003	$185.1 Million
2004	$202.4 Million

Kilowatt-hours sold

2002	2.39 Billion kwh
2003	2.50 Billion kwh
2004	2.63 Billion kwh

Expenses

2002	$175.4 Million
2003	$178.8 Million
2004	$194.8 Million

Retail kwh

2002	1.14 Billion kwh
2003	1.18 Billion kwh
2004	1.22 Billion kwh

Margins

2002	($2 Million)
2003	$6.3 Million
2004	$7.6 Million

Wholesale kwh

2002	1.13 Billion kwh
2003	1.13 Billion kwh
2004	1.20 Billion kwh

Cost per residential kwh in December
(not including the customer charge)

2002	9.811 cents/kwh
2003	9.907 cents/kwh
2004	10.746 cents/kwh

Economy energy kwh

2002	125.8 Million kwh
2003	191.6 Million kwh
2004	206.8 Million kwh

Cost of 700 kwh of residential service in December*

2002	$74.93
2003	$77.77
2004	$83.64

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

reliability

Outage Statistics

Chugach averaged 2.17 outage hours per customer in 2004, up from the 2.0 hours in 2003. The 5-year average for customer outage hours decreased to 2.37 hours in 2004, from 2.40 hours in 2003.

Treasurer's Report

Treasurer Jeff Lipscomb

Chugach continued its rebound from the adverse Regulatory Commission of Alaska (RCA) ruling and subsequent financial results reported in 2002. 2004's year-end "bottom line" or "margins" (as they are referred to in the cooperative world) were $7.6 million. Chugach earned these margins based on $189.5 million of direct sales of electricity, $8.9 million of economy energy sales and $2.8 million of other revenues, an increase of $17.2 million from 2003. We sold 2.6 billion kilowatt-hours (kwh) of electricity, an increase of 132 million kwh over 2003.

We appealed several decisions of the Regulatory Commission of Alaska in our last rate case to the Superior Court. The Superior Court issued its decision Nov. 25, 2004, letting all of the decisions of the RCA stand.

To better track our costs and manage our Association business, Chugach will begin in 2005 to report financial results for the Generation and Transmission (G&T) and the Distribution functions separately. The Generation and Transmission part of the business provides the higher voltage electrical power for both our members and wholesale customers like Homer Electric and Matanuska Electric associations. The Distribution part of our business is responsible for taking that higher voltage electrical power and sending it to all of our members' homes and businesses. This reporting change is being driven in part by the results of the 2002 rate case before the RCA and a desire to better understand how the different divisions of Chugach perform financially. While Chugach as a whole finished with positive margins in 2003, the G&T division of the business operated at a $628,000 loss and we expect final 2004 results for the G&T division to also show a loss. The Distribution side has been healthier and has provided all of the margins for Chugach as well as covering the losses on the G&T side. Due to increased power production forecasts and certain allocations, our most recently adopted Business Plan forecasts the G&T Division will begin to generate positive margins in 2006.

Chugach is continually striving to provide reliable, safe and competitively priced power. Over the past 10 years, the number of employees has remained constant while the power we produced has increased 23 percent and the number of Chugach services has increased 19 percent. Chugach is the most efficient and low cost producer of electrical energy in the Railbelt.

Chugach continued to manage debt to take advantage of historically low interest rates. Our existing variable rate long-term debt priced monthly at a rate of 1.5 percent in 2004. Compared to last year, our total interest expense was reduced by $1.5 million.

Our bond ratings remained unchanged in 2004 reflecting the rating agencies' confidence in Chugach's ability to meet future operational and financial challenges.

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 2004 financial statements, which are contained in this annual report.

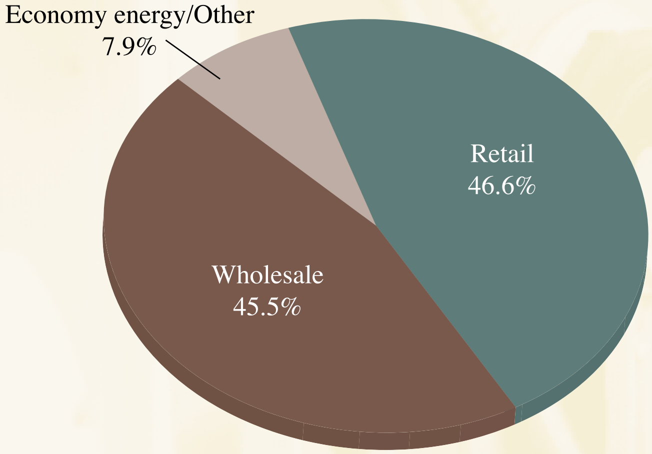
Chugach returned patronage capital to its members in 2004 in the amount of $3.2 million. We have approved a Financial Management Plan that projects our ability to return margins to our members over the next five years at a level equal to 50 percent of the prior years' margins, an average retirement of $4.0 million per year.

