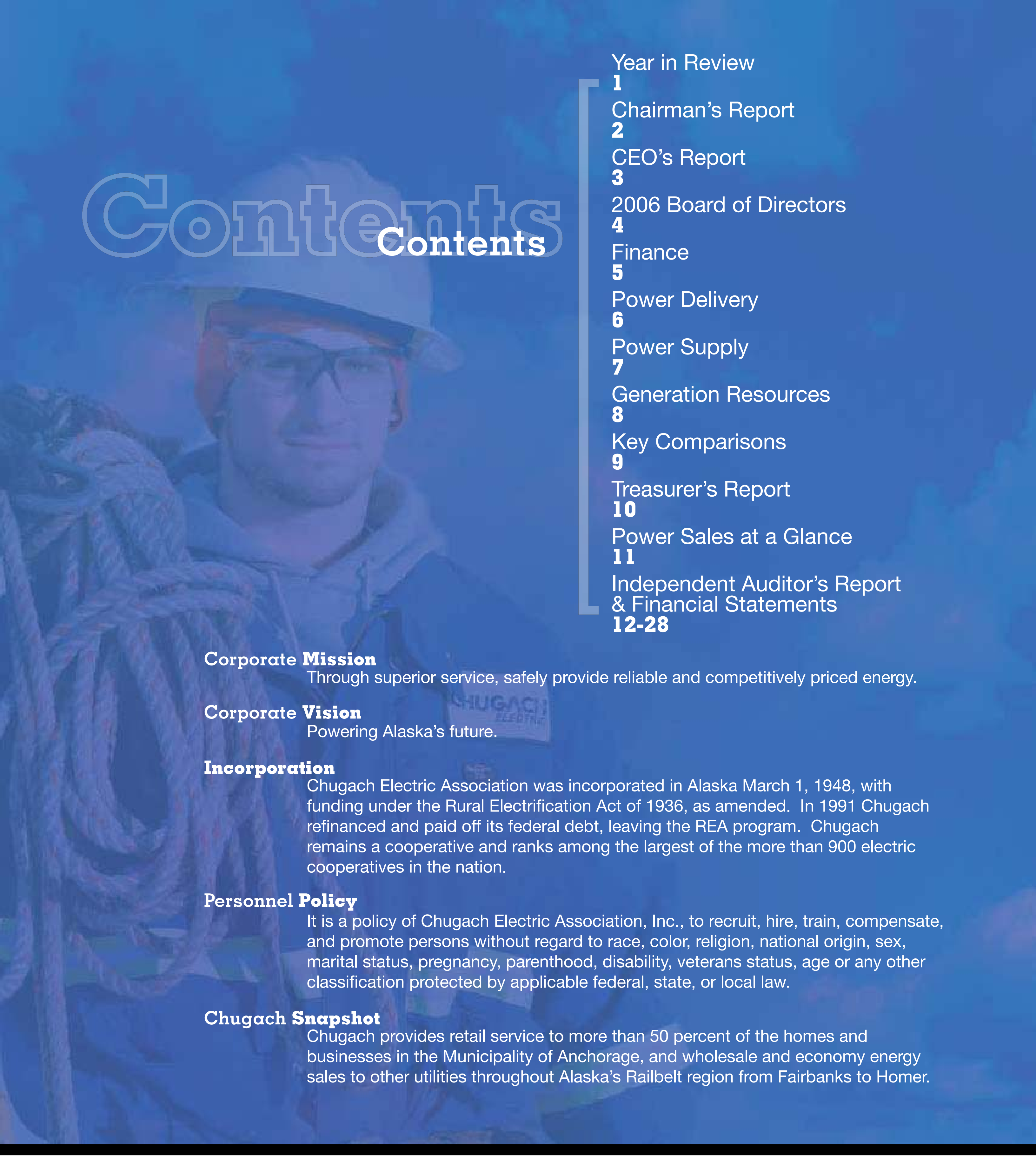
Chugach Electric Association

ANNUAL REPORT

2006



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 more than 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 sales to other utilities throughout Alaska's Railbelt region from Fairbanks to Homer.

2006 Year in **Review**

In 2006, Chugach saw rising fuel costs. To meet its firm load requirements, Chugach spent $33 million more for natural gas in 2006 than it did in 2005. The gas bill for these sales totaled more than $108 million – a dramatic increase from the nearly $75 million Chugach paid in 2005. While a modest load growth of slightly less than 1 percent accounted for a small part of the increase, most of it was due to increases in the price of fuel. As a result, the monthly bill for a residential customer using 700 kilowatt-hours of service increased $12 between December 2005 and December 2006.

Early in the year Chugach began a long-discussed project to add a new 34.5-kilovolt subtransmission circuit between its Baxter Lake Substation and the APA Substation in East Anchorage. The new circuit was constructed along Northern Lights Boulevard within the right of way of a jointly-owned 115-kv transmission line. As a condition of the agreement to use the right of way, Chugach rebuilt and double-circuited approximately 1.5 miles of the line.

In April, Chugach filed a contract with the Regulatory Commission of Alaska it had negotiated with the City of Seward. The new agreement is a 5-year contract, with the option of two automatic 5-year extensions. It moves Seward from an interruptible service arrangement to firm service without reserves, which means that Chugach is under no obligation to supply or plan for generation capacity reserves.

Chugach held its 2006 Annual Membership Meeting on April 27. Two hundred eighty-two members registered for the event. More than 22 percent of the 63,639 members of record voted in the election. Jeff Lipscomb and Jim Nordlund were elected to 3-year terms on the board of directors. Members approved a proposed bylaw amendment to reinstate term limits for directors.

In May, Beluga Power Plant crews completed a generator inspection on Beluga Unit No. 5. The unit had logged more than 195,000 hours of service since it was commissioned in 1975.

Also in May, the legislature approved funding for $73.5 million in power projects from the Railbelt Energy Fund. However, in June Gov. Frank Murkowski vetoed the appropriations, including $12.5 million for Chugach intended for infrastructure.

By July, Chugach had its new South Anchorage Substation fully energized and loaded. A transmission line project in coming years will link the substation with Chugach's University Substation. Linking Chugach's three Anchorage Bowl transmission substations will significantly improve the regional transmission system.

In August, the board named Bill Stewart as Chugach's Chief Executive Officer, following a nationwide search. Stewart, a 37-year veteran of Chugach, had served as Interim CEO since Joe Griffith stepped down from the position in 2005.

Also in August, Chugach began a number of overhead-to-underground power line conversion projects in the Anchorage area. 2006 projects included work in Rabbit Creek Park, Turpin Park and near the Flying Crown airstrip. The work is funded by a special charge paid by customers in the Municipality of Anchorage.

In addition, Susitna River floodwaters undercut foundations and dropped two 230-kv transmission line towers into the river at Dynamite Slough. Chugach moved a tower on a third transmission line as heavy persistent rains flooded vast areas of lowlands where the three towers once stood. The towers held lines carrying power from Chugach's Beluga Power Plant to the Point MacKenzie Substation. The flooding was declared a disaster and Chugach filed a claim for damages with the Federal Emergency Management Agency.

In September, the board approved filing paperwork asking the RCA to adjust rates for its generation & transmission and distribution functions. If Chugach is successful, bills paid by retail customers will go down even though the rate they and other customers pay for G&T costs will go up. The case is expected to be processed throughout 2007 with no rate changes anticipated before 2008.

Chugach broke ground for the new Postmark Substation near the Ted Stevens Anchorage International Airport in October.

In November, the board appointed 25 members to its Renewable Energy Committee. The committee will work with Chugach staff to recommend how renewable energy should be treated in the 2007 Generation Plan.

Also in November, the board approved a $4.3 million general retail capital credits retirement for members of record in 1987 and 1988. Another $500,000 was paid throughout the year in discounted payments.

A series of storms in December caused repeated outages for the communities of Hope and Sunrise. Chugach was able to take the communities off generators and restore them to the Chugach system by the end of January.

In late December, after several months of negotiations on three labor contracts that expired July 1, the board approved a 4-year labor contract with one of its bargaining groups. The "Outside Agreement" primarily covers journeyman linemen and is one of three agreements Chugach has for workers represented by Local 1547 of the International Brotherhood of Electrical Workers. Work continued at year-end on the other two agreements.

Chairman's **Report**

Jeff Lipscomb
CHAIRMAN

Let me begin by saying, you can be proud of your electric cooperative! The board of directors, management staff and employees all take pride in the open and transparent operation of your cooperative. We received another unqualified audit from our independent auditor in 2006. When you consider the assets of Chugach, our revenues, generation and number of employees, Chugach's operations continue to be the most efficient in the Railbelt. In fact, last summer Chugach filed a rate case with the Regulatory Commission of Alaska to better recover the cost of generation and transmission of energy. If the RCA concurs, you will see a reduction in your base rates.

Labor is approximately 16 percent of the 2007 total operating and maintenance expense budget while fuel is approximately 59 percent of it. Fuel is the single biggest issue facing Chugach. It is the primary reason for the difference in retail rates between Anchorage Municipal Light & Power and Chugach.

Ninety percent of the power Chugach sold in 2006 was made by burning natural gas in our turbine generators. The other 10 percent of our kilowatt-hours came from hydroelectric resources. While that makes Chugach an extremely clean generating utility, it also means we are subject to factors that – especially in recent years – have pushed up the price of natural gas.

In 2006, Chugach paid a fuel bill for firm load requirements that was more than $33 million higher than in 2005. Our annual fuel bill for those sales rose to more than $108 million with another $12 million spent for natural gas for economy energy sales. Fuel is easily the single largest expense of the cooperative.

The average unit price of natural gas paid by Chugach has doubled in the last three years, from approximately $2.50 per Mcf (thousand cubic feet) in 2003 to around $5.00 by the end of 2006. We are well aware that the rising price of fuel has affected our members.

Despite the increases, natural gas will remain our primary fuel for the foreseeable future, and we are working to secure new long-term supplies. Fuel for the future may come from different sources, including a pipeline from the North Slope or imports of LNG, but probably the best options for natural gas in the near term will come from suppliers right here in the Cook Inlet Basin.

Chugach buys gas from four separate suppliers under four different contracts. Each was signed in the late 1980s and each is for a volume of gas and not a finite period of time. Therefore, the duration of a contract depends upon the rate of consumption. Our contracts provide for an additional 120 billion cubic feet of gas from the Beluga Producers (40 Bcf each from ConocoPhillips, Chevron and Anchorage Municipal Light & Power) – and we are negotiating on the price. Our fourth contract is with Marathon Oil, from which we are also seeking additional gas.

Throughout 2006 we met with gas suppliers and worked on negotiating new fuel contracts. That work will continue in 2007. We anticipate agreements that will provide gas for at least another 10 years.

We will not ignore other generation options. We took a hard look at the idea of constructing a coal-fired plant but the capital cost and mercury emissions limitations make it costly and unattractive. Renewable energy projects are viewed favorably and we continue to move forward with our investigation of the possibility of a wind farm on Fire Island. Just recently, we were in Juneau presenting a list of projects, including the Fire Island project, for funding support from the previously appropriated Railbelt Energy Fund.

