Sustainability Report 2021

Chugach Electric Association, Inc.

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CHUGACH
POWERING ALASKA'S FUTURE

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OVERVIEW

At the end of 2021, Chugach served approximately 113,000 metered locations in areas 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 had 790.7 megawatts of generation capacity at Chugach-owned facilities, which includes Chugach's shares of the jointly owned Eklutna Power Plant. Chugach also takes power from the state-owned Bradley Lake Hydroelectric Project near Homer and from the Fire Island Wind Project. Chugach operated 3,782 miles of energized line at year-end, consisting of 472 miles of transmission line, 3,310 miles of overhead and underground distribution line.

In 2021, Chugach successfully completed its first full year of combined operations following the acquisition of Anchorage Municipal Light & Power (ML&P). The acquisition has been a success, resulting in significant savings that far exceeded targeted levels. Chugach expects additional savings over the next several years as efficiencies resulting from combined operations are fully realized. The acquisition has resulted in lower costs that are and will continue to be passed on to members in the form of lower electric rates.

Mission, Vision, and Values

Chugach is committed to serving its members, its employees, and its community, guided by its values of safety, reliability, accountability, and sustainability.

The Mission, Vision and Value Statements of Chugach are derived from its core values and establish the foundation of the organization. They are a reference point to guide decision making and actions at all levels of the organization. Sustainability is identified in the Mission, Vision and Value Statements.

Mission

Guided by our values of safety, accountability, and sustainability, we are committed to serving our members, the community, and the Chugach team

Vision

Developing energy to build a clean, sustainable future for Alaska

Value

We provide safe, reliable, and affordable electricity through superior service and sustainable practices, powering the lives of our members

Sustainability

In 2017, the Chugach Board of Directors adopted sustainability as a business management philosophy. Sustainability, also known as the Triple Bottom Line, broadens the focus of the financial

bottom line to include social and environmental responsibility measures to create a greater long-term business value for the Association and its members. The Triple Bottom Line is often referenced as Planet, People and Performance (or Profit). Operating the electric utility in a sustainable manner is important to the long-term success of Chugach, to the health and well-being of its employees and members, the community, and the environment.

Sustainability is an integral part of Chugach's strategic planning process. Strategic priorities and actions are examined through a sustainability lens. Chugach's strategic priorities are chosen to improve economic, social and environmental performance of the organization.

The electric industry is transforming rapidly, from traditional, controllable fossil fuel generation to non-emitting, weather-dependent intermittent resources, energy storage and distributed generation. These changes are driven by technological advancements that are expanding the possibilities of new resources and services.

Just as technology is changing, so are sustainability reports and associated metrics. Companies today are facing important issues as they navigate the changing times. Although Chugach no longer submits a U.S. Securities and Exchange Commission (SEC) filing, 76% of the top 50 companies, by revenue, included Environmental (E), Social (S) and Governance (G), (ESG) components in their SEC filings. ESG topics, such as employee health and safety, diversity and investments in environmental sustainability are being reviewed by investors for greater insight into assessing companies.

This document serves as Chugach's voluntary sustainability report. Given its growing popularity in the electric industry, particularly among investor-owned utilities, Chugach has also completed Edison Electric Institute's (EEI) template for ESG reporting, see Appendix A.

"Reducing carbon emissions, advancing new beneficial electrification technologies, and continuing to improve efficiency will make our cooperative and the communities we serve better places to live, work, and play."