Chugach continued to operate and maintain the system that provides reliable and cost-effective electric energy to its member-owners from Homer to Fairbanks within the approved 2004 Operating and Capital Budgets.

Power Sales at a Glance

By Kilowatt-hours, Total: 2,629,524,191

Overview



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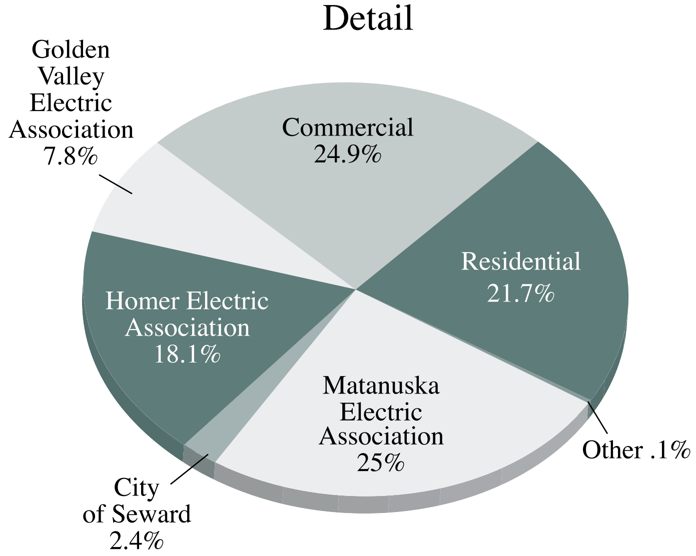
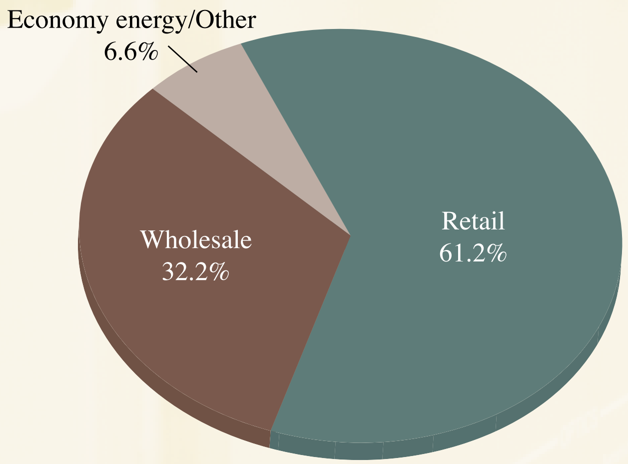
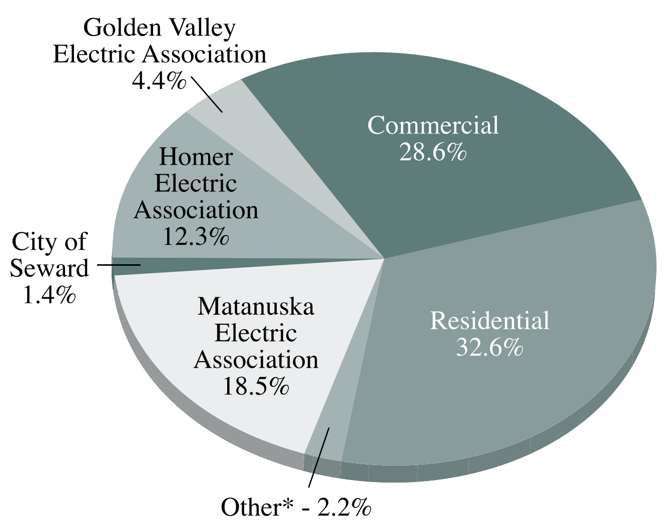