Our mission is "through superior service, safely provide reliable and competitively priced energy" to our members and customers. You can remain assured of our commitment to that mission and I encourage your participation in your cooperative. Check out our website for more information and please contact me with any concerns, comments or questions.

CEO's **Report**

Bill Stewart
CEO

Continued high reliability, fair rates and new labor agreements were three of the key operational issues we addressed in 2006. Negotiating for future gas supplies was also a high priority.

Members have repeatedly made it clear that reliability should be our number one priority. Chugach has worked hard throughout the years to meet the expectations of our customers, and I'm very proud of the 99.97 percent reliability statistic we achieved in 2006. That means power was available for the average customer about 8,757 of the 8,760 hours in 2006.

High reliability statistics don't just happen. They are the result of thoughtful analysis, planning and projects that are executed by smart and talented employees. In addition, there must be a commitment from the board of directors to fund the budget that is necessary to ensure a dependable flow of electricity from power plants to customers.

Second to reliability in the members' mind is the price they pay for electricity. In 2006, Chugach filed with the Regulatory Commission of Alaska to adjust its rates to ensure that they fairly recover the cost of business from each of its two key activities. Chugach is both a generation & transmission utility and a distribution utility. As a G&T, Chugach makes and moves wholesale power to utilities that distribute it to their retail customers. The utilities that take power at the wholesale level include Matanuska Electric Association, Homer Electric Association, the City of Seward and Chugach's own retail distribution function. Repeated analyses of Chugach's finances showed that G&T rates were not fairly recovering the costs of conducting that business, while Chugach retail rates were unfairly recovering too much revenue from distribution customers to make up the difference.

If the RCA agrees, the portion of the bill that covers G&T will go up, but overall retail bills will go down about 2 percent for the average customer. This will be an important issue to watch as the case progresses in 2007.

As a highly technical business, Chugach cannot successfully meet the needs of its members without a trained and dedicated work force. Approximately two-thirds of Chugach employees are represented – most by three separate labor agreements between Chugach and the International Brotherhood of Electrical Workers Local 1547. All three IBEW contracts expired on July 1, 2006. Months of negotiations led both sides to approve the first of the new agreements late in the year, and significant progress was being made on the other two. Chugach is well on its way to achieving its goal of holding the overall cost of the contracts in line with national averages.

Chugach's existing gas supply contracts are expected to last through early 2011. Chugach is currently negotiating natural gas prices for gas volumes that were committed when contracts were approved in 1990. Chugach has 120 billion cubic feet of gas that is committed but not priced. This gas supply will meet Chugach's needs through approximately 2018, based on current projections. In addition to committed volumes, Chugach is seeking additional supplies to supplement our needs until new gas resources, new technologies or other fuel supplies are discovered.

Throughout the year Chugach continued to meet the current needs of members while planning for their future.

From left: Lee Thibert, Senior Vice President Power Delivery & Chief of Staff; Brad Evans, Senior Vice President Power Supply; General Counsel Carol Johnson; Dave Smith, Director Information Services; Mike Cunningham, Senior Vice President Finance & CFO; Mary Tesch, Vice President Human Resources; Bill Stewart, CEO, seated.

2006 Board of **Directors**

Jeff Lipscomb

CHAIRMAN

Jeff Lipscomb is a project management consultant with JWL Engineering. He was elected to the board in 2000 and re-elected in 2003 and 2006. Lipscomb chairs the board's Operations committee. He also serves on Northwest Public Power Association's board of trustees and chairs its Audit committee.

Alan Christopherson

DIRECTOR

Alan Christopherson P.E., is a principal civil engineer and treasurer with PND Engineers, Inc. (PND). He was elected to the Chugach board in 2005 and currently serves on the Operations committee and chaired the 2006 Joint Rates committee. He served as board chairman in 2005.

Bruce Davison

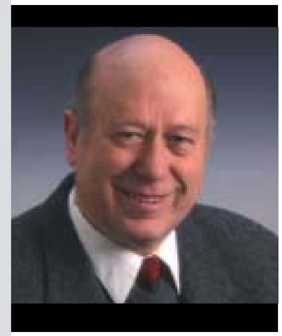
VICE CHAIRMAN

Bruce 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 serves on the board's Operations, Finance, and Audit committees.

Uwe Kalenka

DIRECTOR

Uwe Kalenka is a self-employed property manager. He was elected to the board in 2005 and serves on the board's Finance committee.



Jim Nordlund

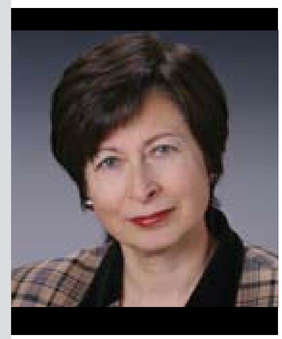
SECRETARY

Jim Nordlund is a self-employed homebuilder and general contractor with Nordlund Carpentry. He was elected to the board in 2006. Nordlund is a former legislator and state director of public assistance. He currently serves on the board's Operations and Finance committees.

Elizabeth Vazquez

DIRECTOR

Elizabeth Vazquez is an attorney with the State of Alaska. She was elected to the board in 2005 and serves on the board's Finance and Audit committees.



Dave Cottrell

TREASURER

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 Finance and Audit committees.

Finance

Finance is responsible for Chugach's Accounting & Finance, Administrative Services, Budget & Financial Analysis, Environmental Engineering, Member Services and Regulatory Affairs & Pricing functions.

On the financial side of the division, in 2006 Chugach updated its bond rating agencies – Moody's, Fitch and Standard & Poor's – on its operations and future plans. In addition, Chugach completed documentation and an initial gap analysis for Sarbanes-Oxley, Section 404, internal controls effectiveness and compliance. Finance also prepared supporting documentation for the Federal Emergency Management Agency concerning damage claims to facilities during storms and heavy flooding on the Susitna River in August.

In September, the board approved filing a 2005 test year rate case with the Regulatory Commission of Alaska in an attempt to better balance the margins earned from its different business activities. If approved by the RCA, the utility would have rates that recover costs and earn appropriate margins from both the generation & transmission and distribution functions. Those rates would decrease Chugach retail customer's bills.

Chugach and the Anchorage School District reached an agreement that allows the District to use a portion of Chugach's distribution system to move power in certain types of outages.

Chugach strives to read meters in a timely manner. In 2006, 99 percent of Chugach's retail meters were read within an interval of 29 – 32 days. Only 0.2 percent of the bills issued were estimated meter reads.

Uncollectible electric account write-offs – also known as bad debts – were limited to 0.16 percent of retail revenue. Chugach aggressively pursues the collection of bad debts in-house, as well as through a collection agency. Chugach benchmarks, or compares, itself to other electric utilities in the industry. The average account write-off benchmark for the comparison group was 0.38 percent.

A Chugach contractor performed emissions testing on Chugach's International Unit Nos. 2 and 3 in June as part of a feasibility study focused on the possibility of building a new power plant near Chugach's headquarters facility.

Chugach mailed checks or gave credits to current and former members of record in 1987 and 1988 as part of a $4.3 million general retail capital credit retirement at the end of the year.

Power **Delivery**

Power Delivery is responsible for delivering safe, reliable power through its Operations, Engineering and Technical Services functions.

In 2006, the National Arbor Day Foundation and National Association of State Foresters recognized Chugach as a Tree Line USA Utility. It was the eighth consecutive year Chugach had been honored for its vegetation management program.

Technology using high-resolution photography and searchable databases is allowing Chugach to better troubleshoot and maintain hundreds of miles of transmission line. Chugach contracted for a photographic record of more than 2,000 transmission line structures in July and August. By identifying issues early, crews can do the maintenance work necessary to help prevent disruptions of service.

In August, a flooding Susitna River toppled two 70-foot aluminum towers holding 230,000-volt transmission lines after undercutting their foundations at Dynamite Slough. Chugach made necessary repairs and then moved a threatened third tower that supported a nearby 138,000-volt line. The towers had stood on dry land a safe distance from the bank until a series of storms in the Susitna Valley caused the river to rise dramatically. Chugach will replace the towers in early 2007.

Chugach commissioned and energized the new South Anchorage Substation located off 94th Avenue near the Old Seward Highway in 2006. The substation is linked to Chugach's International Substation through a new 138-kilovolt circuit. Chugach expects to complete a transmission line project in the coming years that will link the South Anchorage Substation with the University Substation, completing a loop of the three Anchorage Bowl transmission substations.

In the fall, a Chugach contractor broke ground on the $6 million Postmark Substation located on airport property off Northern Lights Boulevard, west of Postmark Drive. When completed in 2007, the substation will primarily serve the growing demand for power at Ted Stevens Anchorage International Airport. An associated $3 million project in 2008 will link the substation with Chugach's Airport, Turnagain and Woodland Park substations and allow Chugach to reliably meet the electrical load requirements at the airport and in the surrounding areas.

In December, a series of storms caused repeated line outages between the Hope Substation and the community of Hope 17 miles away. Chugach moved a generator into Hope in mid-December and a second to Sunrise in early January to provide power to customers while crews worked to repair the damaged lines.

Chugach continued to partner with the Anchorage Fire Department that paid for the removal of 1,481 danger trees outside Chugach rights of way on the Anchorage Hillside and south to Girdwood. Chugach also cut an additional 8,450 trees through its own danger tree removal program. The trees are mostly spruce that have been killed by the bark beetle infestation in recent years.

New residential service installations totaled 1,141 in 2006, down from 1,534 in 2005. Chugach's in-house service crew completed 1,046 installations, with the balance completed by Chugach contractors. The average installation time for our in-house crew was 3.37 days, well below the 5-day customer service goal. The average cost of an installed residential service came in at $558 in 2006.

Chugach moved a third tower to safety in September after floodwaters on the Susitna River in August dropped two transmission line towers into the river at Dynamite Slough. Six new structures designed to withstand future floods and shifting river channels were installed in early 2007.

Power **Supply**

Power supply is responsible for operating and maintaining Chugach's power plants, its power control center, SCADA and communication infrastructure.

The Beluga Power Plant – Chugach's largest generation facility – continued to meet the growing demand for power. Energy production increased from 2,231,299 megawatt-hours in 2005 to 2,299,214 Mwhs in 2006.

Beluga Unit Nos. 5 and 7, commissioned in 1975 and 1978 respectively, each achieved the significant milestone of 200,000 fired hours in December. Beluga Unit Nos. 3, 5, 6 and 7 have all now exceeded what is equivalent to nearly 23 years of continuous operation.

The Beluga generation units were mostly installed in the 60s and 70s. Chugach performs extensive maintenance to keep them in service. Crews performed a "C" inspection on Unit No. 6, completely disassembling, inspecting, and reassembling the gas turbine. Many large and expensive components were replaced, mostly combustion parts and turbine blades. The project was completed in a record time of 52 days, achieving about $1 million in fuel savings and an additional $1.4 million in reduced capital costs due to the unit being put back into service 30 days sooner than expected. Several factors contributed to this achievement, including a coordinated effort resulting in improved project planning, tracking and a significant pre-outage effort.

Chugach crews also performed annual turbine inspections on Beluga Unit Nos. 1, 2, 3, 5 and 7. An inspection of the Unit No. 5 generator was done during its scheduled outage.

