



Financial Statements

June 30, 2021

Alaska Energy Authority

(A Component Unit of the State of Alaska)

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Independent Auditor's Report

To the Board of Directors
Alaska Energy Authority
Anchorage, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Alaska Energy Authority (A Component Unit of the State of Alaska) (Authority), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Authority as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Emphasis of Matter – Correction of an Error

As discussed in Note 11 to the financial statements, the Authority determined the change in net position and fund balance included approximately \$7.4 million of expenses that was booked incorrectly in the prior year which resulted in the net position and the fund balance in the governmental activities to be understated as of July 1, 2020. Accordingly, the amount reported for the net position and fund balance have been restated as of July 1, 2020. Our opinions are not modified with respect to this matter.

As discussed in Note 11 to the financial statements the Authority determined that prior to July 1, 2020 that operating transfers with the State of Alaska of approximately \$2.2 million were incorrectly reported as a due to funds managed by Treasury instead of an operating transfer. This resulted in the beginning net position and fund balance in the governmental activities to be understated. Accordingly, the amount for the net position and fund balance have been restated as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information in Schedules 1 through 9 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information in Schedules 1 through 5 is the responsibility of management and was derived and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary information in Schedules 6 through 9 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alaska Energy Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
October 29, 2021

Overview of the Financial Statements

The Alaska Energy Authority (AEA or Authority) is a public corporation of the State of Alaska (State) within the Department of Commerce, Community and Economic Development (DCCED), but with a separate and independent legal existence and a separate and self-balancing set of independently audited financial statements. AEA's operations consist of governmental fund activities reported as special revenue funds and business-type activities reported as enterprise funds. The financial information in this report is later reported as a component of the State and is discreetly presented in the State's financial statements.

AEA manages the following projects and programs: owned hydroelectric and intertie projects, rural energy programs, and energy development programs. AEA's programs are funded primarily by the State, federal grants, investment income, and utility companies – for use of AEA owned assets. Further information on AEA's programs can be found in note 1 to the financial statements.

Management's Discussion and Analysis

This section presents management's discussion and analysis of the financial position and results of operations for the year ended June 30, 2021. This information is presented to help the reader focus on significant financial matters and provide additional information regarding the activities of the Authority. This information should be read in conjunction with the Independent Auditor's Report, the audited financial statements, and accompanying notes.

Government-Wide Financial Statements

The government-wide financial statements report information about the overall finances of the Authority similar to a business enterprise. These statements combine and consolidate short-term spendable resources with capital assets and long-term obligations.

The government-wide financial statements are divided into the following categories:

- Governmental activities – These are functions of the Authority that are financed primarily by intergovernmental revenues. AEA's governmental activities include Power Cost Equalization (PCE) Program, Renewable Energy Grant Fund, Emerging Energy Technology Fund, Trans-Alaska Pipeline Liability Fund, Rural Energy Projects, and Volkswagen Diesel Settlement Fund.
- Business-type activities – These are functions of the Authority in which customer user fees and charges are used to help cover all or most of the cost of services they provide. AEA's business-type activities include the Bradley Lake Hydroelectric Project, the Alaska Intertie Project, the Susitna-Watana Hydroelectric Project, the Power Project Fund, the Rural Electrification Revolving Loan Fund, and the Power Development and Railbelt Energy Projects. Included in Bradley Lake Hydroelectric Project is the addition of Battle Creek which expands the hydroelectric project and the Sterling Substation to Quartz Creek Substation (SSQ Line) which transmits power to customers.

The Statement of Net Position presents information on all of AEA's assets and deferred outflows of resources less liabilities and deferred inflows of resources, which results in net position. This statement is designed to display the financial position of AEA.

The Statement of Activities provides information, which shows how the Authority's net position changed as a result of the year's activities. The statement uses the full accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by private-sector businesses. Revenues are recognized when earned and expenses are recognized when a liability is incurred.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The funds of the Authority are divided into two categories: governmental fund and proprietary fund, both of which are further described below, and which provides more detail than the government-wide statements. AEA uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds – Special Revenue Funds

The Authority reports one governmental fund as a special revenue fund. The special revenue fund is used to account for activities that are supported primarily by intergovernmental revenues.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the short-term view of AEA's operations. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the government funds with similar information presented for governmental activities in the government-wide financial statements. These funds are combined on the Governmental Fund Balance Sheet/Statement of Net Position – Governmental Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities – Governmental Activities.

Propriety Funds – Enterprise Funds

The Authority reports one enterprise fund. The enterprise fund is used to account for activities for which a fee is charged to external users for goods and services.

The Statement of Net Position reports the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and resulting net position. The net position is reported as net investment in capital assets, restricted, and unrestricted. Restricted net position is subject to external limits such as bond resolutions, legal agreements, or statutes. The Statement of Revenues, Expenses, and Changes in Net Position reports the Authority's revenues, expenses, and resulting change in net position during the periods reported. Both statements report on the full accrual basis of accounting and economic resources measurement focus.

The Statement of Cash Flows reports the Authority's sources and uses of cash and change in cash balance resulting from the Authority's activities during periods reported.