By Operating Revenues, Total: $201,246,615

Overview



Detail



*Streetlighting, Fuel Cell and Other

Independent Auditor's Report

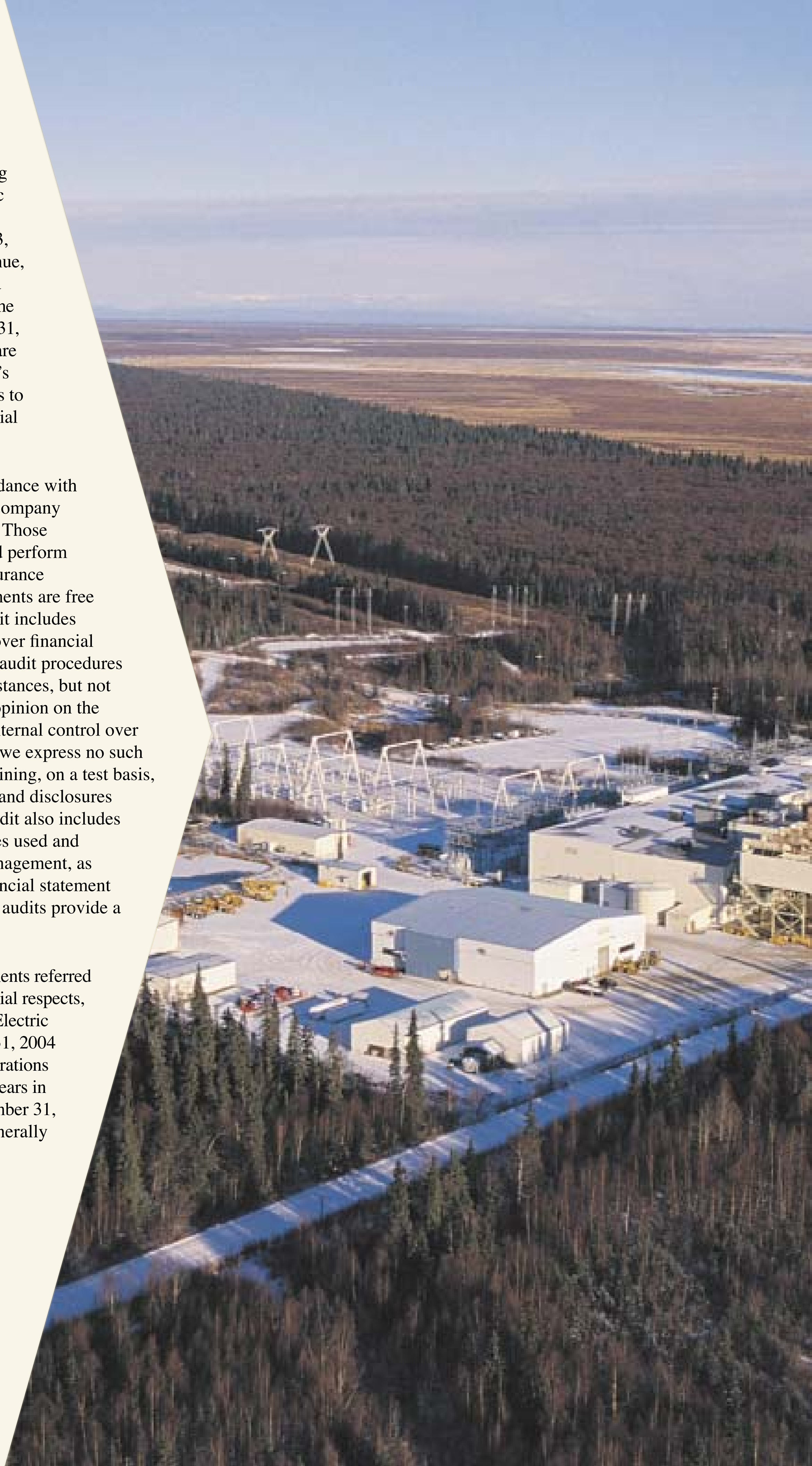
We have audited the accompanying balance sheets of Chugach Electric Association, Inc. (the Company) as of December 31, 2004 and 2003, and the related statements of revenue, expenses and patronage capital, and cash flows for each of the years in the three-year period ended December 31, 2004. These financial statements are the responsibility of the Company'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 of the Public Company Oversight Board (United States). 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 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, 2004 and 2003, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

February 11, 2005
Anchorage, AK



Balance Sheets

December 31, 2004 and 2003

Assets	**2004**	2003
Utility plant (notes 1d, 3, 12 and 13):		
Electric plant in service	$748,484,527	$747,078,372
Construction work in progress	25,278,388	16,560,438
Total utility plant	773,762,915	763,638,810
Less accumulated depreciation	305,932,001	293,371,966
Net utility plant	467,830,914	470,266,844
Other property and investments, at cost:		
Nonutility property	24,461	3,550
Investments in associated organizations (note 4)	11,768,457	11,381,796
Total other property and investments	11,792,918	11,385,346
Current assets:		
Cash and cash equivalents, including repurchase agreements of $12,826,644 in 2004 and $12,663,761 in 2003	10,465,004	11,185,086
Cash-restricted construction funds	0	488,846
Special deposits	217,191	222,163
Accounts receivable, less provision for doubtful accounts of $364,261 in 2004 and $273,793 in 2003	23,740,383	18,812,199
Fuel cost under-recovery (note 1o)	0	2,032,730
Materials and supplies	23,691,509	21,888,794
Prepayments	805,670	1,458,649
Other current assets	260,115	357,265
Total current assets	59,179,872	56,445,732
Deferred charges, net (notes 5 and 14)	20,550,883	20,693,581
Total assets	$559,354,587	$558,791,503