The Generation Engineering and Beluga Plant staff completed a multi-year effort to upgrade the Beluga Plant's electrical distribution system. The project included installing new circuit breakers, distribution panels, and electrical disconnects and switches that will increase the reliability and safety of the system.

Generation Engineering updated Beluga Unit No. 8's boiler lifetime assessment. The data supports the prior year's conclusions that a major investment is required to keep the two boilers operating reliably past 2014. When the unit was installed in 1981, the boilers were designed for 25 years of life. The study was undertaken to determine where degradation has taken place, confirm the boilers can still be run safely, and anticipate what expenses might be required to keep them running into the future. Beluga Unit No. 8 is a steam unit that operates from the 950-degree exhaust from Unit Nos. 6 and 7.

Chugach retained a firm to perform an assessment of the Beluga Power Plant in an effort to improve security measures already in place. The assessment led to improvements in site security and also generated a plan for enhancements to be completed in 2007, including security upgrades at other Chugach facilities. In addition, the review led to discussions regarding a consolidated security effort at Beluga with ConocoPhillips.

Generation Engineering completed an extensive conceptual plan for future new generation in the Anchorage area. This plan details work required to build a plant, including layouts, schedule, equipment and costs.

Chugach continued studying the possibility of wind generation on Fire Island. Most of the year was spent studying the impact on FAA systems near the Ted Stevens Anchorage International Airport.

Working together, Chugach, Anchorage Municipal Light & Power and Golden Valley Electric Association in Fairbanks jointly purchased a "black start" simulator. The simulator allows the utilities to practice system collapses simultaneously over the Internet, including outages and restoration. Test runs went extremely well and full implementation is expected by the end of February 2007.

Chugach and Anchorage Municipal Light & Power completed a joint project to install a back up control center. The center can be used by either utility to provide continued system monitoring and control in the event its normal power control center is not available.

Chugach completed a generator inspection on Beluga Unit No. 5 in May.

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. In 2006, 90 percent of the kilowatt-hours Chugach sold came from natural gas units and the other 10 percent from hydroelectric resources.

International

Located off International Airport Road in Anchorage; units are 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

Beluga

Located on the west side of Cook Inlet near Tyonek, combustion turbines; unit Nos. 1-3 and 5-7 are 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; units are 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; units are 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

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 percent, an 11.7 megawatt 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

2004	77,520
2005	78,856
2006	79,736

Economy Energy KWH

2004	206.8 MILLION kwh
2005	294.1 MILLION kwh
2006	263.0 MILLION kwh

Kilowatt-Hours Sold

2004	2.63 BILLION kwh
2005	2.76 BILLION kwh
2006	2.75 BILLION kwh

Total Revenue/Non-Operating Margins

2004	$202.4 MILLION
2005	$226.9 MILLION
2006	$269.0 MILLION

Retail KWH

2004	1.22 BILLION kwh
2005	1.22 BILLION kwh
2006	1.23 BILLION kwh

Expenses

2004	$194.8 MILLION
2005	$217.4 MILLION
2006	$258.9 MILLION

Wholesale KWH

2004	1.20 BILLION kwh
2005	1.25 BILLION kwh
2006	1.26 BILLION kwh

Margins

2004	$7.6 MILLION
2005	$9.5 MILLION
2006	$10.0 MILLION

Cost Per Residential KWH in December

(NOT INCLUDING THE CUSTOMER CHARGE AND THE 2 PERCENT MOA UNDERGROUND CHARGE)

2004	10.746 CENTS/kwh
2005	11.371 CENTS/kwh
2006	13.040 CENTS/kwh

Cost of 700 KWH of Residential Service in December*

2004	$83.64
2005	$88.02
2006	$99.69

*INCLUDES CUSTOMER AND ENERGY CHARGES, FUEL SURCHARGE AND REGULATORY COST CHARGE. DOES NOT INCLUDE 2 PERCENT MOA UNDERGROUND CHARGE.

Outage **Statistics**

Chugach averaged 3.03 outage hours per customer in 2006, higher than the 2.01 hours in 2005. The 5-year average for customer outage hours increased to 2.33 hours in 2006, up from the 2.28 hours in 2005.

Treasurer's **Report**

Dave Cottrell
TREASURER

In 2006, Chugach continued to realize strong financial performance on a consolidated basis. 2006's year end "bottom line" or "margins" (as they are referred to in the cooperative world) were $10 million. Actual results were greater than last year's margins by approximately $600,000. Chugach earned these margins based on $267.5 million in total revenues, an increase of $41.9 million from 2005. The increase in the controllable costs between 2005 and 2006 was 0.9 percent.

To better track costs and manage Chugach's business, internal reports of financial results continued for the generation & transmission and the distribution functions separately (called "unbundled financial statements") and a Cost Allocation and Balance Sheet Allocation Manual to document the process by which financial statements are unbundled were completed. The G&T division of the business provides the higher voltage electrical power for both members and wholesale customers. Distribution is responsible for taking that higher voltage electrical power and sending it to the members' homes and businesses. G&T operated at a deficit. Distribution was financially healthier and continued to provide all of the margins for Chugach. The final 2006 unbundled financial statements are provided in this report for your information.

In September 2006, the board approved filing a rate case with the Regulatory Commission of Alaska. The rate case was filed to more fairly recognize the cost of doing the business of G&T and distribution. The current G&T customer rates are not adequate to cover the costs. This rate case strives to increase G&T rates and decrease distribution rates to retail members.

Chugach continued to manage its debt portfolio in an economic manner and did not borrow any additional long-term debt. While short-term variable interest rates rose during 2006, rates were still lower than most fixed interest rates. Three credit rating agencies were updated on Chugach's financial position, operation, performance and projections. Chugach's current financial ratings remain at "A2" and "A-."

The Finance and Audit Committees continued to be very active, meeting 17 times in 2006. As part of the continued Securities Exchange Commission and Sarbanes-Oxley compliance effort, Chugach identified key processes that will require testing and verification of the internal controls to further ensure the integrity of the financial statements by year-end 2007. In 2006, Chugach also completed "benchmarking" (an evaluation of various aspects of our business processes in relation to best business practices) of the accounting and finance functions to identify areas where improved processes could lead to greater efficiencies. The external auditor issued an unqualified opinion of the 2006 financial statements, which are presented in this annual report along with footnotes containing important financial information.

The board of directors approved the payment of $4.8 million of patronage capital including discounted capital credits. The 2006 – 2010 approved Financial Management Plan projects continued returns of capital credits to 2010.

Chugach operated and maintained the system that provided reliable and cost-effective electric energy to member-owners from Homer to Fairbanks within the approved 2006 Operating and Capital Budgets and is continuing to operate under the approved budgets for 2007.

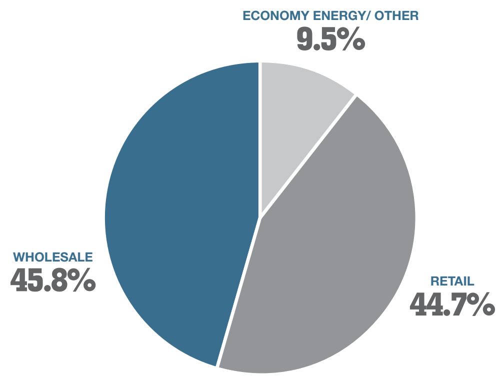
I want to thank all our members for helping keep the lights on.

Power Sales at a **Glance**

By Kilowatt **Hours**

Total: 2,753,265,898

OVERVIEW



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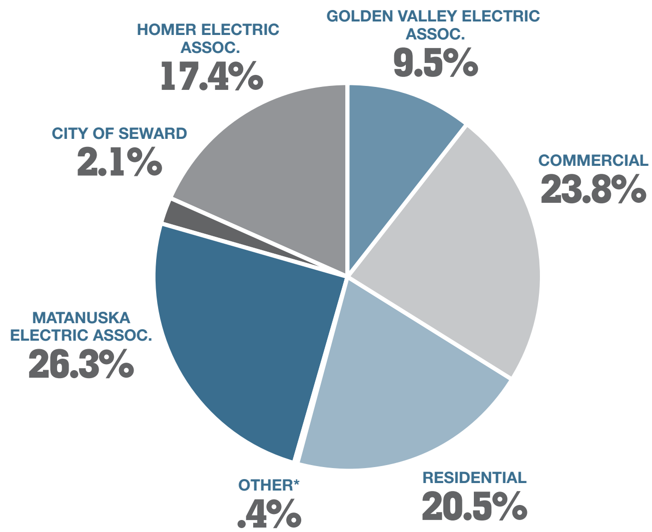
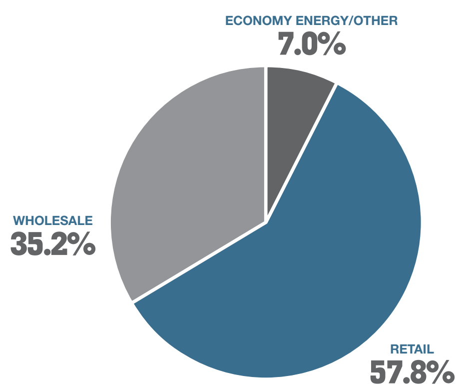


By Operating **Revenues**

Total: $267,542,713

OVERVIEW



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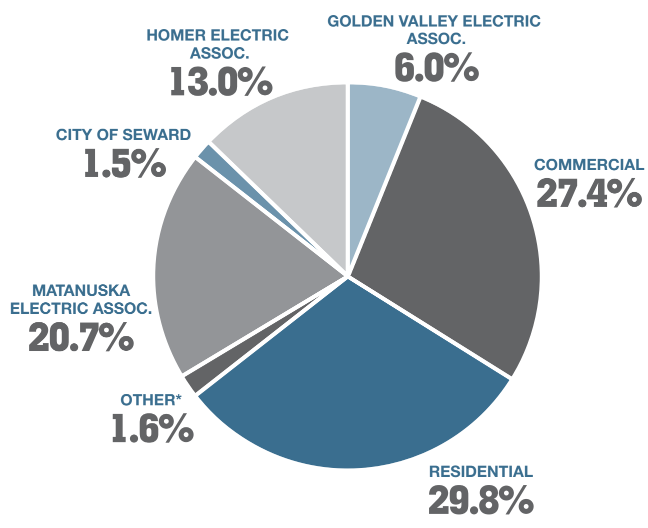

* STREETLIGHTING AND OTHERS

Independent Auditor's **Report**

Report of Independent Registered Public Accounting Firm

The Board of Directors
Chugach Electric Association, Inc.