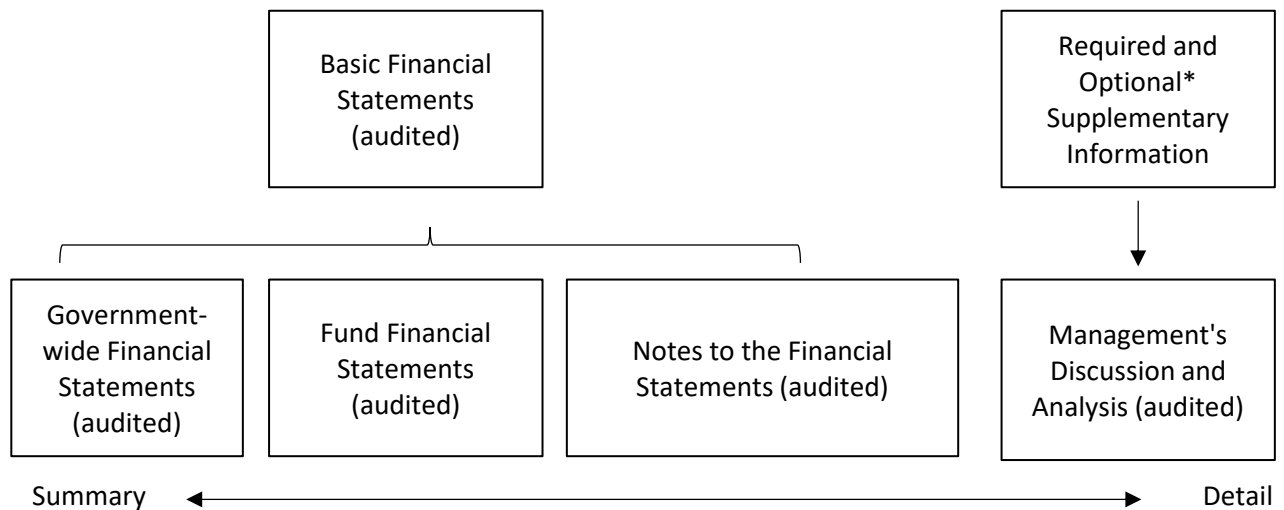
Notes to Basic Financial Statements

The notes provide additional information that is essential to fully understand the amounts reported in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information, which provides additional information about AEA's projects and programs.

Required Components of the Financial Report



*Optional Supplementary Information:

- Schedule 1: Bradley Lake Hydroelectric Project Trust Account Activities (Unaudited);
- Schedule 2: Special Revenue Fund – Projects and Programs – Balance Sheet (Unaudited);
- Schedule 3: Special Revenue Fund – Projects and Programs – Statement of Revenues, Expenses, and Changes in Fund Balance (Unaudited);
- Schedule 4: Business-Type Activities – Enterprise Fund – Projects and Programs – Statement of Net Position (Unaudited);
- Schedule 5: Business-Type Activities – Enterprise Fund – Projects and Programs – Statement of Revenues, Expenses, and Changes in Net Position (Unaudited);
- Schedule 6: Capital Assets Presented under Federal Energy Regulatory Commission (FERC) Requirements (Unaudited);
- Schedule 7: Bradley Lake Historical Annual Project Cost (Unaudited);
- Schedule 8: PCE Endowment Fund Historical Analysis (Unaudited); and
- Schedule 9: Supplementary Organization and Project Information (Unaudited).

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case with AEA as a whole, assets and deferred outflows exceeded its liabilities and deferred inflows by \$1,569.7 billion at June 30, 2021 and \$438.1 million at June 30, 2020. Beginning in FY21, the sweep of the PCE fund into the Constitutional Budget Reserve was deemed to be ineligible and was removed from the sweep by a legal ruling. Therefore, liabilities to the State and AEA's fund balance increased with the retention of the Endowment funds.

Of the total net position at June 30, 2021, \$325.6 million was invested in capital assets, net of related debt, and \$1,244.1 billion was restricted. Of the total net position at June 30, 2020, \$323.6 million was invested in capital assets, net of related debt, and \$114.5 million was restricted. In both years, invested in capital assets, net of related debt, is related to the Bradley Lake Hydroelectric Project, Alaska Intertie Project, and Susitna-Watana Hydroelectric Project. The remainder of net position is considered restricted for debt service or restricted due to agreements with external parties, and legislation.

The following tables are provided to show AEA's total assets, deferred outflows of resources, liabilities, and net position at June 30, 2021 and 2020 (stated in thousands):

	Governmental Activities			Business-Type Activities		
	2021	2020	Variance	2021	2020	Variance
Assets:						
Current and other noncurrent assets	\$ 1,194,856	\$ 1,121,289	\$ 73,567	\$ 81,565	\$ 90,544	\$ (8,979)
Capital assets	-	-	-	396,079	388,046	8,033
Total assets	1,194,856	1,121,289	73,567	477,644	478,590	(946)
Deferred outflows of resources	-	-	-	-	3	(3)
Total assets and deferred outflows	1,194,856	1,121,289	73,567	477,644	478,593	(949)
Liabilities:						
Current liabilities	25,866	1,081,398	(1,055,532)	19,912	27,734	(7,822)
Noncurrent liabilities	-	-	-	57,043	52,584	4,459
Total liabilities	25,866	1,081,398	(1,055,532)	76,955	80,318	(3,363)
Net Position:						
Net investment in capital assets	-	-	-	325,614	323,645	1,969
Restricted	1,168,990	39,891	1,129,099	75,075	74,630	445
Total net position	1,168,990	39,891	1,129,099	400,689	398,275	2,414
Total liabilities and net position	\$ 1,194,856	\$ 1,121,289	\$ 73,567	\$ 477,644	\$ 478,593	\$ (949)

Governmental Activities

Current and other noncurrent assets

The following table is provided to show the details of AEA's current and other noncurrent assets at June 30, 2021 and 2020 (stated in thousands):