Liabilities & Equities	**2004**	2003
Equities and margins (note 6 and 7):		
Memberships	$1,202,538	$1,155,818
Patronage capital	130,750,269	126,341,413
Other	7,045,992	6,718,891
Total equities and margins	138,998,799	134,216,122
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	46,200,000	51,100,000
National Bank for Cooperatives promissory notes payable	47,157,786	63,189,179
Total long-term obligations	363,357,786	384,289,179
Current liabilities:		
Current installments of long-term obligations (notes 8 and 9)	15,931,393	5,545,000
Accounts payable	7,890,172	7,676,906
Provision for rate refund (note 2)	0	671,071
Consumer deposits	1,947,511	1,834,752
Fuel cost over-recovery (note 1o)	2,714,345	0
Accrued interest	6,201,769	6,165,790
Salaries, wages and benefits	5,530,740	4,886,600
Fuel	12,919,623	9,006,758
Other current liabilities	1,416,400	785,760
Total current liabilities	54,551,953	36,572,637
Deferred credits (note 10)	2,446,049	3,713,565
Total liabilities and equities	$559,354,587	$558,791,503

See accompanying notes to financial statements.

Statements of Revenues, Expenses and Patronage Capital

Years ended December 31, 2004, 2003 and 2002

	2004	2003	2002
Operating revenues (notes 2 and 14)	$201,246,615	$184,032,413	$171,944,918
Operating expenses:			
Fuel (note 14)	64,113,474	48,667,262	46,822,943
Power production	15,070,486	13,961,565	13,500,103
Purchased power	20,579,992	18,244,921	18,750,936
Transmission	6,350,344	4,511,002	3,930,902
Distribution	11,451,931	10,866,251	10,869,335
Consumer accounts	5,308,353	5,589,788	5,594,572
Administrative, general and other	22,476,005	26,520,189	22,251,895
Depreciation	27,989,452	27,792,051	27,649,250
Total operating expenses	173,340,037	156,153,029	149,369,936
Interest expense:			
On long-term obligations	21,984,371	23,110,239	26,161,891
Charged to construction – credit	(492,506)	(411,312)	(418,078)
On short-term obligations	0	11,901	298,930
Net interest expense	21,491,865	22,710,828	26,042,743
Net operating margins	6,414,713	5,168,556	(3,467,761)
Nonoperating margins:			
Interest income	453,606	325,324	774,814
Capital credits, patronage dividends and other	722,947	679,179	897,761
Property gain (loss)	11,190	80,061	(220,964)
Assignable margins	7,602,456	6,253,120	(2,016,150)
Patronage capital at beginning of year	126,341,413	120,148,502	125,184,374
Retirement of capital credits and estate payments (note 6)	(3,193,600)	(60,209)	(3,019,722)
Patronage capital at end of year	$130,750,269	$126,341,413	$120,148,502

See accompanying notes to financial statements.

Statements of Cash Flows

Years ended December 31, 2004, 2003 and 2002

	2004	2003	2002
Operating activities:			
Assignable margins	$7,602,456	$6,253,120	$(2,016,150)
Adjustments to reconcile assignable margins to net cash provided by operating activities:			
Provision for rate refund	0	(1,400,000)	7,050,000
Depreciation and amortization	31,586,948	33,780,103	33,472,159
Capitalization of interest	(571,013)	(487,359)	(491,349)
Impairment of long-lived asset	0	1,846,816	0
Property (gains) losses, net	(11,190)	(80,061)	220,964
Write-off of deferred charges	217,665	1,088,260	0
Other	1,007	1,145	1,568
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(4,928,184)	7,598,064	(4,107,864)
Fuel cost recovery	2,032,730	(2,032,730)	3,591,963
Materials and supplies	(1,802,715)	1,858,796	(925,587)
Prepayments	652,979	494,702	(1,325,806)
Other assets	102,122	(20,468)	(1,044)
Deferred charges	(854,481)	(1,887,037)	(4,479,028)
Increase (decrease) in liabilities:			
Accounts payable	213,266	(43,068)	(3,292,931)
Provision for rate refund	(671,071)	(4,978,929)	0
Consumer deposits	112,759	8,487	222,574
Fuel cost payable	2,714,345	(363,862)	363,862
Accrued interest	35,979	(215,316)	(996,952)
Salaries, wages and benefits	644,140	(90,994)	132,775
Fuel	3,912,865	1,911,356	(4,469,715)
Other liabilities	630,640	(1,242,178)	127,782
Deferred credits	(92,314)	(210,681)	(15,887,873)
Net cash provided by operating activities	41,528,933	41,788,166	7,189,348
Investing activities:			
Extension and replacement of plant	(27,810,212)	(26,526,858)	(16,859,047)
Purchase of investments in associated organizations	(387,668)	(419,226)	(480,097)
Net cash used in investing activities	(28,197,880)	(26,946,084)	(17,339,144)
Financing activities:			
Net transfer of restricted construction funds	488,846	110,018	(80,993)
Proceeds from long-term obligations	0	0	180,000,000
Repayments of long-term obligations	(10,545,000)	(5,165,821)	(164,638,695)
Repayments of short-term borrowings	0	(6,081,250)	0
Memberships and donations received	373,821	545,316	705,061
Retirement of patronage capital	(3,193,600)	(60,209)	(3,019,722)
Net receipts (refunds) of consumer advances for construction	(1,175,202)	(289,342)	653,670
Net cash provided by (used in) financing activities	(14,051,135)	(10,941,288)	13,619,321
Net change in cash and cash equivalents	(720,082)	3,900,794	3,469,525
Cash and cash equivalents at beginning of year	$11,185,086	$7,284,292	$3,814,767
Cash and cash equivalents at end of year	$10,465,004	$11,185,086	$7,284,292
Supplemental disclosure of cash flow information			
Interest expense paid, including amounts capitalized	$21,354,036	$23,076,144	$27,039,695