We have audited the accompanying balance sheets of Chugach Electric Association, Inc. as of December 31, 2006 and 2005, and the related statements of operations, changes in equities and margins, and cash flows for each of the years in the three-year period ended December 31, 2006. 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 the standards of the Public Company Accounting 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 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, 2006 and 2005, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

March 9, 2007
Anchorage, Alaska

Balance Sheets

YEARS ENDED DECEMBER 31,

ASSETS		2006		2005
Utility Plant (notes 1d, 3, 11 and 12):				
Electric plant in service	$	787,005,028	$	762,859,198
Construction work in progress		20,254,298		32,505,401
Total utility plant		807,259,326		795,364,599
Less accumulated depreciation		(347,736,514)		(327,384,961)
Net utility plant		459,522,812		467,979,638
Other property and investments, at cost:				
Nonutility property		24,461		24,461
Investments in associated organizations (note 4)		11,888,530		11,883,053
Total other property and investments		11,912,991		11,907,514
Current assets:				
Cash and cash equivalents, including repurchase agreements of $10,496,037 in 2006 and $11,446,907 in 2005		9,844,914		10,650,594
Special deposits		206,191		216,191
Fuel cost under-recovery (note 1o)		0		1,781,833
Accounts receivable, less provision for doubtful accounts of $586,221 in 2006 and $398,321 in 2005		32,899,571		27,436,278
Materials and supplies		25,424,493		23,809,691
Prepayments		1,487,966		1,801,104
Other current assets		280,562		282,939
Total current assets		70,143,697		65,978,630
Deferred charges, net (notes 5 and 13)		21,460,648		19,269,718
Total assets	$	563,040,148	$	565,135,500

LIABILITIES, EQUITIES AND MARGINS		2006		2005
Equities and margins (notes 6 and 7):				
Memberships	$	1,297,633	$	1,250,398
Patronage capital		141,117,620		136,185,378
Other		8,300,847		7,603,376
Total equities and margins		150,716,100		145,039,152
Long-term obligations, excluding current installments (notes 8 and 9):				
Bonds payable		305,500,000		311,000,000
National Bank for Cooperatives promissory notes payable		45,303,530		53,532,099
Total long-term obligations		350,803,530		364,532,099
Current liabilities:				
Current installments of long-term obligations (notes 8 and 9)		13,728,569		8,325,687
Accounts payable		10,308,668		9,598,958
Consumer deposits		2,217,613		1,980,285
Fuel cost over-recovery (note 1o)		300,567		0
Accrued interest		6,364,100		6,360,652
Salaries, wages and benefits		6,021,473		5,373,496
Fuel		16,158,783		18,123,139
Other current liabilities		4,112,020		3,035,915
Total current liabilities		59,211,793		52,798,132
Deferred credits (note 5)		2,308,725		2,766,117
Total liabilities, equities and margins	$	563,040,148	$	565,135,500

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Statements of Operations

YEARS ENDED DECEMBER 31,

	2006	2005	2004
Operating revenues (notes 1n, 2 and 13)	$ 267,542,713	$ 225,697,349	$ 201,246,615
Operating expenses:			
Fuel (note 13)	120,280,509	84,776,131	64,113,474
Power production (note 1o)	15,050,338	15,005,786	15,378,858
Purchased power	25,979,919	23,664,412	20,579,992
Transmission	6,283,845	5,847,648	6,526,684
Distribution	12,134,087	11,780,502	11,723,316
Consumer accounts	4,982,313	5,227,478	5,308,353
Administrative, general and other	21,728,555	20,272,291	21,719,908
Depreciation	28,529,763	28,249,717	27,989,452
Total operating expenses	234,969,329	194,823,965	173,340,037
Interest expense:			
On long-term obligations	24,459,852	23,384,316	21,984,371
On short-term obligations	0	46,649	0
Charged to construction-credit	(448,978)	(844,911)	(492,506)
Net interest expense	24,010,874	22,586,054	21,491,865
Net operating margins	8,562,510	8,287,330	6,414,713
Nonoperating margins:			
Interest income	879,481	560,418	453,606
Capital credits, patronage dividends and other	597,068	666,983	734,137
Total nonoperating margins	1,476,549	1,227,401	1,187,743
Assignable margins	$ 10,039,059	$ 9,514,731	$ 7,602,456

Statements of Changes in Equities and Margins

YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004

	Memberships	Other Equities and Margins	Patronage Capital	Total
Balance, January 1, 2004	$ 1,155,818	$ 6,718,891	$ 126,341,413	$ 134,216,122
Assignable margins	0	0	7,602,456	7,602,456
Retirement of capital credits	0	0	(3,193,600)	(3,193,600)
Unclaimed capital credit retirements	0	261,111	0	261,111
Memberships and donations received	46,720	65,990	0	112,710
Balance, December 31, 2004	1,202,538	7,045,992	130,750,269	138,998,799
Assignable margins	0	0	9,514,731	9,514,731
Retirement of capital credits	0	0	(4,079,622)	(4,079,622)
Unclaimed capital credit retirements	0	282,479	0	282,479
Memberships and donations received	47,860	274,905	0	322,765
Balance, December 31, 2005	1,250,398	7,603,376	136,185,378	145,039,152
Assignable margins	0	0	10,039,059	10,039,059
Retirement of capital credits	0	0	(5,106,817)	(5,106,817)
Unclaimed capital credit retirements	0	346,821	0	346,821
Memberships and donations received	47,235	350,650	0	397,885
Balance, December 31, 2006	$ 1,297,633	$ 8,300,847	$ 141,117,620	$ 150,716,100

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Statements of Cash Flows

YEARS ENDED DECEMBER 31,

	2006	2005	2004
Cash flows from operating activities:			
Assignable margins	$ 10,039,059	$ 9,514,731	$ 7,602,456
Adjustments to reconcile assignable margins to net cash provided by operating activities:			
Depreciation and amortization	31,494,702	30,341,574	31,586,948
Capitalized interest	(1,328,459)	(993,499)	(571,013)
Property (gains) losses, net	(13,919)	57,202	(11,190)
Write-off of deferred charges	406,239	0	217,665
Investments in associated organizations	(108,989)	(114,596)	(386,661)
Changes in assets and liabilities: (Increase) decrease in assets:			
Accounts receivable	(5,463,293)	(3,695,895)	(4,928,184)
Fuel cost under-recovery	1,781,833	(1,781,833)	2,032,730
Materials and supplies	(1,614,802)	(118,182)	(1,802,715)
Prepayments	313,138	(995,434)	652,979
Special deposits/other	115,889	(21,824)	102,122
Deferred charges	(4,873,727)	(810,692)	(854,481)
Increase (decrease) in liabilities:			
Accounts payable	709,710	1,114,809	213,266
Provision for rate refund	0	0	(671,071)
Consumer deposits	237,328	32,774	112,759
Fuel cost over-recovery	300,567	(2,714,345)	2,714,345
Accrued interest	3,448	158,883	35,979
Salaries, wages and benefits	647,977	(157,244)	644,140
Fuel	(1,964,356)	5,203,516	3,912,865
Other liabilities	1,076,105	2,213,492	630,640
Deferred credits	(264,655)	(143,138)	(92,314)
Net cash provided by operating activities	31,493,795	37,090,299	41,141,265
Investing activities:			
Extension and replacement of plant	(19,418,940)	(27,462,144)	(27,810,212)
Net cash used in investing activities	(19,418,940)	(27,462,144)	(27,810,212)
Financing activities:			
Net transfer of restricted construction funds	0	0	488,846
Repayments of long-term obligations	(8,325,687)	(6,431,393)	(10,545,000)
Memberships and donations received	744,706	605,244	373,821
Retirement of patronage capital and estate payments	(5,106,817)	(4,079,622)	(3,193,600)
Net receipts of consumer advances for construction	(192,737)	463,206	(1,175,202)
Net cash used in financing activities	(12,880,535)	(9,442,565)	(14,051,135)
Net changes in cash and cash equivalents	(805,680)	185,590	(720,082)
Cash and cash equivalents at beginning of period	$ 10,650,594	$ 10,465,004	$ 11,185,086
Cash and cash equivalents at end of period	$ 9,844,914	$ 10,650,594	$ 10,465,004
Supplemental disclosure of non-cash investing and financing activities			
Retirement of plant	$ 8,240,458	$ 6,980,227	$ 15,419,893
Supplemental disclosure of cash flow information - interest expense paid, excluding amounts capitalized	$ 24,086,565	$ 22,427,171	$ 21,354,036

Notes to Financial Statements

YEARS ENDED DECEMBER 31,

(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 serve 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, Inc. (MEA), Homer Electric Association, Inc. (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 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 allowance for doubtful accounts and the estimated useful life of utility plant. 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).

SFAS No. 71 provides for the recognition of regulatory assets and liabilities as allowed by regulators for costs or credits that are reflected in current rates or are considered probable of being included in future rates. The regulatory assets or liabilities are then relieved as the cost or credit is reflected in rates.

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 book value of the property, plus removal cost, less salvage, is charged to accumulated provision for depreciation. 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.

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

	ANNUAL DEPRECIATION RATE RANGES					
	2005-2006			2004		
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	3.32%	-	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 2004, Chugach implemented new depreciation rates based on an update of the 1999 Depreciation Study utilizing Electric Plant in Service balances as of December 31, 2002. In an order dated January 10, 2006, the RCA approved the study with certain changes to the proposed depreciation rates and allowed Chugach to revise its depreciation rates effective January 1, 2005 to reflect the new depreciation rates. The impact on Chugach's financial statements for the year ended December 31, 2005 was a decrease of $1,000,000 to depreciation expense with a corresponding increase to assignable margins.

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. AFUDC is a non-cash credit, which represents the estimated cost of funds used to finance the construction of utility plant. AFUDC is applied to all projects during construction. AFUDC includes the net cost of borrowed funds and a rate of return on other funds when used and is recovered through rates as utility plant is depreciated. Chugach capitalized such funds at the weighted average rate (adjusted monthly) of 6.1% in 2006, 5.0% during 2005, and 4.6% during 2004.

F. INVESTMENTS IN ASSOCIATED ORGANIZATIONS

The loan agreements with CoBank and NRUCFC require as a condition of the extension of credit, that an equity ownership position be established by all borrowers. Chugach's equity ownership in these organizations is approximately 1%. These investments are non-marketable and accounted for at cost.

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 - the carrying amount approximates fair value because of the short maturity of those instruments.

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 (notes 8 and 9).

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). Accordingly, the unrealized loss was not recorded and was treated as a regulatory asset upon settlement (note 5). At December 31, 2006, the regulatory asset associated with the rate lock agreements was $2,861,530.

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 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

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 charges, representing regulatory assets, are amortized to operating expense over the period allowed for rate-making purposes.

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 approve the return of capital 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 upon delivery of electricity. Operating revenues are based on billing rates authorized by the RCA, which are applied to customers' usage of electricity. Chugach's rates are established, in part, on test period sales levels that reflect actual operating results. Chugach calculates unbilled revenue at the end of each month to insure the recognition of a full year's revenue. Chugach accrued $9,346,702 and $6,231,072 of unbilled retail revenue at December 31, 2006 and 2005, respectively. Wholesale revenue is recorded from metered locations on a calendar month end basis, so no accrual is made. 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. 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 $300,567 in 2006 and under-recovered by $1,781,833 in 2005. Total fuel and purchased power costs in 2006, 2005, and 2004 were $146,260,428, $108,440,543, and $84,693,466, respectively.

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, 2006, 2005 and 2004, Chugach received no unrelated business income.

R. IMPLEMENTATION OF STAFF ACCOUNTING BULLETIN 108, *"CONSIDERING THE EFFECTS OF PRIOR YEAR MISSTATEMENTS WHEN QUANTIFYING MISSTATEMENTS IN CURRENT YEAR FINANCIAL STATEMENTS"*

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, *"Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements"* (SAB 108). SAB 108 was issued in order to eliminate the diversity in practice surrounding how public companies quantify financial statement misstatements. SAB 108 requires an entity to quantify misstatements using a balance sheet and income-statement approach and to evaluate whether either approach results in an error that is material in light of relevant quantitative and qualitative factors.