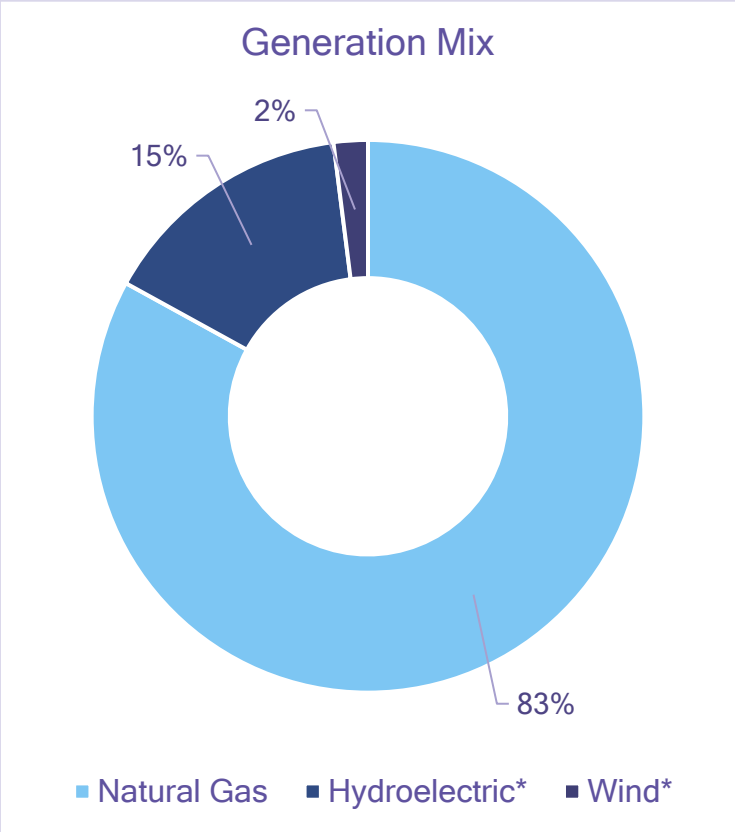
Message from Rachel Morse Board Chair

PLANET – ENVIRONMENTAL STEWARDSHIP

Chugach recognizes that decarbonization is critical to managing reductions in global greenhouse gas emissions. Chugach plans to reduce fuel supply risk through the addition of renewable energy generation, encouraging conservation of existing resources and supporting the development of beneficial electrification.

Generation Mix

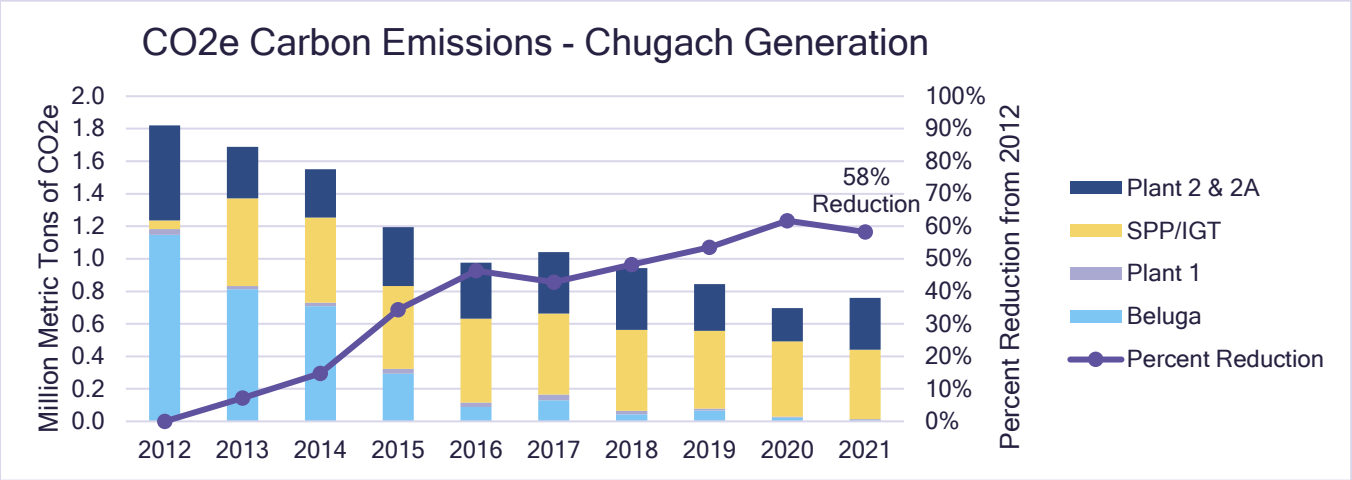
Chugach has a diverse, reliable mix of generation, both owned and purchased. In 2021, the energy Chugach sold to its members came from natural gas, hydroelectric resources, and wind.



*Chugach sells the Renewable Energy Certificates (RECs) associated with some of its hydroelectric and wind energy to offset power supply costs to keep member prices low. The buyer of the REC claims the renewable attributes of that energy; therefore, Chugach does not claim this energy as renewable.

Greenhouse Gas Emissions

From 2012 through 2021, Chugach has seen a 58% reduction in its carbon emissions (CO2e). The decline is a result of many variables, from a reduction in retail member usage through energy efficiency measures, increased renewable (wind and solar) generation, and through reductions in wholesale power sales.