	2021	2020	Variance
Restricted cash and cash equivalents	\$ 28,160	\$ 18,542	\$ 9,618
Restricted investments	1,161,100	1,100,867	60,233
Operating receivables	14	14	-
Due from Federal Government	3,991	1,304	2,687
Due from State of Alaska	1,268	356	912
Due from component units	7	-	7
Due (to) from other funds/internal balances	316	206	110
Current and other noncurrent assets	<u>\$1,194,856</u>	<u>\$1,121,289</u>	<u>\$ 73,567</u>

Current and other noncurrent assets in total are \$73.5 million higher in the current fiscal year. Restricted cash and cash equivalents held by AEA increased by \$9.6 million largely due to the PCE investment fund short term earnings of \$9 million. Restricted investments increased by \$60.2 million, relating to investment earnings for the PCE and Renewable Energy Grant Fund (REF) investment funds managed by Treasury. Amounts due from the federal government increased by \$2.7 million related to timing of reimbursement requests submitted and received from federal agencies on federal awards. Due from the State of Alaska and component units increased by \$919 thousand largely related to advances from state appropriations, which are drawn based on project need; therefore, these balances will fluctuate annually. Due (to) from other funds/internal balances will fluctuate annually depending on program activities and cash needs.

Total current and noncurrent liabilities decreased in this fiscal year by \$1,055.5 billion. The decrease is a result of the legal ruling, which determined that the PCE fund should be removed from the sweep to the CBR. This determination reduces the Authority's liability to the State at fiscal year-end and increases ending fund balance.

Net Position

The following table is provided to show details of AEA's net position at June 30, 2021 and 2020 (stated in thousands):

	2021	2020	Variance
Restricted by agreements with external parties	\$ 1,110	\$ 1,182	\$ (72)
Restricted by legislation	1,167,880	38,709	1,129,171
Net Position	<u>\$1,168,990</u>	<u>\$ 39,891</u>	<u>\$1,129,099</u>

Net position increased by \$1,129.1 billion during the current fiscal year. Net position restricted by agreements with external parties decreased by \$72 thousand compared to the June 30, 2020 balance. Net position restricted by legislation increased by \$1,129.1 substantially due to the PCE fund removal from the sweep to the CBR at June 30, 2021.

Business-Type Activities

Current and other noncurrent assets

The following table is provided to show the details of the AEA's current and other noncurrent assets, excluding capital assets and deferred outflows at June 30, 2021 and 2020 (stated in thousands):

	2021	2020	Variance
Restricted cash and cash equivalents	\$ 32,351	\$ 39,974	\$ (7,623)
Restricted investments	22,342	21,502	840
Operating receivables	206	267	(61)
Prepaid expense	36	251	(215)
Loans receivable, net of allowance	25,447	27,032	(1,585)
Due from Federal Government	564	562	2
Due from State of Alaska	-	1	(1)
Accrued interest receivable	935	1,161	(226)
Due (to) from other funds/internal balances	(316)	(206)	(110)
Current and other noncurrent assets	\$ 81,565	\$ 90,544	\$ (8,979)

Current and other noncurrent assets decreased by \$9.0 million in the current fiscal year. The decrease in current and noncurrent assets is primarily due to a decrease in restricted cash and cash equivalents of \$7.6 million. The cash decrease was substantially due to the disbursements from debt proceeds for the construction of the West Fork Upper Battle Creek Diversion (Battle Creek) Project, which was completed in October 2020. Operating receivables and prepaid expenses decreased by \$276 thousand, which is related to a decrease in monthly billing rates and amortization of prepaid expenses on the Alaska Intertie Project at the end of FY21. Loans receivable (net of allowance) decreased \$1.6 million related to disbursements on Power Project Fund loans. Due (to) from other funds/internal balances will fluctuate annually depending on program activities and cash needs.

Total current and noncurrent liabilities

The following table is provided to show the details of AEA's total current and noncurrent liabilities at June 30, 2021 and 2020 (stated in thousands):

	2021	2020	Variance
Due to State of Alaska	\$ 744	\$ 385	\$ 359
Accounts payable	5,049	13,360	(8,311)
Bonds payable	69,109	63,684	5,425
Other bond liabilities	569	1,052	(483)
Accrued interest payable	1,484	1,474	10
Other liabilities	-	363	(363)
Current and other noncurrent liabilities	\$ 76,955	\$ 80,318	\$ (3,363)

Total current and noncurrent liabilities decreased in the current fiscal year by \$3.3 million. Advances from the State of Alaska increased by \$359 thousand related to state appropriations for Railbelt Energy projects, which are drawn based on project need; therefore, these balances will fluctuate annually. Accounts payable decreased by \$8.3 million due to reduced billings for the construction of the Battle Creek Project, as it was completed in October 2020. Bonds payable increased by \$5.4 million netted between debt service principal payments on the Bradley Lake Hydroelectric Project bonds and the purchase of the SSQ Line and related bonds or new debt acquired. Other bond liabilities decreased by \$483 thousand related to amortization of bond original issue premium and increase in estimated arbitrage liability. Accrued interest payable increased by \$10 thousand related to original Bradley Lake debt. Other liabilities decreased \$363 thousand related to the estimated repurchase liability to AIDEA for the portion of the Power Project Fund loan portfolio, which AIDEA purchased from AEA in 2010.