We completed our analysis and adopted SAB 108 as of January 1, 2006. Implementation of SAB 108 did not have a material impact on our results of operations, financial position, and cashflows.

S. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

SFAS 155 *"ACCOUNTING FOR CERTAIN HYBRID INSTRUMENTS"*

In February 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Standard ("SFAS") No. 155, *"Accounting for Certain Hybrid Instruments"*, which is an amendment of SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities"*, and SFAS No. 140, *"Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities — a replacement of FASB Statement No. 125."* SFAS No. 155 allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis. The Statement also establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation and clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives. Chugach will begin application of SFAS No. 155 on January 1, 2007, and does not expect it to have a material affect on our results of operations, financial position, and cash flows.

SFAS 156 *"ACCOUNTING FOR SERVICING OF FINANCIAL ASSETS"*

In March 2006, the FASB issued SFAS No. 156, *"Accounting for Servicing of Financial Assets — an amendment of FASB Statement No. 140."* SFAS No. 156 requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in specific situations. Additionally, the servicing asset or servicing liability is initially measured at fair value; however, an entity may elect the "amortization method" or "fair value method" for subsequent balance sheet reporting periods. Chugach will begin application of SFAS No. 156 on January 1, 2007, and does not expect it to have a material affect on our results of operations, financial position, and cash flows.

SFAS 157 *"FAIR VALUE MEASUREMENTS"*

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements.*" SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. In addition, this statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This statement applies when other accounting pronouncements require fair value measurement; it does not require new fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Chugach will begin application of SFAS No. 157 on January 1, 2008, and does not expect it to have a material affect on our results of operations, financial position, and cash flows.

SFAS 158 *"EMPLOYERS' ACCOUNTING FOR DEFINED PENSION AND OTHER POSTRETIREMENT PLANS"*

In September 2006, the FASB issued SFAS No. 158, *"Employers' Accounting for Defined Pension and Other Postretirement Plans."* SFAS No. 158 requires an employer to recognize in its statement of financial position the overfunded or underfunded status of a defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation. Employers must also recognize as a component of other comprehensive income, net of tax, the actuarial gains and losses and the prior service costs and credits that arise during the period.

The Statement is effective for public entities for fiscal years ending after December 15, 2006 (December 31, 2006 financial statements for public entities with a calendar year end), and for nonpublic entities for fiscal years ending after June 15, 2007.

Chugach maintains only multi-employer plans and a defined contribution plan and adoption of this statement did not have a material effect on our results of operations or financial condition.

FSP AUG AIR-1 *"ACCOUNTING FOR PLANNED MAJOR MAINTENANCE ACTIVITIES"*

In September 2006, the FASB issued FASB Staff Position ("FSP") AUG AIR-1, *"Accounting for Planned Major Maintenance Activities."* FSP AUG AIR-1 prohibits the use of the accrue-in-advance method of accounting for planned major maintenance activities in annual and interim financial reporting periods. The Staff Position is effective for fiscal years beginning after December 31, 2006. Chugach is currently evaluating the impact this Staff Position may have on our results of operations or financial condition. Chugach does not accrue in advance for planned major maintenance activities.

(2) Regulatory Matters

REVISION TO CURRENT DEPRECIATION RATES (DOCKET NO. U-04-102)

In 2004, Chugach implemented new depreciation rates based on an update of the 1999 Depreciation Study utilizing Electric Plant in Service balances as of December 31, 2002. The 2002 Depreciation Study resulted in an increase to 2004 depreciation expense, which was not material to the financial statements. The 2002 Depreciation Study was submitted to the RCA for approval on November 19, 2004, resulting in the RCA opening a docket to review the proposed new rates. Chugach, however, implemented the new rates effective January 1, 2004. Chugach did not request a change in electric rates charged to customers based on the proposed revisions to depreciation rates.

On March 9, 2005, the RCA ruled in Order No. 2 that depreciation rates may not be implemented without prior approval of the RCA.

On September 21, 2005, the RCA issued Order No. 8 requiring Chugach to adjust its underlying 2004 financial records to reflect the results as if Chugach had not implemented unapproved rates. In November of 2005, Chugach reversed the 2004 depreciation expense and depreciation reserves that were previously recorded using the 2002 Depreciation Study rates and calculated 2004 depreciation expense for all categories of plant using the 1999 Depreciation Study rates as approved by the RCA in Docket U-01-108. The adjustment was not material to Chugach's financial statements.

In Order No. 9 dated January 10, 2006, the RCA ruled substantially in Chugach's favor approving the 2002 Depreciation Study with certain changes to the proposed depreciation rates. The main effect of this decision is to allow Chugach to revise its depreciation rates effective as of January 1, 2005.

Because Chugach did not request changes to the electric rates charged to our customers based on the proposed new depreciation rates, there was no immediate electric rate impact.

Wholesale customers MEA and HEA were active in the proceeding. Subsequently, MEA filed an appeal of the RCA's decision in Superior Court, see *"Footnote 13, Commitments, Contingencies and Concentrations – Legal Proceedings – Matanuska Electric Association, Inc. v. State of Alaska, Regulatory Commission of Alaska, Superior Court Case No. 3AN-06-8243 Civil."*

SEWARD CONTRACT REQUEST FOR REVIEW AND APPROVAL

We currently provide nearly all the power needs of the City of Seward. Sales to Seward represent approximately 2.5% of Chugach's total sales of energy (including both retail and wholesale). In February 1998, we entered into a power sales agreement (Old Contract) with Seward that allowed us to interrupt service to Seward up to 12 times per year, not to exceed seventy-two cumulative hours annually and also reduce the demand charge by 1/3 (approximately $350,000 annually). This agreement was scheduled to expire January 31, 2006. The RCA granted a four-month extension to May 31, 2006, of the old contract to allow the parties to complete negotiations on a new contract.

Negotiations with Seward were successful and on April 14, 2006, Chugach filed a request for approval by the RCA of a proposed new power sales agreement with the City of Seward (2006 Agreement) with a nominal effective date of June 1, 2006. The proposed contract was for five years with two automatic five-year extensions unless notice of termination is given by either party and resulted in a 5 percent increase in revenues in relation to the Old Contract.

The 2006 Agreement is an interruptible, all-requirements/no reserves contract. It has many of the attributes of firm service, especially in the requirement that so long as Chugach has sufficient power available, it must meet Seward's needs for power. However, service is interruptible because Chugach is under no obligation to supply or plan for generation capacity reserves to supply Seward and there is no limit on the number of times or hours per year that the supply can be interrupted.

Counterbalancing this is the requirement that Chugach must provide power to Seward if Chugach has the power available after first meeting its obligations to its other customers for whom Chugach has an obligation to provide reserves (MEA, HEA and Chugach retail customers).

The price under the 2006 Agreement reflects the reduced level of service because no costs of generation in excess of that needed to meet the system peak will be assigned to Seward.

Approval of the new Agreement was contested by Chugach's wholesale customer, MEA and Chugach's wholesale customer HEA also intervened in the proceeding. A hearing was set to begin November 30, 2006. Chugach filed a Motion for Summary Disposition. The Motion was granted in part and citing this decision, MEA withdrew from the case. The remaining parties entered into a stipulation, accepted by the RCA, to allow additional RCA review of the agreement before an automatic extension of the agreement which is permitted after the first five years of the term of the agreement. On the basis of the stipulation, the Commission cancelled the hearing and the 2006 Agreement with Seward was approved as amended.

2005 TEST YEAR GENERAL RATE CASE

On September 27, 2006, the Chugach Board of Directors authorized and instructed management to file a general rate case with the RCA. On September 29, 2006, Chugach filed a general rate case based on a 2005 test year and requesting a revenue increase of $10.6 million for the Generation and Transmission (G&T) function and a revenue decrease of $7.8 million for the Distribution function. Overall revenues are proposed to increase $2.8 million.

Chugach expects the case to be fully adjudicated by January 1, 2008, assuming no appeals or other delay in the regulatory process.

The Commission permitted intervention from Chugach's wholesale customers and the Regulatory Affairs and Public Advocacy (RAPA) section within the Attorney General's office of the State of Alaska. It also permitted intervention of a single Chugach retail member.

A scheduling order was issued on January 23, establishing a hearing schedule to adjudicate the case and discovery from the intervenors in the case has been on-going since mid December 2006. The hearing is currently scheduled to occur in August 2007.

(3) Utility Plant

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

	2006	2005
Electric plant in service:		
Steam production plant	$ 60,462,671	$ 60,462,671
Hydraulic production plant	20,257,091	20,241,725
Other production plant	124,371,318	132,990,991
Transmission plant	232,654,766	226,544,759
Distribution plant	219,453,660	219,597,822
General plant	50,267,742	52,606,167
Unclassified electric plant in service	72,773,888	43,651,171
Other	6,763,892	6,763,892
Total electric plant in service	787,005,028	762,859,198
Construction work in progress	20,254,298	32,505,401
Total electric plant in service and construction work in progress	$ 807,259,326	$ 795,364,599

Unclassified electric plant in service consists of complete unclassified 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 include the following at December 31:

	2006	2005
National Rural Utilities Cooperative Finance Corporation (NRUCFC)	$ 6,095,980	$ 6,095,980
National Bank for Cooperatives (CoBank)	5,738,181	5,628,192
NRUCFC capital term certificates	40,693	41,677
Other	13,676	117,204
Total Investments in Associated Organizations	$ 11,888,530	$ 11,883,053

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 and Credits

DEFERRED CHARGES

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

	2006	2005
Debt issuance and reacquisition costs	$ 7,804,354	$ 9,392,807
Refurbishment of transmission equipment	197,531	206,791
Computer software and conversion	429,037	330,946
Studies	6,216,638	5,758,382
Beluga Gas Compression	3,797,000	171,378
Fuel supply negotiations	215,037	233,314
Major overhaul of steam generating unit	1,111,867	1,503,192
Environmental matters and other	211,505	149,879
Other regulatory deferred charges	1,477,679	1,523,029
Total deferred charges	$ 21,460,648	$ 19,269,718

At December 31, 2006 and 2005, $10,658,620 and $6,383,202, respectively, of total deferred charges represent regulatory assets in progress and are not currently being amortized, however, Chugach expects recovery, as well as a recovery period determination in the future. The majority of these charges represent costs associated with the Cooper Lake Power Plant FERC re-licensing effort and the Beluga gas compression project. Over/under recovered fuel costs is not included in Deferred Charges or Deferred Credits.

DEFERRED CREDITS

Deferred credits, or regulatory liabilities, at December 31 consisted of the following:

	2006	2005
Refundable consumer advances for construction	$ 1,623,538	$ 1,816,275
Estimated initial installation costs for transformers and meters	104,696	436,786
Post retirement benefit obligation	558,900	480,900
Other	21,591	32,156
Total deferred credits	$ 2,308,725	$ 2,766,117

(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, 2006, Chugach had $141,117,620 of patronage capital (net of capital credits retired in 2006), which included $121,318,975 of patronage capital that had been assigned and $19,798,645 of patronage capital to be assigned to its members. 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. The Amended and Restated Indenture prohibits Chugach from making any distribution of patronage capital to Chugach's customers in the event of default under the Amended and Restated Indenture exists (note 8).