Renewable Energy

Chugach has a goal of adding a project or projects that will produce 100,000 megawatt hours of renewable generation by the end of the first quarter of 2025. In 2021, Chugach issued a request for proposals (RFP) for projects that can be built and integrated into the existing system at no additional cost to ratepayers. In addition to increasing the proportion of renewable energy, the goal of any new renewable project is to reduce carbon emissions, preserve natural gas resources, and to diversify Chugach's energy supply resources while maintaining reliability and not increasing rates for Chugach's members. Several proposals are currently being evaluated for operational and economic feasibility.

Energy Efficiency

Chugach has increased education to members and stakeholders on carbon reduction initiatives such as energy efficiency and conservation activities. In 2021, there were over 17,000 threshold notifications sent to members via the My Account member portal, to assist in managing electric usage. Additionally, members are able to create energy markers that allow them to set reminders for when they are on vacation, purchase new appliances, or take any action that may impact energy consumption.

Members also have available the Kill-a-Watt Meter Program, which allows them to borrow a Kill-a-Watt meter for up to two weeks. The Kill-a-Watt meter can be programmed with current utility rates, giving the member a way to identify how much energy specific appliances in their home consume in a specific time frame. Knowing how energy is being used empowers members to make informed decisions in how they use energy going forward.

Electric Vehicles

Chugach offers several electric vehicle (EV) related incentives to promote the use of EVs in Alaska. Individually the incentives are intended to help the utility's members interested in owning and driving an EV and the businesses that would like to serve them. Collectively, the programs will help accelerate the transition to electric transportation, which benefits all members by reducing carbon emissions and electric rates. By the end of 2021, more than 90 residential members and 10 business members had participated in Chugach's EV incentive programs.

Chugach worked with the other Railbelt electric utilities to create electric rates that will allow high speed charging networks of the future to develop in the Railbelt. The effort culminated with Chugach submitting new proposed tariffs to the Regulatory Commission of Alaska that will open the door to DC fast charging in Southcentral Alaska. The RCA approved the rates in early 2022.

In celebration of National Drive Electric Week, Chugach hosted an EV car show in October 2021. Besides Chugach's own Chevy Bolt, named Wattson, there were 13 local EV owners who participated in the event and gladly answered questions for other members about their EV experience. Over 100 members attended the event.

Beneficial Electrification

Chugach supports beneficial electrification strategies, which are activities that replace direct fossil fuel use with lower emission electricity. Besides encouraging EVs, Chugach supports the advancement and use of battery operated and electric tools and equipment, and air/ground source heat pumps.