Net Position

The following table is provided to show the details of AEA's net position at June 30, 2021 and 2020 (stated in thousands):

	2021	2020	Variance
Net investment in capital assets	\$ 325,614	\$ 323,645	\$ 1,969
Restricted for capital projects	1,979	866	1,113
Restricted for debt service	27,636	26,796	840
Restricted by agreements with external parties	3,913	5,703	(1,790)
Restricted by legislation	41,547	41,265	282
Net Position	\$ 400,689	\$ 398,275	\$ 2,414

Net position increased in the current fiscal year by \$2.4 million. Net investment in capital assets increased \$2.0 million due to the net effect of capital asset additions and reduction of debt related to capital projects. Debt related to capital projects is reduced in FY21 due to the completion of the Battle Creek Hydroelectric Project. In addition, the Authority purchased the SSQ Line with new bonds (tenth series), which offsets the total increase from FY20. Restricted net position increased by \$445 thousand, substantially due to net income provided by operating activities.

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis
June 30, 2021

The following table is provided to show AEA's revenues, expenses, and changes in net position at June 30, 2021 and 2020 (stated in thousands):

	Governmental Activities			Business-Type Activities		
	2021	2020	Variance	2021	2020	Variance
Revenues:						
Program revenues:						
Fees, fines, and charges for services	\$ -	\$ -	\$ -	\$ 23,209	\$ 21,889	\$ 1,320
Operating grants and contributions	17,064	13,184	3,880	228	898	(670)
General revenues:						
Investment income	150,472	49,406	101,066	1,511	2,005	(494)
State of Alaska appropriations/transfers	1,017,213	-	1,017,213	-	-	-
Total revenues	1,184,749	62,590	1,122,159	24,948	24,792	156
Expenses:						
Grants and projects	20,370	18,714	1,656	-	-	-
Power cost equalization grants	25,557	29,255	(3,698)	-	-	-
State of Alaska appropriations/transfers	-	21,288	(21,288)	-	66	(66)
General and administrative	19,350	4,079	15,271	1,255	1,663	(408)
Interest expense	-	-	-	1,159	827	332
Plant operations	-	-	-	7,797	5,376	2,421
Depreciation	-	-	-	12,356	10,917	1,439
Provision for loan loss	-	-	-	(33)	61	(94)
Total expenses	65,277	73,336	(8,059)	22,534	18,910	3,624
Change in net position	1,119,472	(10,746)	1,130,218	2,414	5,882	(3,468)
Net position, beginning of year, as previously reported	39,891	50,637	(10,746)	398,275	392,393	5,882
Prior period adjustment	9,627					
Net position, beginning of year, as restated	49,518					
Net position, end of year	\$ 1,168,990	\$ 39,891	\$ 1,129,099	\$ 400,689	\$ 398,275	\$ 2,414

Governmental Activities:

Total revenues for governmental activities increased by \$1,122.2 million, based on the following:

- **Operating grants and contributions and State of Alaska appropriations/transfers** are from State of Alaska operating and capital appropriations and Federal grant awards. Operating grants and contributions and State of Alaska appropriations/transfers increased by \$1,021.1 billion in the current fiscal year as a result of increased spending of State of Alaska appropriations for Rural Power System Upgrade (RPSU) and Bulk Fuel Upgrade (BFU) projects, in accordance with generally accepted accounting principles AEA recognizes revenue to the extent of expenditures. In addition, with the removal of PCE from the CBR sweep, AEA recognizes the return of the funds swept in FY20 with no sweep amount in FY21; and
- **Investment income** is primarily from interest earned in the PCE Endowment Fund and the Renewable Energy Grant Fund, which are managed by the State Department of Revenue, Treasury Division. Investment income earned in the PCE Endowment fund in FY21 was \$150.3 million and \$123 thousand million for REF in FY21.

Expenses for governmental activities decreased by \$8.2 million, based on the following:

- **Grants and project expenses decreased** by \$1.6 million in the current fiscal year as a result of spending of State of Alaska appropriations for Rural Power System Upgrade (RPSU) and Bulk Fuel Upgrade (BFU) projects;
- **PCE grants** decreased by \$3.7 million. This decrease is due to the timing between receipt of documentation from grantees and payment to grantees. The overall encumbrance at fiscal year-end was higher than the prior fiscal year due to reduced submissions by the year end close date;
- **State of Alaska appropriations/transfers** decreased by approximately \$21.3 million in FY21. This is the result of the legal ruling, which removed PCE from the sweep to the CBR, which removed the netted sweep reversal from FY20 and the FY21 sweep amount; and
- **General and administrative expenses** increased by \$15.3 million compared to the prior year. Administrative costs shared between AIDEA and AEA for administrative support and the addition of administering the Volkswagen Settlement Program contributed to this increase.

Business-Type Activities:

Total revenues for business-type activities increased by \$156 thousand, based on the following:

- **Fees, fines, and charges for services** increased by \$1.3 million. Charges for services include the amounts received from the utilities for plant operations and debt service obligations. These services are provided under various agreements and are based on project expenditures, operating cash requirements, and will fluctuate annually. The current year increase is a reflection of the change in reimbursement for administrative expenses from Bradley Lake participants;
- **Operating grants and contributions** are from State of Alaska operating and capital appropriations. Operating grants and contributions decreased by \$671 thousand. The current year decrease is a reflection of reduced operations related projects for FY21; and
- **Investment income** decreased by \$494 thousand, due to decreased investment earnings on debt proceeds issued related to the Battle Creek Project. FY19 was the first full year of investment earnings for the Battle Creek Project, compared to only half a year when the debt proceeds began earning interest during the year ended June 30, 2018. FY21 is the last year and only a partial year for earning interest on debt proceeds, as the capital project was completed in August 2020.