Capital credits retired were $5,106,817, $4,079,622, and $3,193,600 for the years ended December 31, 2006, 2005, and 2004, respectively. The outstanding liability for capital credits authorized but not paid was $1,322,577 and $1,194,146 at December 31, 2006 and 2005, respectively.

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

YEAR ENDING DECEMBER 31, 2006	TOTAL
2007	$ 5,000,000
2008	$ 4,500,000
2009	$ 4,000,000
2010	$ 4,500,000
2011	$ 5,000,000

(7) Other Equities

A summary of other equities at December 31 follows:

		2006		2005
Nonoperating margins, prior to 1967	$	23,625	$	23,625
Donated capital		878,923		532,103
Unclaimed capital credit retirement*		7,398,299		7,047,648
Total other equities	$	8,300,847	$	7,603,376

* Represents unclaimed capital credits that have met all requirements of section 34.45.200 of Alaska's unclaimed property law and has therefore reverted to Chugach

(8) Debt

Long-term obligations at December 31 are as follows:

		2006		2005
CoBank 2, 5.50% fixed rate note maturing in 2010, with interest and principal payable monthly; unsecured	$	7,500,000	$	9,500,000
CoBank 3 and 4, 6.72% variable rate notes maturing in 2022, with interest payable monthly and principal due annually beginning in 2003; unsecured		41,032,099		42,157,786
CoBank 5, 6.72% variable rate note, with interest payable monthly and principal due in 2007; unsecured		5,000,000		5,000,000
2001 Series A Bond of 6.55%, maturing in 2011, with interest payable semi-annually March 15 and September 15; unsecured		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; unsecured		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; unsecured		41,000,000		46,200,000
Total long-term obligations	$	364,532,099	$	372,857,786
Less current installments		13,728,569		8,325,687
Long-term obligations, excluding current installments	$	350,803,530	$	364,532,099

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 CoBank, 2001 Series A, 2002 Series A and 2002 Series B bonds, provided that the bonds were secured by a mortgage on substantially all of Chugach's assets so long as any amounts were outstanding to CoBank on bonds issued under the indenture. Upon the retirement of the then outstanding bonds on January 22, 2003, the 2001 Series A, 2002 Series A and 2002 Series B bonds (the 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, which covers the CoBank 2, 3, 4 and 5 promissory notes, between Chugach and CoBank dated December 27, 2002, pursuant to which CoBank and Chugach replaced the CoBank 2, 3, 4 and 5 bonds issued to CoBank with the above stated 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 electric rates reasonably expected to yield margins for interest equal to at least 1.10 times interest expense.

SECURITY

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 secures the 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.

RATES

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. 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.

DISTRIBUTIONS 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.

MATURITIES OF LONG-TERM OBLIGATIONS

Long-term obligations at December 31, 2006, 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
2007	$ 0	$ 0	$ 5,500,000	$ 8,228,569	$ 13,728,569
2008	0	0	5,900,000	3,340,725	9,240,725
2009	0	0	6,300,000	3,463,358	9,763,358
2010	0	0	6,700,000	3,097,157	9,797,157
2011	150,000,000	0	7,100,000	1,743,149	158,843,149
Thereafter	0	120,000,000	9,500,000	33,659,141	163,159,141
	$ 150,000,000	$ 120,000,000	$ 41,000,000	$ 53,532,099	$ 364,532,099

SHORT-TERM OBLIGATIONS

Chugach had maintained a $20,000,000 line of credit with CoBank, ACB (CoBank). On October 25, 2005, Chugach reduced the line of credit to $7.5 million due to a decrease in short-term borrowing projections. On October 18, 2006, the Board of Directors approved a resolution to renew this line of credit. The CoBank line of credit expires October 31, 2007, subject to annual renewal at the discretion of the parties. Chugach did not utilize this line of credit in 2006. Chugach utilized this line of credit in March of 2005, however, the balance was subsequently paid back in the same month. At December 31, 2006 and 2005, there was no outstanding balance on this line of credit. The borrowing rate is calculated using the CoBank Base Rate on the first business day of the week plus 3%. The average borrowing rate for 2006 and 2005 was 6.51% and 4.86%, respectively. In addition, Chugach had an annual line of credit of $50,000,000 available at December 31, 2006 and 2005, with NRUCFC. Chugach did not utilize this line of credit in 2006 or 2005. At December 31, 2006 and 2005, there was no outstanding balance on this line of credit. The borrowing rate is calculated using the total rate per annum as may be fixed by CFC and will not exceed the Prevailing Prime Rate, plus one percent per annum. At December 31, 2006 and 2005, the borrowing rate would have been 7.15% and 6.10%, respectively. The NRUCFC line of credit expires October 15, 2007.

REFINANCING

On August 31, 2005, Chugach refinanced its $10 million promissory note (CoBank 2) with CoBank. The new $10,000,000, 5.50% fixed rate promissory note will mature September 20, 2010 and contains consecutive monthly installment payments commencing October 20, 2005.

2002 SERIES B BONDS

The 2002 Series B Bonds (the “Auction Rate Bonds”) will mature on February 1, 2012. 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 Bonds 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 Bonds are not subject to redemption at the option of the bondholders under any circumstances. Chugach may elect to redeem the bonds and Chugach is required to redeem the bonds in pre-established incremental amounts over time through a sinking fund. The Auction Rate Bonds are subject to a remarketing agreement on a best efforts basis, however in the event of unsuccessful remarketing, the bonds are returned to the bondholders and continue as auction rate bonds subject to a maximum auction rate (15%). Under no circumstances would Chugach be obligated to pay off the Bonds in the event of an unsuccessful remarketing effort. Chugach has not provided any protection to the bondholders in the event of an unsuccessful remarketing, therefore, Chugach has classified the Bonds as long-term, with the exception of the mandatory sinking fund payment due in 2007. Chugach has not experienced an unsuccessful auction since the bonds have been outstanding. The average interest rate for the 2002 Series B Bonds in 2006, 2005, and 2004 was 5.07%, 3.42%, and 1.58%, respectively.

The following table provides information regarding auction dates and rates in 2006:

AUCTION DATE	INTEREST RATE
January 25, 2006	4.49%
February 22, 2006	4.55%
March 22, 2006	4.69%
April 19, 2006	4.80%
May 17, 2006	5.05%
June 14, 2006	5.18%
July 12, 2006	5.35%
August 9, 2006	5.35%
September 6, 2006	5.29%
October 4, 2006	5.31%
November 1, 2006	5.30%
November 29, 2006	5.29%
December 27, 2006	5.31%

(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:

	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term obligations (including current installments)	$364,532	$375,611	$372,858	$390,927

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

(10) Employee Benefit Plans

PENSION PLANS

Pension benefits for substantially all union employees are provided through the Alaska Electrical Pension Trust Fund and the Alaska Hotel, Restaurant and Camp Employees Health and Welfare and Pension Trust Fund, multi-employer plans. Chugach pays an hourly amount per eligible union employee pursuant to the collective bargaining unit agreements. In these master, multi-employer plans, the accumulated benefits and plan assets are not determined or allocated separately to the individual employer.

The costs for the union plans were approximately $2.5 million, $2.4 million, and $2.5 million in 2006, 2005, and 2004, respectively. Chugach has no responsibility for any unfunded benefit obligation of the Plan at this time.

Pension benefits for non-union employees are provided by the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program, a multi-employer plan. Chugach makes annual contributions to the pension plan equal to the amounts accrued for pension expense. Chugach contributed $1.6 million, $1.8 million, and $1.6 million in 2006, 2005, and 2004, respectively, to the NRECA plan. Chugach has no responsibility for any unfunded benefit obligation of the Plan at this time.

HEALTH AND WELFARE PLANS

Health and welfare benefits for union employees are provided through the Alaska Electrical Health and Welfare Trust and the Alaska Hotel, Restaurant and Camp Employees Health and Welfare and Pension Trust Fund. Chugach participates in multi-employer plans that provide substantially all union workers with health care and other welfare benefits during their employment with Chugach. Chugach pays a defined amount per union employee pursuant to collective bargaining unit agreements. Amounts charged to benefit costs and contributed to the health and welfare plans for these benefits for the years ending December 31, 2006, 2005, and 2004 were $2.9 million, $3.0 million, and $2.9 million respectively.

Chugach participates in a multi-employer plan through the Group Benefits Program of NRECA for non-union employees. Amounts charged to benefit cost and contributed to this Plan for those benefits for the years ended December 31, 2006, 2005, and 2004 totaled $2.0 million, $2.0 million, and $2.0 million respectively.

MONEY PURCHASE PENSION PLAN

Chugach participates in a multi-employer defined contribution money purchase pension plan covering some employees who are covered by a collective bargaining agreement. Contributions to the Plan are made based on a percentage of each employee's compensation. Contributions to the money purchase pension plan for the years ending December 31, 2006, 2005, and 2004 were $85.4 thousand, $80.7 thousand, and $90.1 thousand, respectively.

401(K) PLAN

Chugach has a defined contribution 401(k) retirement plan which covers substantially all employees who have completed ninety days of continuous service during a twelve month period.

Employees who elect to participate may contribute up to the Internal Revenue Service's maximum of $15,000, $14,000, and $13,000 in 2006, 2005, and 2004 respectively. Chugach does not make contributions to the plan.

(11) 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 $39,000,000. Under a worst-case scenario, Chugach could be faced with annual expenditures of approximately $5.0 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, 2006 (the most recent date for which information is available). Chugach's share of expenses was $4,219,321 in 2006, $4,993,670 in 2005, and $4,205,657 in 2004 and is included in purchased power in the accompanying financial statements.

(In thousands)	TOTAL	PROPORTIONATE SHARE
Plant in service	$ 211,182	$ 64,199
Long-term debt	121,182	36,839
Interest expense	8,274	2,515

Other electric plant represents Chugach's share of a Bradley Lake transmission line financed internally and Electric Plant Held for Future Use.

(12) 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%).

Plant in service in 2006 includes $2,644,397, net of accumulated depreciation of $608,495, which represents Chugach's share of the Eklutna Hydroelectric Plant. In 2005 plant in service included $2,616,854, net of accumulated depreciation of $525,457. Chugach and AML&P jointly operate 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. Chugach's share of expenses was $591,903, $476,739, and $784,264 in 2006, 2005, and 2004, respectively and is included in power production and depreciation in the accompanying financial statements. Chugach provides personnel for the daily operation and maintenance of the power plant. ML&P performs major maintenance at the plant. Chugach personnel perform daily plant inspections, meter reading, monthly report preparation, and other activities as required.

(13) 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 215 BCF for the 2015 contract should be used by late 2010 or early 2011. The currently committed 180 BCF for the 2025 contract should also be used by early 2011, however, there is an additional 120 BCF reserved if satisfactory terms and conditions can be negotiated. In 2006, 90% of our power was generated from gas, while in 2005, 88% and in 2004, 86% of our power was generated from gas. Of that gas-fired generation, in 2006 87% took place at Beluga, while in 2005 and 2004, 86% of gas-fired generation took place at Beluga.