Eklutna Hydroelectric Project

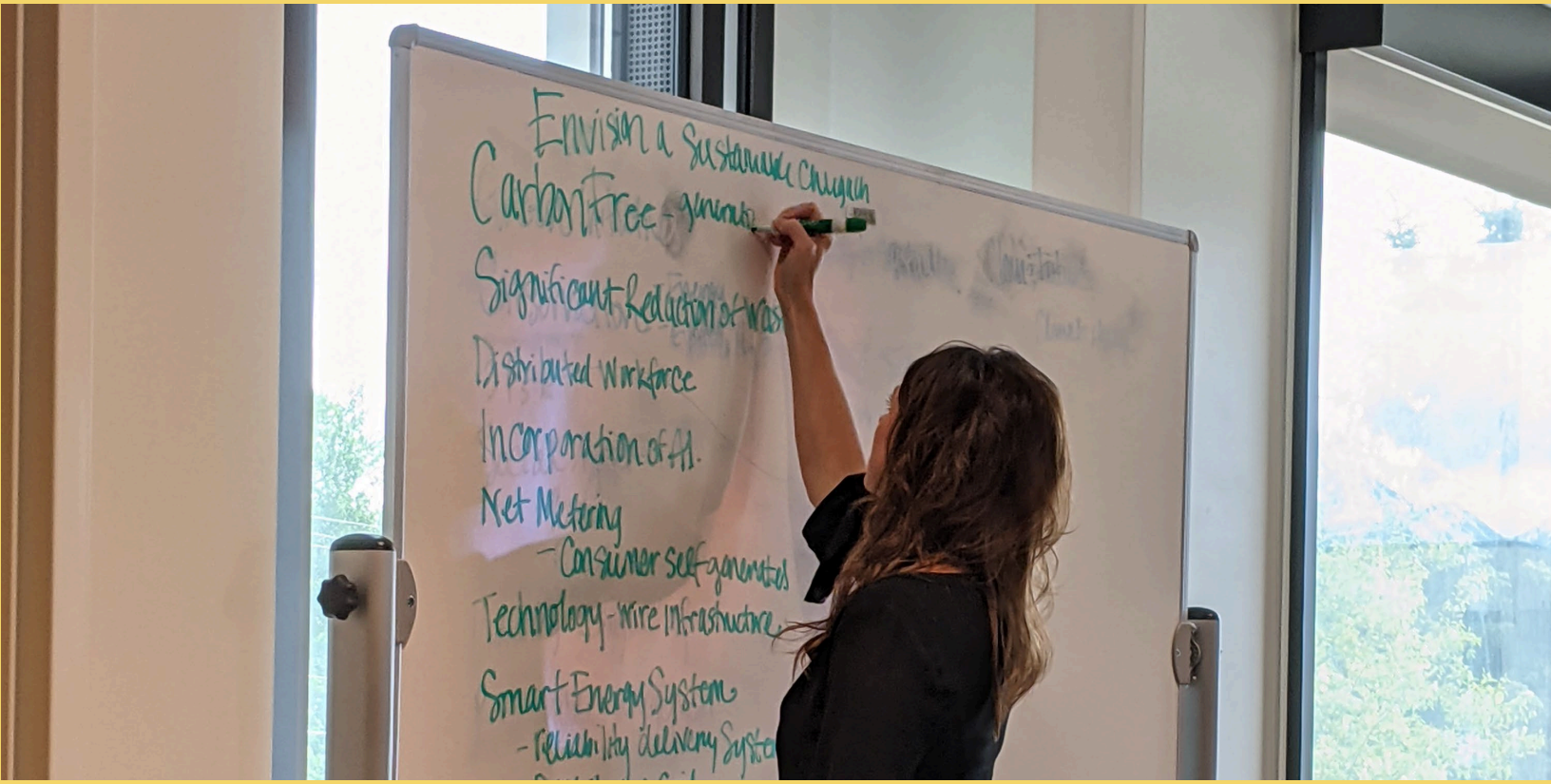
Chugach and the other project owners, the Municipality of Anchorage and Matanuska Electric Association, are undergoing the consultation and study process required by the 1991 Fish and Wildlife Agreement which is tied to the purchase of the project from the federal government. The owners of the Eklutna Hydroelectric Project are in year three of a multi-year effort to study the impacts of the hydroelectric project and develop measures to protect, mitigate damages to, and enhance fish and wildlife. In 2021, the owners collaborated with multiple stakeholders to develop study plans and initiated the first year of studies. To facilitate several of these studies, a series of controlled flows were released from Eklutna Lake into Eklutna River in the fall. Additional studies will be conducted in 2022.

Net Metering

Net metering allows members to install and use certain types of renewable generation to offset monthly usage and sell excess power to their electric utility. Eligible generation includes solar, wind, hydroelectric, geothermal, hydrokinetic, ocean thermal, biomass and other sources approved by the Regulatory Commission of Alaska. The generation nameplate capacity must be 25 kW or less per metered location. Until 2021, net metering capacity was limited to 1.5% of Chugach's average retail demand. In support of renewable generation, Chugach's Board of Directors approved increasing the net metering cap from 1.5% to 5% in September 2021, and the RCA approved the increase in early 2022. This increase will reduce greenhouse gas emissions, reduce natural gas usage and support local solar industry jobs.

Sustainability Committee

In 2021, Chugach launched its first employee-led sustainability committee to shine a light on sustainable practices from the inside out. This employee-powered committee was intended to discover and help implement best practices to better display Chugach's commitment to sustainability and be a recognized leader of sustainable habits in the community. The nine-person committee prioritized seven action items for 2022 from a list of more than 70 action items created by the team. The team will continue its efforts in 2022.



PEOPLE – SOCIAL STEWARDSHIP

Employees

From Engineering to Operations to Member Services, all of Chugach's roughly 450 employees live and work in Alaska.

Safety

Safety is an unwavering core value of the Association. Chugach is committed to and promotes a culture of safety for employees, members, contractors, and the general public, and continuously strives for a safer work environment through training, proactively identifying and communicating hazards, and looking out for the safety of others. A culture of safe work performance and protecting the employees and the public is essential and requires the prioritization of safety to create an incident and injury-free work environment.

Lost Time Rate	Recordable Incident Rate	Motor Vehicle Accidents
1.1	2.77	3

Leadership Development

At Chugach, it is a priority to grow leadership, align management, support employee development, and enhance communication. Effective communication leads to a more productive and efficient business that can better serve members and communities. Chugach strives for an environment where employees feel valued, motivated and empowered to drive the success of the organization.