Expenses for business-type activities increased by \$3.6 million, based on the following:

- **State of Alaska appropriation of funds and transfers** for business-type activities decreased by approximately \$66 thousand in FY21. In FY20, the Rural Electrification Revolving Loan Fund received final payments, which closed the remaining loans and, per Statute, the program was closed;
- **General and administrative expenses** decreased by \$408 thousand. The current year decrease is a result of decreased general and administrative support incurred during the construction of the Battle Creek Project;
- **Interest expense** represents the cost of interest on AEA's Power Revenue Bonds for the Bradley Lake Hydroelectric Project. Interest expense increased in the current fiscal year by \$332 thousand. Interest expense on the Battle Creek Diversion bonds qualified for two federal interest subsidy programs. In addition, consistent with generally accepted accounting principles, AEA capitalizes a portion of interest related to the construction of the Battle Creek Project, which was only capitalized in comparison to FY20 where interest was capitalized for a full year;
- **Plant operations** for the Bradley Lake Hydroelectric Project and the Alaska Intertie Project increased in the current fiscal year by \$2.4 million. Plant operations consist of various activities required to maintain operations of each project;
- **Depreciation expense** increased in the current fiscal year by \$1.4 million. In FY21, AEA had \$5.5 million in deletions and \$44.8 million that was removed from CIP and placed into service for the Battle Creek Project. The addition of Battle Creek to completed assets increases the amount of depreciation for the fiscal year; and
- **Provision for loan loss (recovery)** decreased by \$94 thousand from the prior fiscal year. During FY20, AEA received final payments on the remaining loans related to the Rural Electrification Revolving Loan Fund, which results in a reduced amount in the loan loss calculation, as this calculation now only includes loans from the Power Project Fund.

Fund Financial Analysis

Fund Balances

Governmental Fund:

The focus of AEA's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing AEA's financing requirements.

The following table is provided to show AEA's total fund balances for the governmental funds at June 30, 2021 and 2020 (stated in thousands):

	2021	2020	Variance
Power Cost Equalization Program	\$1,145,062	\$ 13,005	\$1,132,057
Renewable Energy Grant Fund	21,802	24,583	(2,781)
Emerging Energy Technology Fund	1,004	1,109	(105)
Trans-Alaska Pipeline Liability Fund	1,110	1,182	(72)
Rural Energy Projects	12	12	-
Total Fund Balances	\$1,168,990	\$ 39,891	\$1,129,099

At the end of the current fiscal year, AEA's governmental funds reported combined ending fund balances of \$1,169.90 billion, which is an increase of \$1,129.1 million in comparison with the prior fiscal year. The Power Cost Equalization Program increased by \$1,132.1 million due to the legal ruling, which removed PCE from the sweep to the CBR. The increase to PCE was offset by a decrease in the Renewable Energy Fund by \$2.8 million as a result of AEA disbursements for the Renewable Energy Fund, with no new capitalizations in FY21. The Emerging Energy Technology Fund reduced by \$105 thousand, and the Trans-Alaska Pipeline Liability Fund reduced by \$72 thousand, both as a result of reduced project activity in FY21.

The combined ending fund balance is categorized as restricted to indicate that there is an externally enforceable limitation to its use. Specifically, the fund balance is entirely restricted by agreements with external parties or by legislation.

Proprietary Fund:

AEA's proprietary fund financial statements consist of enterprise funds, which provide detailed information of the same type found in the business-type activities section of the government-wide financial statements.

The following table is provided to show AEA's total net position for the proprietary fund at June 30, 2021 and 2020 (stated in thousands):

	2021	2020	Variance
Bradley Lake Hydroelectric Project	\$ 160,429	\$ 154,772	\$ 5,657
Alaska Intertie Project	15,031	18,556	(3,525)
Susitna-Watana Hydroelectric Project	183,682	183,682	-
Power Project Fund	39,553	39,271	282
Power Development and Railbelt Energy Projects	1,994	1,994	-
Total Net Position	\$ 400,689	\$ 398,275	\$ 2,414

At the end of the current fiscal year, AEA's proprietary fund reported combined ending net position of \$400.7 million, which is an increase of \$2.4 million in comparison with the prior fiscal year. The increase of \$5.7 million for the Bradley Lake Hydroelectric Project was due to operating revenues greater than operating expenses by \$2.4 million related to revenue collected for debt service payments. The decrease of \$3.5 million for the Alaska Intertie Project was due to operating revenues less than operating expenses as a result of depreciation expense. The Power Project Fund increased by \$282 thousand, due to the addition of new loans. The Rural Electrification Revolving Loan Fund had no activity in FY21, due to the final payments and subsequent closure of the remaining loans in this fund in FY20.

The following table is provided to show the proprietary fund net position by category at June 30, 2021 and 2020 (stated in thousands):

	2021	2020	Variance
Net investment in capital assets	\$ 325,614	\$ 323,645	\$ 1,969
Restricted for capital projects	1,979	866	1,113
Restricted for debt service	27,636	26,796	840
Restricted by agreements with external parties	3,913	5,703	(1,790)
Restricted by legislation	41,547	41,265	282
Total Net Position	\$ 400,689	\$ 398,275	\$ 2,414

Net investment in capital assets increased by \$2.0 million, which is the net effect of capital asset additions and retirements and reduction of debt related to capital projects. Restricted net position increased by \$445 thousand, substantially due to the PCE fund removal from the CBR sweep.