See accompanying notes to financial statements.

(1) Description of Business and Significant Accounting Policies

a. 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).

b. 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.

c. 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 (SFAS) No. 71, *Accounting for the Effects of Certain Types of Regulation (SFAS 71)*.

d. 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 SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 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

	2004			2002-2003		
Steam production plant	2.55%	-	3.24%	2.55%	-	2.80%
Hydraulic production plant	1.63%	-	2.94%	0.04%	-	1.56%
Other production plant	4.10%	-	9.81%	2.67%	-	7.62%
Transmission plant	1.72%	-	5.26%	1.50%	-	4.24%
Distribution plant	2.10%	-	9.98%	2.13%	-	9.22%
General plant	2.23%	-	27.25%	2.21%	-	20.40%
Other	2.75%	-	2.75%	2.35%	-	2.75%

Chugach uses remaining life rates set forth in the most recent depreciation study. In 2003 an update of the Depreciation Study was completed utilizing Electric Plant in Service balances as of December 31, 2002. The new rates were implemented and in effect for all of 2004. The new rates are currently under review by the RCA. Management believes that any change as a result of the RCA's review will not have a material impact to the financial statements.

e. Capitalized Interest
Allowance for funds used during construction (AFUDC) and interest charged to construction - credit (IDC) are the estimated costs during the period of construction of equity and borrowed funds. Chugach capitalized such funds at the weighted average rate (adjusted monthly) of 4.6% during 2004, 4.8% during 2003 and 4.7% during 2002.

f. 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.

(1) Description of Business and Significant Accounting Policies (continued)

g. Fair Value of Financial Instruments
SFAS No. 107, *Disclosures About the Fair Value of Financial Instruments (SFAS 107)*, 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).

h. 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 133. For rate-making purposes, Chugach did not adjust rates for gains and losses prior to settlement, and the loss on settlement will be an adjustment to rates over the lives of the associated debt. This rate-making treatment was approved by the RCA in Order U-01-108(26). See note 2, "Regulatory Matters." Accordingly, the unrealized gain or loss was not recorded and was treated as a regulatory asset upon settlement (note 6).

i. 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.

j. 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.

k. Materials and Supplies
Materials and supplies are stated at average cost.

l. 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 requires that 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.

m. 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. The Board of Directors may also return capital credits to former members and estates who request early retirements at discounted rates under a discounted capital credits retirement plan authorized by the Board in September 2002.

n. 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, as well as purchased power costs.

o. Fuel and Purchased Power Costs
The expenses associated with electric services include fuel used to generate electricity and power purchased from others. These costs are expensed as used or purchased. 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 over-recovered by $2.7 million in 2004 and under-recovered by $2.0 million in 2003. Total fuel and purchased power costs in 2004 and 2003 were approximately $85 million and $67 million, respectively.

(1) Description of Business and Significant Accounting Policies (continued)

p. 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.

q. 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, 2004, 2003 and 2002, Chugach received no unrelated business income.

r. Reclassifications
Certain reclassifications, which have no affect on assignable margins, have been made to the 2002 and 2003 financial statements to conform to the 2004 presentation.

s. New Accounting Pronouncements
In May 2003, the Financial Accounting Standards Board (FASB) issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150)*. 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 implemented SFAS 150 effective January 1, 2004. The impact of this statement on its financial statements was immaterial.

(2) Regulatory Matters

Docket U-01-108
Chugach filed a general rate case on July 10, 2001, based on the 2000 test year and subsequently implemented interim and refundable rate increases as approved by the RCA. 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%. Three wholesale customers and the Public Advocacy staff of the RCA participated in the rate case.

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 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, Chugach's motion for stay. Chugach filed the Petition for Reconsideration with the RCA on February 28, 2003.

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. This order increased Chugach's revenue requirement by $3.1 million and adjusted the required refund from $7.1 million to $1.9 million.

Order No. 33
On August 26, 2003, the RCA issued Order No. 33 and accepted Chugach's April 28, 2003, compliance filing subject to reducing long-term interest expense by $1.2 million associated with AFUDC/IDC. In Order No. 33, the RCA re-reversed its earlier decision regarding the treatment of AFUDC/IDC.