Diversity and Inclusion

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

Member Engagement

Member Events

Throughout the month of October, Chugach celebrated Member Appreciation. Each Friday an informational table with energy efficiency tips, sustainability information, and LED lightbulbs were available to members at "Efficient Fridays."

In summer 2021, Chugach participated in Anchorage's first EV car show and the groundbreaking for a DC fast charger at the Dimond Center. There were nearly 40 EVs, 500 attendees, and three vendor booths, including a booth hosted by Chugach. Attendees asked questions about infrastructure related to EVs and solar energy, and information was available about energy efficiency, sustainability, and Chugach's EV charging incentive programs.

COVID-19 Assistance

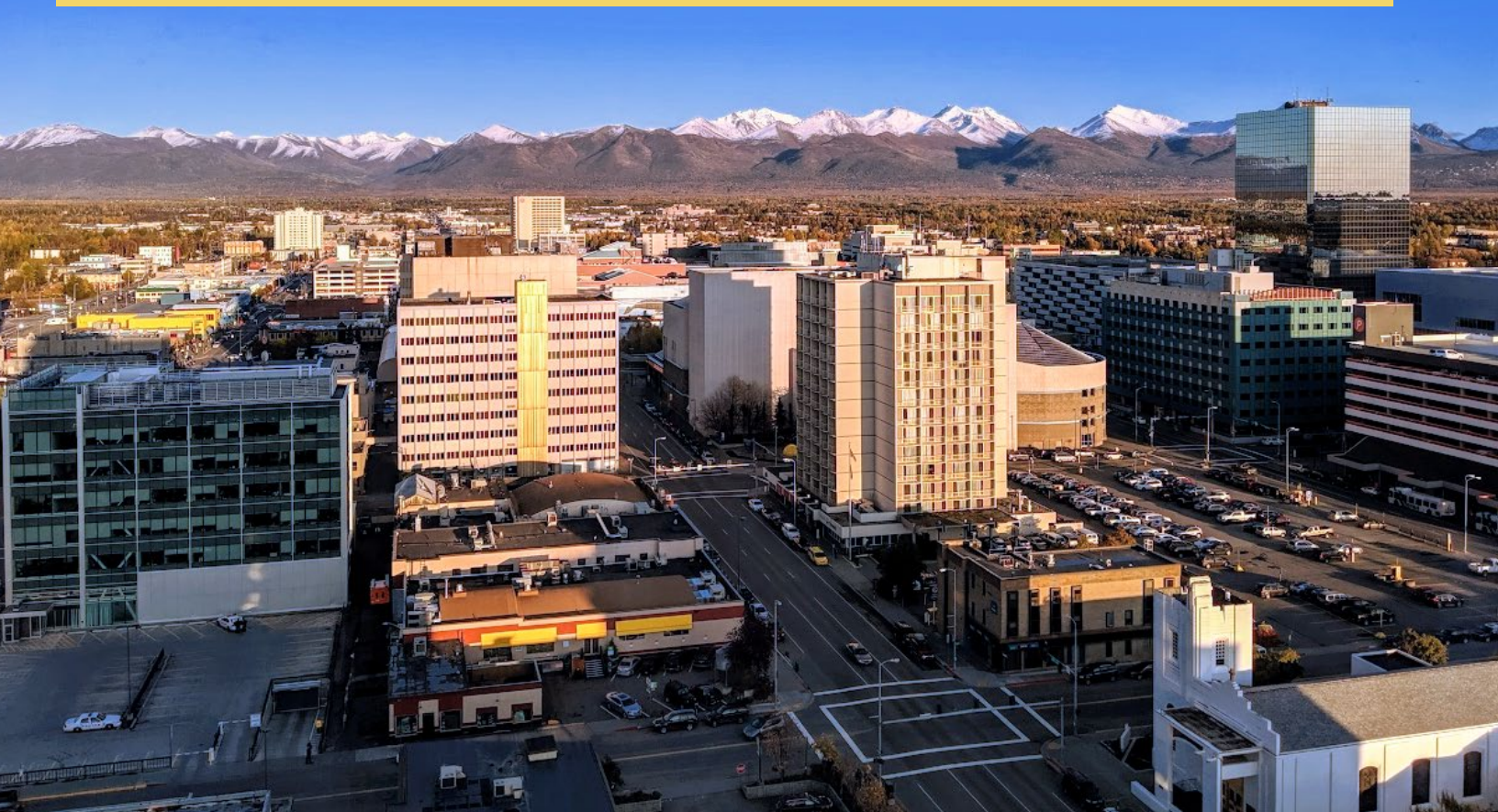
Chugach worked with agencies to distribute over $5.5 million in COVID-19 relief funds to members facing a financial hardship due to the pandemic. In March 2020, Chugach temporarily suspended disconnects due to non-payment and stopped assessing late fees. After the governor issued a COVID-19 disaster declaration, the Alaska Legislature passed a law prohibiting utilities from shutting off residential service for those facing pandemic-related hardship. Chugach then implemented a process allowing members to attest to financial hardship and enter into a deferred payment plan with the utility.