Capital Assets and Debt Administration

Capital Assets:

AEA's investment in capital assets for its business-type activities as of June 30, 2021 amounts to \$396.1 million (net of accumulated depreciation), which is an increase of \$8.0 million from the prior fiscal year. The investment in capital assets only occurs in the enterprise funds and includes land and rights of way, infrastructure, equipment, and construction in progress.

	Business-Type Activities		
	2021	2020	Variance
Land and Rights of Way	\$ 11,212	\$ 11,212	\$ -
Equipment	1,228	140,575	(139,347)
Infrastructure	198,741	1,092	197,649
Construction in Progress	184,898	235,167	(50,269)
Total	\$ 396,079	\$ 388,046	\$ 8,033

Capital assets, net of accumulated depreciation increased by \$8.0 million. The increase is a net result of the completion of construction on the Battle Creek Project, which moved approximately \$48 million from construction in progress to an active in use asset. This project was completed in October 2020. The Authority also purchased the SSQ Line in FY21 for \$17.0 million. The sale was completed in December 2020. The remaining additions to capital assets are for both Bradley Lake and Alaska Intertie as normal maintenance and upgrades to the existing assets.

Long-Term Debt:

At the end of the current fiscal year, AEA had total long-term debt outstanding of \$69.1 million. AEA's total long-term debt increased by \$5.4 million during the current fiscal year as a result of the purchase of the SSQ Line, which secured bonds in the amount of \$17.0 million.

The following table is provided to show the outstanding debt at June 30, 2021 and 2020 (stated in thousands):

	Business-Type Activities		
	2021	2020	Variance
Power Revenue and Refunding Bonds			
Bradley Lake	\$ 10,870	\$ 22,445	\$ (11,575)
Bradley Lake-Battle Creek private placement	41,239	41,239	-
Soldotna to Quartz Creek (SSQ) private placement	17,000	-	17,000
Total	\$ 69,109	\$ 63,684	\$ 5,425

Outlook

The Authority received funding from the VW Settlement Trust to spearhead multiple projects in Alaska. FY22 and FY23 will focus on the Electric Vehicle corridor and increasing the number of charging stations for electric vehicle users. In addition, AEA is also working with various communities to obtain school buses.

Various RPSU and BFU projects are anticipated to continue through FY22 with continued federal and state funding. AEA and the Denali Commission are leveraging the use of available funding by shifting project focus to more maintenance and improvement projects. AEA will continue Bulk Fuel and Power Plant Operator training, Circuit Rider, Technical Assistance, and Electrical Emergency efforts across Alaska.

AEA continues to manage the Renewable Energy Grant Fund (REF) active projects. The legislature approved funding for Round 13 to begin in FY22. AEA will next solicit applications for the Renewable Energy Fund grant program in spring 2022 to deliver a recommended priority for awarding grants to the Legislature for FY23 funding.

Operations and maintenance of AEA's Bradley Lake Hydroelectric Project and Alaska Intertie Project will continue as approved by the Bradley Lake Project Management Committee and Alaska Intertie Committee, respectively. The construction on the West Fork Upper Battle Creek Diversion Project was completed in October 2021; however, additional expansion opportunities are being explored to build upon Battle Creek's success. The SSQ Line was purchased in FY21 and remediation and other upgrade projects are planned for FY22. The Authority is actively seeking authorization for projects related to the SSQ Line purchased in December 2020. Part of the purchase included plans for remediation efforts for a large portion of the transmission line. In addition, with the final payment on the original Bradley Lake bonds in early FY22, an excess earnings estimate has been calculated and plans are on-going for use of these funds on required capital projects.

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Net Position
(in thousands)
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Restricted cash and cash equivalents	\$ 28,160	\$ 32,351	\$ 60,511
Operating receivables	14	206	220
Prepaid expenses	-	36	36
Due from federal government	3,991	-	3,991
Loans receivable, net of allowance	-	564	564
Due from State of Alaska	1,268	-	1,268
Due from component units	7	-	7
Accrued interest receivable	-	935	935
Due (to) from other funds/internal balances	316	(316)	-
Total current assets	<u>33,756</u>	<u>33,776</u>	<u>67,532</u>
Noncurrent Assets			
Restricted investments	1,161,100	22,342	1,183,442
Loans receivable, net of allowance	-	25,447	25,447
Capital assets, net of accumulated depreciation	-	396,079	396,079
Total noncurrent assets	<u>1,161,100</u>	<u>443,868</u>	<u>1,604,968</u>
Total Assets	<u><u>\$ 1,194,856</u></u>	<u><u>\$ 477,644</u></u>	<u><u>\$ 1,672,500</u></u>

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Net Position
(in thousands)
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Due to State of Alaska	\$ 1,164	\$ 744	\$ 1,908
Accounts payable	24,673	5,049	29,722
Bonds payable - current portion	-	12,245	12,245
Other bond liabilities - current portion	-	390	390
Accrued interest payable	-	1,484	1,484
Other liabilities	29	-	29
Total current liabilities	<u>25,866</u>	<u>19,912</u>	<u>45,778</u>
Noncurrent Liabilities			
Bonds payable - noncurrent portion	-	56,864	56,864
Other bond liabilities	-	179	179
Total noncurrent liabilities	<u>-</u>	<u>57,043</u>	<u>57,043</u>
Total liabilities	<u>25,866</u>	<u>76,955</u>	<u>102,821</u>
Net Position			
Net investment in capital assets	-	325,614	325,614
Restricted for			
Capital projects	-	1,979	1,979
Debt service	-	27,636	27,636
Agreements with external parties	1,110	3,913	5,023
Legislation	1,167,880	41,547	1,209,427
Total net position	<u>1,168,990</u>	<u>400,689</u>	<u>1,569,679</u>
Total Liabilities and Net Position	<u>\$ 1,194,856</u>	<u>\$ 477,644</u>	<u>\$ 1,672,500</u>