Order No. 36
Effective November 7, 2003, the RCA approved Chugach's 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.

(2) Regulatory Matters (continued)

Appeal of RCA Orders
Chugach filed a timely appeal of RCA Orders Nos. 26, 30 and 33 to the Alaska Superior Court. In its Appellant's brief dated February 18, 2004, Chugach asserted that the RCA's orders contained three errors:

- The split TIER decision unduly discriminates against retail customers;
- Interest expense was allocated on the basis of plant associated with G&T and Distribution rather than on the basis of debt associated with each function; and
- Chugach is entitled to include all of its interest expense in rates and the RCA's offset for Interest During Construction (IDC) was not justified because nearly all of the plant that produced the IDC was in service by the time the new rate went into effect.

The resolution of the first two issues would not have changed the total amount Chugach could have recovered through rates. If Chugach had prevailed on the last issue, it would have been authorized to recover approximately $1,000,000 more each year in rates.

One of Chugach's wholesale customers, MEA, also appealed the RCA's orders. In its Appellant's brief, MEA argued that the RCA's decision to normalize Chugach's variable rate debt at 3.8 percent and to authorize the corresponding interest expense constitutes error based on the historical rates prevailing for Chugach's variable rate debt. If MEA had prevailed on its argument, Chugach's authorized rates would have been reduced by approximately $1,000,000 each year.

After oral argument on October 8, 2004, the Alaska Superior Court upheld all decisions of the RCA.

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. Between March 19 and April 19, 2004, Chugach issued refunds totaling $0.6 million to its Small General Service class for customer bills rendered between January 31 and November 10, 2003.

(3) Utility Plant

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

	2004	2003
Electric plant in service:		
Steam production plant	$60,462,671	$60,392,869
Hydraulic production plant	18,180,685	17,990,505
Other production plant	132,449,993	109,737,781
Transmission plant	222,338,304	215,716,581
Distribution plant	213,119,035	202,573,670
General plant	53,636,315	54,871,238
Unclassified electric plant in service*	39,575,890	77,256,535
Other	8,721,634	8,539,193
Total electric plant in service	748,484,527	747,078,372
Construction work in progress	25,278,388	16,560,438
Total electric plant in service and construction work in progress	$773,762,915	$763,638,810

* 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:

	2004	2003
National Rural Utilities Cooperative Finance Corporation (NRUCFC)	$6,095,980	$6,095,980
National Bank for Cooperatives (CoBank)	5,513,192	5,125,524
NRUCFC capital term certificates	42,662	43,647
Other	116,623	116,645
	$11,768,457	$11,381,796

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:

	2004	2003
Debt issuance and reacquisition costs	$10,981,260	$12,569,713
Refurbishment of transmission equipment	216,050	225,309
Computer software and conversion	740,771	516,249
Studies (note 14)	4,646,181	2,942,082
Business venture studies	172,578	172,216
Fuel supply negotiations	256,030	278,745
Major overhaul of steam generating unit	1,895,329	2,287,466
Environmental matters and other	74,304	88,071
Other regulatory deferred charges	1,568,380	1,613,731
	$20,550,883	$20,693,581

At December 31, 2004 and 2003, $5.6 million and $3.6 million, respectively, of total deferred charges represent regulatory assets in progress and are not currently being amortized. The majority of these charges represent costs associated with the Cooper Lake Power Plant FERC re-licensing effort.

(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 $117,979,257 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 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)

In November 2004, the Board of Directors authorized the retirement of $3,126,560 of retail patronage for 1985 and 1986.

In December 2004, the Board of Directors authorized $125,000 for capital credits payments to those former members and estates who have requested early retirements at discounted rates under the discounted capital credits retirement plan authorized by the Board in September 2002.

Estate payments in the amount of $121,629, $60,209 and $250,154 were made in 2004, 2003 and 2002, respectively.

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

Year ending December 31	Total
2005	$ 3,000,000
2006	$ 3,500,000
2007	$ 5,500,000
2008	$ 5,000,000
2009	$ 5,500,000

(7) Other Equities

A summary of other equities at December 31 follows:

	2004	2003
Nonoperating margins, prior to 1967	$23,625	$23,625
Donated capital	249,624	183,633
Unclaimed capital credit retirement	6,772,743	6,511,633
	$7,045,992	$6,718,891

(8) Debt

Long-term obligations at December 31 are as follows:

	2004	2003
CoBank 7.76% note maturing in 2005, with interest payable monthly	$10,000,000	$10,000,000
CoBank 3.81% note maturing in 2022, with interest payable monthly and principal due annually beginning in 2003	43,189,179	44,134,179
CoBank 3.81% note, with principal due in 2007, and with interest payable monthly	5,000,000	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 A Bond of 6.20%, maturing in 2012, with interest payable semi-annually February 1 and August 1:	120,000,000	120,000,000
2002 Series B Bond of a rate set for 28-day auction periods, maturing in 2012, with interest payable monthly and principal due annually	51,100,000	55,700,000
Total long-term obligations	379,289,179	389,834,179
Less current installments	15,931,393	5,545,000
Long-term obligations, excluding current installments	$363,357,786	$384,289,179

(8) Debt (continued)

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 under "Covenants" above, 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, 2004, Chugach was in compliance with all covenants described above.