Key Member Program

After a hiatus for several years, Chugach reimplemented its Key Members Program. The program fosters lines of communication between Chugach and its largest commercial members. In 2021, key members began to receive a quarterly key member electronic newsletter, titled Inside the Grid. The inaugural Key Member Summit was hosted in November of 2021. The Summit provided top members with Chugach news and the ability to ask Chugach leadership questions.

"We need each other equally and look forward to continuing a strong, long-term relationship."

-Chugach Key Member

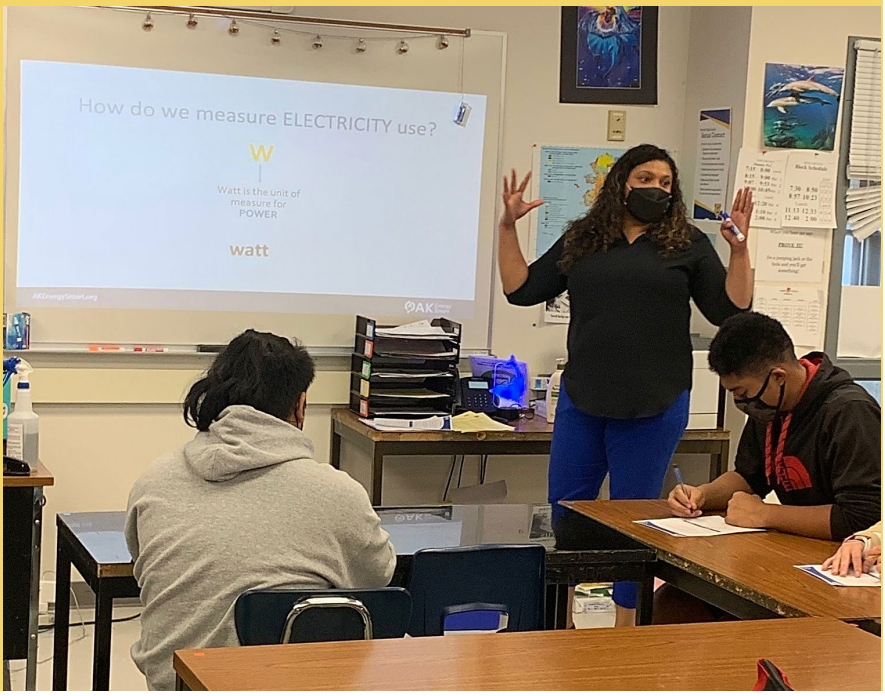


Community Outreach and Participation

Chugach continues to be involved in numerous community outreach activities.

Energy Education

Over the past eight years, the Power Pledge Challenge has provided energy literacy curriculum for K-12 students, with a focus on energy efficiency, throughout Alaska. In 2021, in-person energy education presentation resumed, allowing Chugach to assist with presentations to 17 classrooms in the Anchorage School District, reaching over 400 students from 6th to 12th grades. What started as a partnership between Chugach and Renewable Energy Alaska Project has grown to a statewide effort with the ability to reach more than 4,000 students in a year.



Community Memberships

Chugach serves on the Alaska Forum on the Environment planning committee which is one of the largest environmental conferences in Alaska. As a member of the Alaska Energy Efficiency Partnership, Chugach stays up to date with the energy happenings around the state.

Employee Match Program

Chugach matches regular employee cash contributions to qualifying organizations up to a maximum of $100 per employee per year. Qualifying organizations must have a current 501(c)(3) designation. The Association may use a third-party organization (Pick-Click-Give or United Way) to qualify and facilitate the matching contribution. In 2021, Chugach matched $1,810 for qualifying organizations.