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Activities
(in thousands)
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Power Cost Equalization Program	\$ 42,712	\$ -	\$ -	\$ (42,712)	\$ -	\$ (42,712)
Renewable Energy Grant Fund	2,492	-	-	(2,492)	-	(2,492)
Emerging Energy Technology Fund	228	-	123	(105)	-	(105)
Trans Alaska Pipeline Liability Fund	72	-	-	(72)	-	(72)
Rural Energy projects	15,890	-	13,058	(2,832)	-	(2,832)
Volkswagen Diesel Settlement Fund	3,883	-	3,883	-	-	-
Total governmental activities	65,277	-	17,064	(48,213)	-	(48,213)
Business-Type Activities						
Bradley Lake Hydroelectric Project	15,703	19,852	-	-	4,149	4,149
Alaska Intertie Project	6,558	2,805	228	-	(3,525)	(3,525)
Power Project Fund	273	552	-	-	279	279
Total business-type activities	22,534	23,209	228	-	903	903
Total Activities	\$ 87,811	\$ 23,209	\$ 17,292	(48,213)	903	(47,310)
General Revenues						
Interest and investment income				150,472	1,511	151,983
State of Alaska transfers				1,017,213	-	1,017,213
Change in Net Position				1,119,472	2,414	1,121,886
Net Position, Beginning of Year, as Previously Report				39,891	398,275	438,166
Prior Period Adjustment				9,627	-	9,627
Net Position, Beginning of Year, as Restated				49,518	398,275	447,793
Net Position, End of Year				<u>\$ 1,168,990</u>	<u>\$ 400,689</u>	<u>\$ 1,569,679</u>

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Balance Sheet – Governmental Funds
(in thousands)
June 30, 2021

	Major Special Revenue Fund	Statement of Net Position
Assets		
Current Assets		
Restricted cash and cash equivalents	\$ 28,160	\$ 28,160
Operating receivable	14	14
Due from federal government	3,991	3,991
Due from State of Alaska	1,268	1,268
Due from component units	7	7
Due (to) from other funds/internal balances	316	316
Total current assets	33,756	33,756
Noncurrent Assets		
Restricted investments	1,161,100	1,161,100
Total assets	<u>\$ 1,194,856</u>	<u>\$ 1,194,856</u>
Liabilities		
Current Liabilities		
Due to State of Alaska	\$ 1,164	\$ 1,164
Accounts payable	24,673	24,673
Other liabilities	29	29
Total liabilities	25,866	25,866
Fund Balance		
Restricted for		
Agreements with external parties	1,110	
Legislation	1,167,880	
Total fund balance	1,168,990	
Total Liabilities and Fund Balance	<u>\$ 1,194,856</u>	
Net Position		
Restricted for		
Agreements with external parties		1,110
Legislation		1,167,880
Total net position		1,168,990
Total Liabilities and Net Position		<u>\$ 1,194,856</u>

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
(in thousands)
Year Ended June 30, 2021

	Major Special Revenue Fund	Statement of Activities
Operating Revenues		
State of Alaska appropriations	\$ 3,695	\$ 3,695
Federal grants	8,575	8,575
Other revenues	4,794	4,794
Total operating revenues	17,064	17,064
Operating Expenditures		
Grants and projects	20,265	20,370
Power cost equalization grants	25,557	25,557
General and administrative	19,350	19,350
Total operating expenses	65,172	65,277
Nonoperating Revenues (Expenses)		
Investment income, net	150,472	150,472
State of Alaska appropriations and transfers	1,017,108	1,017,213
Total nonoperating revenue	1,167,580	1,167,685
Change in Fund Balance	1,119,472	
Change in Net Position		1,119,472
Fund Balance/Net Position, Beginning of Year, as Previously Reported	39,891	39,891
Prior Period Adjustment	9,627	9,627
Fund Balance/Net Position, Beginning of Year, as Restated	49,518	49,518
Fund Balance/Net Position, End of Year	\$ 1,168,990	\$ 1,168,990

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Net Position – Enterprise Fund
(in thousands)
June 30, 2021

Assets

Current Assets

Restricted cash and cash equivalents	\$ 32,351
Operating receivable	206
Prepaid expenses	36
Loans receivable, net of allowance	564
Accrued interest receivable	935
Due (to) from other funds/internal balances	<u>(316)</u>
Total current assets	<u>33,776</u>

Noncurrent Assets

Restricted investments	22,342
Loans receivable, net of allowance	25,447
Capital assets, net of accumulated depreciation	<u>396,079</u>
Total noncurrent assets	<u>443,868</u>

Total Assets	<u><u>\$ 477,644</u></u>
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Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Net Position – Enterprise Fund
(in thousands)
June 30, 2021

Liabilities

Current Liabilities

Due to State of Alaska	\$ 744
Accounts payable	5,049
Bonds payable - current portion	12,245
Other bond liabilities - current portion	390
Accrued interest payable	<u>1,484</u>

Total current liabilities	<u>19,912</u>
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Noncurrent Liabilities

Bonds payable - noncurrent portion	56,864
Other liabilities	<u>179</u>

Total noncurrent liabilities	<u>57,043</u>
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Total liabilities	<u>76,955</u>
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Net Position