Maturities of Long-term Obligations

Long-term obligations at December 31, 2004, 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 Promissory Notes	Total
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
2009	0	0	6,300,000	1,463,358	7,763,358
Thereafter	150,000,000	120,000,000	23,300,000	36,999,447	330,299,447
	$150,000,000	$120,000,000	$51,100,000	$58,189,179	$379,289,179

Short-term Obligations

Chugach had an annual line of credit of $20,000,000 available at December 31, 2004 and 2003, with CoBank. The CoBank line of credit expires April 30, 2005. Chugach anticipates renewing the CoBank line of credit for 2005. Chugach did not utilize this line of credit in 2004. At December 31, 2004 and 2003, there was no outstanding balance on this line of credit. In addition, Chugach had an annual line of credit of $50,000,000 available at December 31, 2004 and 2003, with NRUCFC. Chugach did not utilize this line of credit in 2004. At December 31, 2004 and 2003, 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.

(8) Debt (continued)

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.

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:

	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term obligations (including current installments)	$379,289	$408,791	$389,834	$418,424

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:

	2004	2003
Refundable consumer advances for construction	$1,353,069	$2,528,271
Estimated initial installation costs for transformers and meters	387,336	369,153
Post retirement benefit obligation	480,900	405,700
Other	224,744	410,441
	$2,446,049	$3,713,565

(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 $2,565,000 in 2004, $2,529,000 in 2003 and $2,253,000 in 2002. In 2004, 2003 and 2002, Chugach contributed $1,638,000, $1,492,000 and $1,401,000, 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 $41,000,000. Under a worst-case scenario, Chugach could be faced with annual expenditures of approximately $4.7 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%.

(12) Bradley Lake Hydroelectric Project (contined)

The following represents information with respect to Bradley Lake at June 30, 2004 (the most recent date for which information is available). Chugach's share of expenses was $4,205,657 in 2004, $4,212,072 in 2003 and $4,343,562 in 2002 and is included in purchased power in the accompanying financial statements.

(In thousands)	Total	Proportionate Share
Plant in service	$ 308,966	$ 93,926
Accumulated depreciation	(88,385)	(26,869)
Interest expense	8,782	2,670

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 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. The committed volumes for the 2015 contract should be used by early 2011. The currently priced volumes for the 2025 contract should also be used by early 2011, however, there is an additional 120 BCF reserved if satisfactory term and conditions can be negotiated.

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 $62.0 million or 31.2% of operating revenues in 2004, $55.8 million or 30.8% in 2003 and $57.0 million or 33.7% in 2002. These contracts will expire in 2014.

Fuel is purchased directly from Marathon Oil Company, ChevronTexaco, ML&P and ConocoPhillips. The following represents the cost of fuel purchased from these vendors as a percentage of total fuel costs for the years ended December 31:

	2004	2003	2002
Marathon Oil Company	48.8%	47.4%	45.6%
Chevron Texaco	19.5%	20.0%	20.6%
ML&P	15.8%	16.2%	16.6%
ConocoPhillips	15.8%	16.2%	16.6%

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. In an 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. The costs of PCB sampling and analysis in Kenai Lake were accounted for as an expense.

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

(14) Commitments, Contingencies and Concentrations (continued)

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. All of MEA's claims were dismissed by the Superior Court. 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 jurisdictional and res judicata grounds.

The Alaska Supreme Court, on October 8, 2004, ruled in Chugach's favor supporting its right under the power sales agreement to file for interim rate relief without first going to the Joint Committee. The Supreme Court ruled against Chugach by overturning the Superior Court's decision that dismissed MEA's claim asking for review of Chugach's management of use of rate locks instead of defeasing debt based on the Prudent Utility Practice standard under our power sales agreement. The Supreme Court remanded this issue to the Superior Court.

On January 24, 2005, Chugach filed a summary judgment motion based on Chugach's claim that in the 2000 Test Year rate case the RCA has already decided the underlying issues relating to the prudency of Chugach's use of rate locks instead of defeasing debt. This motion is pending. Management is uncertain of the outcome of the proceeding before the Superior Court.

Matanuska Electric Association, Inc. v. Chugach Electric Association, Inc. Superior Court Case No. 3AN-04-11776 Civil

On October 12, 2004, MEA filed suit in Superior Court alleging a breach of the power sales agreement between the parties and violation of Chugach's bylaws in connection with allocation of margins (capital credits) to MEA for the years 1998 through 2003. Allocation of capital credits assigns a share of the margins earned in a particular year to each customer. Capital credits are repatriated to customers at the discretion of the board of directors typically many years after the margins are earned.