Employee Volunteer Program

Chugach's Employee Volunteer Program allows employees to use 16 work hours a year to volunteer with local non-profits. Since its inception in 2019, employees have spent nearly 200 hours donating their time and talent to the local organizations they care about. The Salvation Army, Children's Lunchbox, the Alaska Humane Society, and the American Heart Association are just a few of the organizations Chugach connected with in 2021. A volunteer bank, with 3,000 hours to be used annually (750 per quarter), has been created to support this program.

PERFORMANCE – GOVERNANCE

Board of Directors

As a cooperative, Chugach is guided by a board of directors elected by and from its membership. The seven-member board sets policy and provides direction to Chugach's Chief Executive Officer. Directors are elected to staggered four-year terms in conjunction with the annual meeting each spring.

Gender Diversity

43 percent

57 percent

Average Tenure

4 years

Average Age

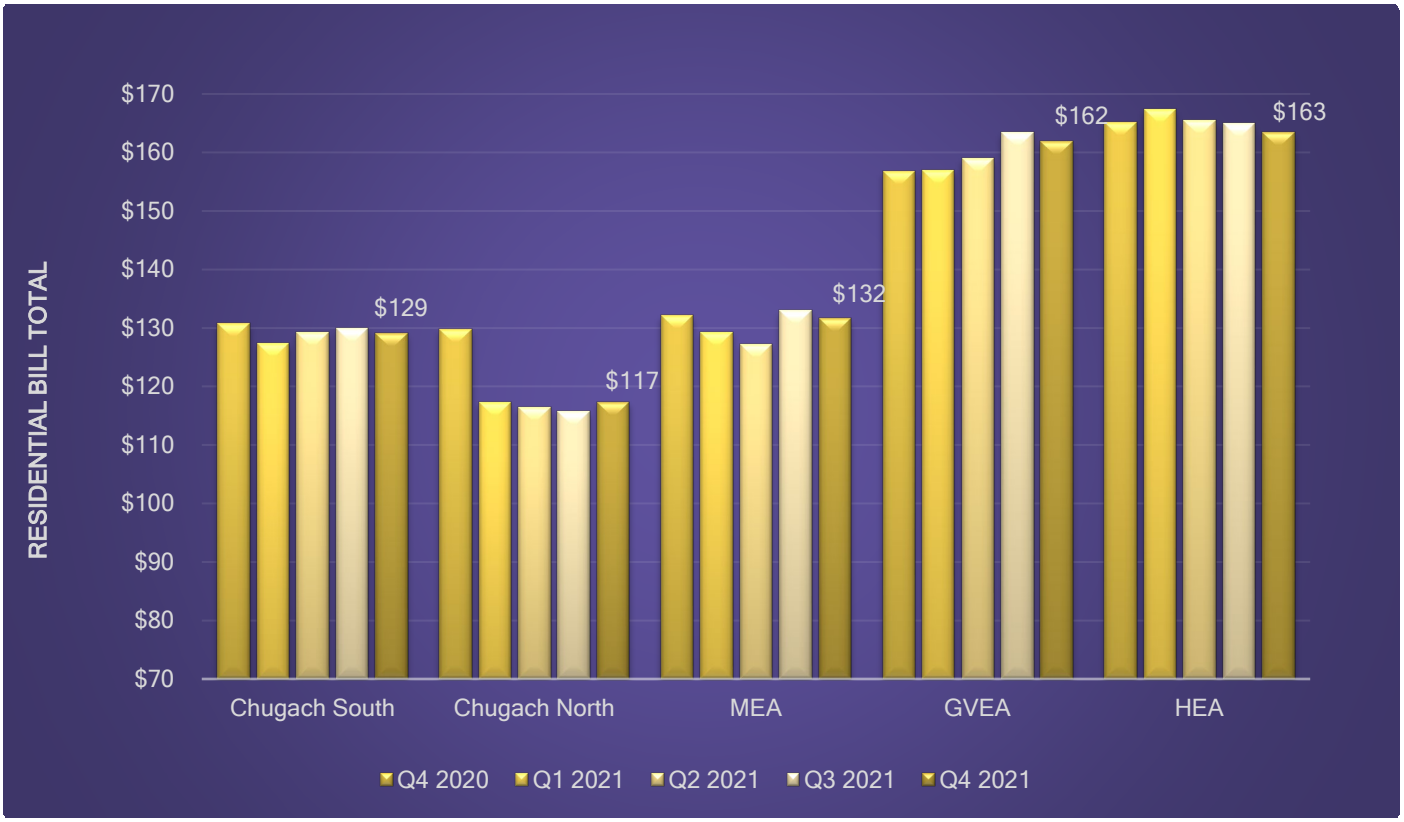
61

Operational Excellence

Chugach continues to deliver excellence in price, reliability, and quality of customer service.