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:

	2006	2005	2004
Marathon Oil Company	49.2%	48.8%	48.8%
Chevron Texaco	19.4%	19.5%	19.5%
Municipal Light & Power (ML&P)	15.7%	15.8%	15.8%
ConocoPhillips	15.7%	15.8%	15.8%

CONCENTRATIONS

Approximately 70% of Chugach's employees are represented by the International Brotherhood of Electrical Workers (IBEW). Chugach has three Collective Bargaining Unit Agreements (CBA) with the IBEW, which expired on June 30, 2006. The *Outside Agreement* was approved by the Board of Directors in December 2006. Chugach and the union have continued to honor the prior *Generation* and *Office and Engineering Agreements* while new agreements are negotiated.

Chugach is the principal supplier of power under long-term wholesale power contracts with MEA and HEA. These contracts represented $90.1 million or 34.1% of operating revenues in 2006, $72.1 million or 32.4% in 2005, and $62.0 million or 31.2% in 2004. The HEA contract expires January 1, 2014, and the MEA contract expires December 31, 2014. All rates are established by the RCA.

LEGAL PROCEEDINGS

Matanuska Electric Association, Inc., v. Chugach Electric Association, Inc., Superior Court Case No. 3AN-99-8152 Civil
In this action filed in 1999, MEA alleged that Chugach breached the Power Sales Agreement under which Chugach is obligated to sell MEA power for 25 years, from 1989 through 2014. MEA asserted that Chugach failed to provide it certain information, failed to properly manage Chugach's long-term debt, and failed 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 to the Alaska Supreme Court the Superior Court's dismissal of its claims related to Chugach's financial management and Chugach's decision not to bring its base rate action to the Joint Committee before filing with the RCA. Chugach cross-appealed the Superior Court's decision not to also dismiss the financial management claim on jurisprudential and res judicata grounds. The Alaska Supreme Court, on October 8, upheld Chugach's right to not bring its base rate action to the Joint Committee before filing with the RCA. But the Court rejected Chugach's cross-appeal and reversed the Superior Court's decision dismissing MEA's financial management claim. The Supreme Court remanded that claim to the Superior Court for further proceedings.

On January 24, 2005, Chugach filed for summary judgment on that claim asserting that in the 2000 Test Year rate case the RCA had fully reviewed and decided the prudency of Chugach's financial management. In a decision dated August 22, 2005, the Superior Court granted Chugach's summary judgment motion, finding that the RCA had adjudicated the question of Chugach's financial management and that its decision should be given res judicata effect. The Superior Court also found that the RCA had exercised its primary jurisdiction in reviewing Chugach's financial management, and that its decision should be given deference.

The Superior Court entered final judgment on November 10, 2005, after which Chugach sought to recover its costs and fees. On December 14, 2005, the Superior Court entered judgment awarding Chugach fees and costs from MEA in the amount of $104,732, which has not, as yet, been recorded in the financial statements.

On December 9, 2005, MEA appealed to the Alaska Supreme Court the Superior Court's grant of summary judgment. On December 23, 2005, Chugach cross-appealed the Superior Court's failure to also grant summary judgment based on the doctrine of collateral estoppel. On February 16, 2007, the Alaska Supreme Court issued a unanimous opinion affirming the Superior Court's grant of summary judgment in favor of Chugach on the issue of whether Chugach's actions with regard to its use of the rate lock were consistent with prudent utility practices and sound financial management. Chugach will be seeking to collect on the judgment awarded by the Superior Court which, adding allowed costs, attorneys' fees and post judgment interest, will be approximately $116,000.

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 that Chugach had violated its bylaws in allocating margins (capital credits) during the years 1998 through 2003. The margins Chugach earns each year are allocated to the customers who contributed them and are booked as capital credits to those customers' accounts. Capital credits are eventually repatriated to customers at the discretion of the board of directors, typically many years after the margins are earned.

On February 17, 2006, MEA filed a Motion to File an Amended Complaint and an Amended Complaint in this case. The proposed Amended Complaint was identical to MEA's initial Complaint except for changes made to accommodate one new claim. The new claim challenges Chugach's failure to provide MEA with a capital credit allocation for 2004.

In this suit, MEA asked the Court to hold that Chugach breached its bylaws in the manner in which it allocated capital credits in 1998 through 2004. MEA also asked the Court to enjoin Chugach to re-calculate MEA's capital credits applying MEA's interpretation of Chugach's bylaws and in accordance with what MEA refered to as "generally accepted accounting practices for nonprofit cooperatives and cooperative principles". The suit also sought damages in an unspecified amount to compensate MEA for the alleged breach of contract.

On December 8, 2006, the Court granted Chugach summary judgment dismissing six of the eight claims MEA alleged. The Court did not allow MEA to amend its complaint to add its new claim involving Chugach's 2004 capital credit allocations, which meant that only two of MEA's claims survived. On December 27, 2006, MEA agreed to dismiss its remaining two claims, release any claims it might have based on Chugach's capital credit allocations for the years 1998 – 2004 and abandon its right to appeal the Court's summary judgment decisions. In exchange, Chugach agreed to release its right to recover any of the attorneys fees and costs it incurred in defending the case.

Matanuska Electric Association, Inc. v. State of Alaska, Regulatory Commission of Alaska, Superior Court Case No. 3AN-06-8243 Civil
On May 17, 2006, MEA appealed and on May 30, 2006, Homer Electric Association, Inc., (HEA) cross appealed the RCA's decision in Commission Docket No. U-04-102, see *"Footnote 2, Regulatory Matters – Docket No. U-04-102 (Revision to Current Depreciation Rates)."* On appeal, MEA claims the Commission's decision dated January 10, 2006, to authorize Chugach to implement new depreciation rates as of January 1, 2005 constituted illegal retroactive ratemaking. MEA also contends that the Commission's reliance on avoidance of regulatory lag as a basis for its decision was improper. HEA's points on appeal challenge several decisions by the Commission on estimated lives of General Plant on the ground that there is not substantial evidence in the record to support such a decision. HEA and MEA both challenge the discovery rulings of the Commission. Chugach will join the State of Alaska in defending the Commission's rulings. No briefing schedule has been set.

The ultimate resolution of this matter is not currently determinable. In the opinion of management, an adverse outcome is not likely to have a material adverse effect on Chugach's results of operations, financial condition or liquidity. No reserves have been established for this matter.

Matanuska Electric Association, Inc. v. Chugach Electric Association, Inc., Superior Court Case No. 3PA-06-1295 Civil
On May 17, 2006, MEA filed suit against Chugach in Superior Court asserting three claims. In this action, MEA contends that by publishing unbundled financial statements Chugach has in effect stated that MEA owes Chugach a debt. Chugach denies having made statements to this effect.

Unbundled financial statements are an analytic tool developed by Chugach that separate the financial statements into two business units consisting of the Generation and Transmission (G&T) and the Distribution functions of the company. The unbundled financial statements reflect the operating results of each separate entity. Statements of Revenues, Expenses and Patronage Capital, Balance Sheets and Statements of Cash Flows are prepared monthly for each business unit. MEA's action is based on the result of Chugach's financial analysis showing intercompany receivable/payable entries on unbundled balance sheets.

The first of MEA's claims is that it is entitled to declaratory judgment to the effect that MEA does not owe a debt to Chugach or to Chugach's Distribution function. Second, MEA claims that Chugach has breached its Bylaws and the Power Sales Agreement under which Chugach is obligated to sell MEA power and by publishing its unbundled financial analysis and seeks a declaration that Chugach's actions violate Bylaws and the Power Sales Agreement. MEA's third claim alleges that Chugach's published assertions regarding the underperformance of its G&T function defamed MEA. In its request for relief, MEA also asks for an injunction against further assertions, which Chugach denies having made, that MEA owes Chugach or Chugach's Distribution function a debt. Finally, MEA seeks damages, including punitive damages, to punish Chugach and deter it from continuing to publish the analysis.

Chugach moved to dismiss the first (declaratory judgment) and third (defamation) counts of the complaint. Following oral argument, the court denied Chugach's motion to dismiss the declaratory judgment claim and granted Chugach's motion to dismiss the defamation claim.

With respect to the declaratory judgment claim, the court indicated that it needed to look beyond the pleadings to determine whether Chugach's publications suggest that MEA owes a substantial debt to Chugach. Trial is currently scheduled for June 2007.

The ultimate resolution of this matter is not determinable. In the opinion or management, an adverse outcome is not likely to have a material adverse effect on Chugach's results of operations, financial condition or liquidity. No reserves have been established for this matter.

Matanuska Electric Association, Inc. v. Chugach Electric Association, Inc., Superior Court Case No. 3PA-06-1591 Civil
On August 7, 2006, MEA served Chugach with a Summons and Complaint requesting the Court grant MEA declaratory judgment, breach of contract and costs and attorney fees.

MEA seeks a declaratory judgment that Chugach has wrongfully refused to grant MEA access to the books and records of the cooperative in violation of state statute, common law and Chugach bylaws. MEA also alleges that by refusing to grant access to these records, Chugach has breached its bylaws on which MEA bases a breach of contract claim against Chugach. MEA has filed a motion for summary judgment, requesting entry of an order declaring that Chugach has wrongfully denied MEA's records request; Chugach has cross-moved for summary judgment based on the fact that MEA has never presented Chugach with a sufficient demand and that Chugach has never denied MEA access to any records to which it is entitled. In its Complaint, MEA asks the Court to (1) grant it access to, and the right to inspect and copy, unspecified Chugach records, and (2) order Chugach to cooperate in facilitating MEA's inspection and copying of the same. Chugach has answered MEA's complaint. MEA filed a motion for summary judgment in Claim I (that Chugach has denied MEA access to Chugach records permitted under Alaska Statute, common law and Chugach's Bylaws) and Claim II (that Chugach has breached its contractual duties to MEA under the Bylaws). Chugach filed an opposition to MEA's motion and a cross motion for summary judgment. MEA filed its reply/ppposition and Chugach filed its reply/opposition.

The ultimate resolution of this matter is not currently determinable. In the opinion of management, an adverse outcome is not likely to have a material adverse effect on Chugach's results of operations, financial condition or liquidity.

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 tax is collected monthly and remitted to the State of Alaska quarterly. The Regulatory Cost Charge has changed since its inception (November 1992) from an initial rate of $0.000626 per kWh to the current rate of $0.000364, effective September 1, 2006. The tax is reported on a net basis and the tax is not included in revenue or expense.

SALES TAX

Chugach collects sales tax on retail electricity sold to Kenai and Whittier consumers. The tax is collected monthly and remitted to the Kenai Peninsula Borough quarterly. Sales tax is reported on a net basis and the tax is not included in revenue or expense.

GROSS RECEIPTS TAX

Chugach pays to the State of Alaska a gross receipts tax in lieu of state and local ad valorem, income and excise taxes on electricity sold in the retail market. The tax is accrued monthly and remitted annually. The tax is reported on a net basis and the tax is not included in revenue.

EXCISE TAXES

Excise taxes on Chugach fuel purchases are paid directly to our gas producers and are recorded under "Fuel" in Chugach's financial statements and are not directly passed through to our consumers.