The suit seeks a declaration by the Court that Chugach is in breach of its bylaws and the power sales agreement based on its allocation of capital credits to MEA as well as injunctive relief requiring Chugach to calculate MEA's capital credit allocations based on MEA's patronage and in accordance with generally accepted accounting practices for nonprofit cooperatives and cooperative principles. The suit also seeks damages in an unspecified amount to compensate MEA for the alleged breach of contract.

Management intends to vigorously defend against the claim. Management is uncertain of the outcome of the suit.

Other

Chugach received a demand letter from a third party offering a license to a patent and implying that the patent may be infringed by certain services provided by Chugach. The patent purportedly relates to intellectual property rights over a system for automated electronic bill presentment and payment. As of this date, no legal proceedings have been instituted against us, but if the third party's patents are valid, enforceable and apply to our business, we could be required to seek a license, discontinue certain activities or be subject to a claim for past infringement. We are currently considering this matter, but lack sufficient information to assess the potential outcome at this time.

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 $.000397, effective October 1, 2004.

(15) Quarterly Results of Operations (unaudited)

	2004 Quarter Ended			
	Dec. 31	Sept. 30	June 30	March 31
Operating Revenue	$55,221,563	$47,991,700	$46,388,411	$51,644,941
Operating Expense	46,010,061	43,778,224	41,441,061	42,110,691
Net Interest	5,512,148	5,373,404	5,254,092	5,352,221
Net Operating Margins	3,699,354	(1,159,928)	(306,742)	4,182,029
Non-Operating Margins	805,322	145,698	122,788	113,935
Assignable Margins	$4,504,676	$(1,014,230)	$(183,954)	$4,295,964

	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	44,326,751	38,351,606	38,320,588	35,154,084
Net Interest	5,321,421	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	91,100	225,917
Assignable Margins	$1,906,714	$(2,769,832)	$(2,409,986)	$9,526,224

*The increase to operating revenue described in note 2 "Regulatory Matters" was recorded in the 2003 quarter ended March 31.

Community Involvement

Chugach and its employees are committed to being involved in the community through donating and by volunteering. Some of the organizations Chugach and its employees have had the opportunity to work with in 2004 include:

Alano Club
Alaska Mountain Rescue Group
Alaska Public Radio Network
Alaska Science & Engineering Fair
Alaska Teaching Justice Network
American Red Cross
Anchorage Diabetes Association
Anchorage Literacy Project
Anchorage Symphony
Anchorage Rescue Mission
Anchorage Waterways Council
Anchorage Youth Court
Arc of Anchorage
AWAIC
Bean's Café
Booth Memorial Home
Boy Scouts of America, Western Alaska
Brother Francis Shelter
Chamber of Commerce
Charlie Elder House
Clare House
Covenant House
Crime Stoppers of Anchorage
Cystic Fibrosis Foundation
Easter Seals of Alaska
Food Bank of Alaska
Food Kitchen
Friends of the Library
Girl Scouts Susitna Council
Healing Racism in Anchorage
Homeless Veterans Services
Hope Community Resources
Hospice of Anchorage
Imaginarium
Junior Achievement
Kiana House
Kids' Café
Kids' Shoebox Drive
Lutheran Social Services
Mabel T. Caverly Senior Center
Mother Lawrence Foundation
National Multiple Sclerosis Society
National Senior Service Corps.
PARENTS
Partners in Justice
Programs for Infants and Children
Quyana House
Safe Harbor Inn
Salvation Army
Special Olympics Alaska
St. Francis House
UAA Theatre for Young People
United Way
Veterans of Foreign Wars
Whittier Chamber of Commerce

Chugach and its employees are committed to their community. Chugach donated more than 400 turkeys during the holidays to organizations that included Bean's Café, Clare House and Homeless Veterans Services. Couriers Chad Wikheim and Jerry Helton are shown delivering turkeys to Bean's Café.

Chugach employees gathered 600 pounds of items in four-and-a-half days in a "Support our Troops" drive in December. Sherry Blackard, Monica Lewis, Gloria Hodge and Peggy Gold, along with Marine Sgt. Ryan Thompson helped coordinate the effort to give some troops in Iraq a taste of home.

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Chugach power flows to nearly three-fourths of Alaska's population. Chugach serves more than 77,500 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 530.10 megawatts of installed generation capacity at five power plants. Chugach operates 2,047 miles of energized line, made up of 402 miles of transmission line, 926 miles of overhead distribution line and 719 miles of underground distribution line.

Chugach's 2004 system peak load of 446 megawatts occurred between 5 and 6 p.m. on Jan. 19. Power sales for the year totaled 2.6 billion kilowatt-hours. Chugach finished 2004 with total revenues and non-operating margins of $202.4 million, expenses of $194.8 million and margins of $7.6 million.