Price

At the end of 2021, Chugach's residential, small and large commercial bill levels were the lowest in the Railbelt. The graph below illustrates Railbelt utility residential bill levels from 2020 through 2021.



Chugach has two rate structures: Chugach South and Chugach North. Chugach South is legacy Chugach service area. Chugach North is former Municipal Light & Power service area.

Reliability

The Alaska electric grid is unique in that it is not connected to any other electric grids, unlike the lower 48 electrical grid. Because the Alaska grid is independent, it has to be that much more reliable. In 2021, Chugach had a reliability rating of 99.97% and members on average experienced 2.37 hours without power in 2021.

Member Satisfaction

Each year, Chugach reaches out to its members to gather valuable member feedback. In 2021, 500 members were surveyed for the annual member satisfaction survey. Results show the vast majority of Chugach members are very satisfied with their overall service.

In general, Chugach continues to be very favorably viewed by its members. Members are extremely satisfied with the utility overall, reliability, customer service, and the restoration time. Reliability remains the member priority as it has since Chugach started tracking in 1995.

Business Development

As electric vehicles gain market share, the number of EVs in Anchorage has grown to over 600. When powered by Chugach's generation mix, these vehicles reduce carbon emissions by 60 to 70 percent, as compared to a similar size gasoline vehicle. The additional load created by electric vehicles and new commercial developments for air cargo, senior housing, hotels, and medical buildings is more than offset by Chugach members becoming more energy efficient. Total 2021 energy sales were 0.7% lower than 2020, but the number of metered points served by Chugach grew by 0.13%.

MEMBER COMMENTS

"Good to have Alaska-based customer service. Operator knew about my neighborhood."

"Was the easiest and most informative customer service agent I have had in a very long time. She was patient and her tone and tenor did not reflect anything but patience, which is rare these days."

"Excellent service - the crewmen that came to our home were kind and patient, very engaging. Provided knowledgeable and efficient service!"

"In a world where customer service is becoming an endangered species, it's nice to be able to talk to a person who can answer your questions."

APPENDIX A

Sustainability Quantitative Information / ESG Metrics

Portfolio	2021
Owned Nameplate Generation Capacity at end of year (MW)	
Coal	0
Natural Gas	758.1
Nuclear	0
Petroleum	0
Other	
Biomass/Biogas	0
Geothermal	0
Hydroelectric	32.6
Solar	0
Wind	0
Owned Net Generation for the data year (MWh)	
Coal	0
Natural Gas	1,810,542
Nuclear	0
Petroleum	0
Other	
Biomass/Biogas	0
Geothermal	0
Hydroelectric	117,025
Solar	0
Wind	0
Retail Electric Accounts (at end of year)	
Large Commercial	2,353
Small Commercial	13,781
Residential	96,703

Emissions	2021
GHG Emissions: Carbon Dioxide (CO2) and Carbon Dioxide Equivalent (CO2e)	
Owned Generation	
Carbon Dioxide (CO2)	
Total Owned Generation CO2 Emissions (MT)	756,339
Total Owned Generation CO2 Emissions Intensity (MT/Net MWh)	0.3924
Carbon Dioxide Equivalent (CO2e)	
Total Owned Generation CO2e Emissions (MT)	757,151
Total Owned Generation CO2e Emissions Intensity (MT/Net MWh)	0.3928
Nitrogen Oxide (NOx)	
Total NOx Emissions (MT)	1.5
Total NOx Emissions Intensity (MT/Net MWh)	0.00
Sulfur Dioxide (SO2)	
Total SO2 Emissions (MT)	0
Total SO2 Emissions Intensity (MT/Net MWh)	0.00

Resources	2021
Human Resources	
Total Number of Employees	448
Percentage of Women in Total Workforce	30%
Percentage of Minorities in Total Workforce	23%
Total Number on Board of Directors	7
Percentage of Women on Board of Directors	43%
Employee Safety Metrics	
Recordable Incident Rate	2.77
Lost-time Rate	1.1
Days Away, Restricted, and Transfer (DART) Rate	1.58
Work-related Fatalities	0
Waste Products	
Amount of Hazardous Waste Manifested for Disposal	<1 MT
Percent of Coal Combustion Products Beneficially Used	0%