UNDERGROUND COMPLIANCE CHARGE

In 2005 the Anchorage Municipal Assembly adopted an ordinance to require utilities to convert overhead distribution lines to underground. To comply with the ordinance, Chugach must invest two percent of gross retail revenue in the Municipality of Anchorage annually in moving existing distribution overhead lines underground. Consistent with a State of Alaska undergrounding requirement, Chugach is permitted to amend its rates by adding a 2% surcharge to its member's bills to recover the actual costs of the program. The rate amendments are not subject to RCA review or approval. Chugach implemented the surcharge in June 2005. Chugach had collected $2,044,001 and $1,064,058 from its retail members for this surcharge at December 31, 2006 and December 31, 2005, respectively.

(14) Quarterly Results of Operations (unaudited)

	2006 Quarter Ended			
	DEC. 31	SEPT. 30	JUNE 30	MARCH 31
Operating Revenue	$ 77,164,989	$ 63,243,634	$ 60,248,547	$ 66,885,593
Operating Expense	67,830,660	57,365,207	53,802,570	55,970,892
Net Interest	6,006,091	6,073,345	6,011,147	5,920,291
Net Operating Margins	3,328,188	(194,918)	434,830	4,994,410
Non-Operating Margins	689,713	312,975	279,597	194,263
Assignable Margins	$ 4,017,902	$ 118,057	$ 714,427	$ 5,188,673

	2005 Quarter Ended			
	DEC. 31	SEPT. 30	JUNE 30	MARCH 31
Operating Revenue	$ 63,847,123	$ 54,323,791	$ 50,314,401	$ 57,212,034
Operating Expense	53,773,333	49,766,632	44,308,718	46,975,282
Net Interest	5,753,831	5,748,482	5,597,536	5,486,205
Net Operating Margins	4,319,959	(1,191,323)	408,147	4,750,547
Non-Operating Margins	706,961	196,363	166,942	157,135
Assignable Margins	$ 5,026,920	$ (994,960)	$ 575,089	$ 4,907,682

Unbundled Balance Sheet

AS OF DECEMBER 31, 2006 (UNAUDITED)

ASSETS	TOTAL	G & T	DISTRIBUTION
Total Utility Plant In Service	$ 787,005,028	$ 475,445,603	$ 311,559,425
Construction Work In Progress	20,254,298	6,828,406	13,425,892
Total Utility Plant	$ 807,259,326	$ 482,274,009	$ 324,985,317
Accum. Provision for Depreciation and Amort.	(347,736,513)	(227,402,927)	(120,333,586)
Net Utility Plant	$ 459,522,813	$ 254,871,082	$ 204,651,731
Nonutility Property - Net	24,461	0	24,461
Investment in Associated Organizations	11,888,530	8,505,741	3,382,789
Total Other Property and Investments	$ 11,912,991	$ 8,505,741	$ 3,407,250
Cash and Cash Equivalents	9,844,914	0	9,844,914
Special Deposits	206,191	72,357	133,834
Accounts Receivable - Net Sales of Energy and Other	32,899,571	23,600,324	9,299,247
Inter-Company Receivable	0	0	3,844,765
Materials and Supplies - Electric and Other	25,424,492	20,812,339	4,612,153
Prepayments	1,487,965	930,224	557,741
Other Current Assets	280,563	52,795	227,768
Total Current Assets	$ 70,143,696	$ 45,468,039	$ 28,520,422
Deferred Debits	21,460,648	18,883,416	2,577,232
Total Assets & Other Debits	$ 563,040,148	$ 327,728,278	$ 239,156,635

LIABILITIES, EQUITIES AND MARGINS	TOTAL	G & T	DISTRIBUTION
Memberships	$ 1,297,633	$ 0	$ 1,297,633
Patronage Capital	141,117,620	32,254,656	108,862,964
Other Equities and Margins	8,300,847	168,537	8,132,310
Total Equities and Margins	$ 150,716,100	$ 32,423,193	$ 118,292,907
Long-Term Debt - Bonds	305,500,000	218,472,225	87,027,775
Long-Term Debt - Other	45,303,530	32,397,915	12,905,615
Total Long-Term Debt	$ 350,803,530	$ 250,870,140	$ 99,933,390
Notes Payable	13,728,569	9,817,712	3,910,857
Accounts Payable	10,074,426	6,084,653	3,989,773
Inter-Company Payable*	0	3,844,765	0
Consumer Deposits	2,217,613	0	2,217,613
Other Current Liabilities	33,191,185	24,397,621	8,793,564
Total Current Liabilities	$ 59,211,793	$ 44,144,751	$ 18,911,807
Deferred Credits	2,308,725	290,194	2,018,531
Total Equities and Liabilities	$ 563,040,148	$ 327,728,278	$ 239,156,635

* "Inter-Company Payable" does not reflect a debt or payable owed by any Chugach customer.

Unbundled Statement of Operations

YEAR ENDED DECEMBER 31, 2006 (UNAUDITED)

	TOTAL	G & T	DISTRIBUTION
Operating Revenue	$ 267,542,713	$ 210,269,289	$ 57,273,424
Fuel Expense	120,280,509	120,280,509	0
Power Production Expense	15,050,338	15,050,338	0
Purchased Power Expense	25,979,918	25,979,918	0
Transmission Expense	6,283,845	6,283,845	0
Distribution Expense	12,134,087	0	12,134,087
Customer Expense	4,982,313	0	4,982,313
General and Administrative Expense	18,847,352	9,317,312	9,530,040
Total Operations and Maintenance Expense	203,558,362	176,911,922	26,646,440
Depreciation and Amortization Expense	28,529,763	18,238,712	10,291,051
Tax Expense	837,191	106,188	731,003
Interest Expense (Net)	24,010,874	17,255,419	6,755,455
Other Deductions	2,044,013	1,896,698	147,315
Total Cost of Electric Service	$ 258,980,203	$ 214,408,939	$ 44,571,264
Patronage Capital and Operating Margins	$ 8,562,510	$ (4,193,650)	$ 12,702,160
Non-Operating Margins	1,476,549	380,385	1,096,164
Patronage Capital or Margins	$ 10,039,059	$ (3,759,265)	$ 13,798,324

Unbundled Statement of Cash Flow

YEAR ENDED DECEMBER 31, 2006 (UNAUDITED)

	TOTAL	G & T	DISTRIBUTION
Cash flows from operating activities:			
Assignable margins	$ 10,039,059	$ (3,759,265)	$ 13,798,324
Adjustments to reconcile assignable margins to net cash provided (used) by operating activities:			
Depreciation and amortization	28,529,763	18,238,712	10,291,051
Capitalization of interest	(612,247)	(257,919)	(354,328)
Other	(5,478)	(20,581)	15,103
Changes in assets and liabilities:			
(Increase) decrease in assets:	(7,161,675)	(7,352,389)	190,714
Increase (decrease) in liabilities:	553,385	511,183	42,202
Net cash provided by operating activities:	31,342,807	7,359,741	23,983,066
Cash flows from investing activities:			
Extension and replacement of plant	(19,460,691)	(7,223,745)	(12,236,946)
Net cash used for investing activities:	(19,460,691)	(7,223,745)	(12,236,946)
Cash flows from financing activities:			
Repayments of long-term obligations	(8,325,687)	(4,500,450)	(3,825,237)
Loan to G&T from Distribution	0	3,844,765	(3,844,765)
Patronage capital / Other	(4,362,109)	42,496	(4,404,605)
Net cash used for financing activities:	(12,687,796)	(613,189)	(12,074,607)
Net increase (decrease) in cash and cash equivalents	(805,680)	(477,193)	(328,487)
Cash and cash equivalents at beginning of year	$ 10,650,594	$ 477,193	$ 10,173,401
Cash and cash equivalents at end of period	$ 9,844,914	$ 0	$ 9,844,914

Chugach power flows to nearly three-fourths of Alaska's population. Chugach serves nearly 80,000 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 530.10 megawatts of installed generation capacity at five power plants. Chugach operates 2,190 miles of energized line (including leased and partially owned transmission lines) made up of 533 miles of transmission line, 924 miles of overhead distribution line and 733 miles of underground distribution line.

Chugach's 2006 system peak load of 457 megawatts occurred between 5 and 6 p.m. on Nov. 26. Power sales for the year totaled 2.8 billion kilowatt-hours. Chugach finished 2006 with total revenues and non-operating margins of $267.5 million, expenses of $258.9 million and margins of $10 million.

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Photos by Chris Arend Photography and Chugach staff.
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Community Involvement

Chugach and its employees are involved in the community through donating and volunteering. In addition to many years of successful fund-raising campaigns for United Way, Chugach and its employees have had the opportunity to work with many organizations, including:

- Alaska Center for the Blind and Visually Impaired
- Alaska Children's Services
- Alaska Dance Theater
- Alaska Educational Services
- Alaska Export Council
- Alaska Native Medical Center Auxiliary
- Alaska Public Telecommunications
- Alaska Radio Reading Service
- Alaska Run for Women
- Alaska Theatre of Youth
- Alzheimer's Association of Anchorage
- American Diabetes Association
- American Red Cross
- Anchorage Chamber of Commerce Military Bowl-a-thon
- Anchorage Homebuilders Association Shoebox Project
- Anchorage Museum of History and Art
- Anchorage Police Department Search and Rescue Team
- Anchorage Rescue Mission
- ARC of Anchorage
- AWAIC – Abused Women's Aid in Crisis
- Bean's Café
- Bird Treatment and Learning Center
- Booth Memorial Home
- Boy Scouts of America
- Boys and Girls Clubs of Southcentral Alaska
- Bridge Builders of Anchorage
- Brother Francis Shelter
- Camp Start Up/ATHENA Society (Anchorage Chamber of Commerce)
- Camp Fire USA Alaska Council
- Cares for Kids
- Catholic Social Services
- Challenge Alaska
- Covenant House Alaska
- Food Bank of Alaska
- Friends of Eagle River Nature Center
- Girl Scouts Susitna Council
- Habitat for Humanity
- Hope Community Resources
- Hospice of Anchorage
- The Imaginarium
- Junior Achievement of Alaska
- Kids Café
- Lutheran Social Services
- Mabel T. Caverly Senior Center
- March of Dimes
- Mother Lawrence Foundation
- National Association of Women Judges
- Project Lifesaver – APD Search and Rescue Team
- Rotary Clubs of Anchorage
- Safe Harbor Inn
- Salvation Army
- Soroptimist International
- Special Olympics
- Spirit of Youth
- United Way
- Ushering in the Arts
- Volunteers of America
- We the People, West High
- Youth Hockey
- YWCA

Employees donated more than 3,500 pounds of food to the Food Bank of Alaska.

During the holidays, Chugach donated 425 turkeys to 15 local organizations, including Bean's Café, Covenant House, Mother Lawrence Foundation and Hope Community Resources.

Chugach employees picked up trash along the Minnesota Bypass in the Anchorage Chamber of Commerce Business Day Clean Up.

Chugach employees raised money and spent a weekend and some after-hours time building a mew, or enclosure, at the Bird Treatment & Learning Center for an injured bald eagle.

CHUGACH
POWERING ALASKA'S FUTURE