Net investment in capital assets	325,614
Restricted for	
Capital projects	1,979
Debt service	27,636
Agreements with external parties	3,913
Legislation	<u>41,547</u>

Total net position	<u>400,689</u>
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Total Liabilities and Net Position	<u><u>\$ 477,644</u></u>
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Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Revenues, Expenses, and Changes in Net Position – Enterprise Fund
(in thousands)
Year Ended June 30, 2021

Operating Revenues	
State of Alaska appropriations	\$ 227
Revenue from operating plants	22,657
Interest on loans	339
Other revenues	<u>214</u>
Total operating revenues	<u>23,437</u>
Operating Expenses	
Depreciation	12,356
General and administrative	1,255
Interest expense	1,159
Plant operations	7,797
Provision for loan loss (recovery)	<u>(33)</u>
Total operating expenses	<u>22,534</u>
Operating Income	903
Nonoperating Revenues (Expenses)	
Investment income, net expenses	<u>1,511</u>
Change in Net Position	2,414
Net Position, Beginning of Year	<u>398,275</u>
Net Position, End of Year	<u><u>\$ 400,689</u></u>

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Cash Flows – Enterprise Fund
(in thousands)
Year Ended June 30, 2021

Operating Activities	
Receipts from customers and users	\$ 24,059
Payments from State of Alaska	227
Payments to suppliers	<u>(11,564)</u>
Net Cash from Operating Activities	<u>12,722</u>
Noncapital and Related Financing Activities	
Net Increase in short-term borrowings from AIDEA for working capital	<u>1,751</u>
Capital and Related Financing Activities	
Principal paid on bonds	(11,575)
Amounts received on bonds	17,000
Payments for other bond liabilities	(836)
Interest paid on bonds	(1,159)
Investment in capital assets	<u>(27,219)</u>
Net Cash used for Capital and Related Financing Activities	<u>(23,789)</u>
Investing Activities	
Purchase of investments	(12,002)
Proceeds from sales and maturities of investments	11,162
Interest received from investments	1,511
Net change in loans	<u>1,022</u>
Net Cash used for Investing Activities	<u>1,693</u>
Net Change in Restricted Cash and Cash Equivalents	(7,623)
Restricted Cash and Cash Equivalents, Beginning of Year	<u>39,974</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 32,351</u></u>

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Cash Flows – Enterprise Fund
(in thousands)
Year Ended June 30, 2021

Reconciliation of operating income to net cash	
from operating activities	
Operating income	\$ 904
Adjustments to reconcile operating income to net cash	
used for operating activities	
Depreciation	12,356
Amortization of bond deferred charges	3
Bond interest expense	1,159
Loss on disposal	330
Changes in assets and liabilities	
Operating receivables	61
Due to/from other funds	110
Accrued interest receivable	226
Prepaid assets	215
Due to/from State of Alaska	143
Due to/from Federal Government	563
Operating accounts payable	(3,347)
Net Cash from Operating Activities	<u>\$ 12,723</u>
Noncash capital and related financing and investing activities	
Change in ending balance of capital assets accounts payable	<u>\$ 6,500</u>

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Alaska Energy Authority (AEA or Authority) was created by the Alaska State Legislature in 1976. AEA is a public corporation of the State of Alaska (State) within the Department of Commerce, Community, and Economic Development with separate and independent legal existence. AEA has its own self-balancing set of financial statements independently audited separate from the State. For financial reporting, AEA is a component unit of the State. AEA finances various energy infrastructure projects and energy programs to reduce the cost of energy throughout the State. AEA receives funding from the State, federal grants, and utility companies for use of AEA owned assets.

Pursuant to legislation enacted in 1993, the Members of the Board of the Alaska Industrial Development and Export Authority (AIDEA) also serve as the Board of Directors of AEA. AIDEA provides personnel services for AEA (per statute, AEA has no employees) and has a Board approved borrowing agreement to provide short-term working capital funds to AEA. AIDEA and AEA have separate executive directors, both are employees of AIDEA. There is no commingling of funds, assets, or liabilities between AIDEA and AEA and there is no responsibility of one for the debts or the obligations of the other. Neither AIDEA's accounts nor activities are included in the accompanying financial statements.

The following is a description of AEA's existing owned projects and programs:

Bradley Lake Hydroelectric Project

The project has 120 megawatts of installed capacity and transmits its power to the State's main power grid via two parallel 20-mile transmission lines. The project, which cost in excess of \$300 million, went into commercial operation in 1991. The Bradley Lake Project Management Committee (BPMC) oversees the activities of the Bradley Lake Hydroelectric Project. The BPMC consists of representatives from the following utilities and AEA: Golden Valley Electric Association (GVEA), Chugach Electric Association (CEA), Matanuska Electric Association (MEA), Homer Electric Association (HEA), and the City of Seward. The project is now operated by Homer Electric Association under contract with AEA. Bradley Lake serves Alaska's Railbelt (the power-sharing area between Interior Alaska and South Central Alaska, connected by roads, generating facilities, and transmission lines) from the Kenai Peninsula to Fairbanks, as well as the Delta Junction area. The BPMC utilities pay AEA for the costs of operations and maintenance of the Bradley Lake Hydroelectric Project.

In September 2016, the Authority received an amendment to the Federal Energy Regulatory Commission (FERC) license for a diversion of West Fork Upper Battle Creek into Bradley Lake. The diversion will increase the Bradley Lake projects annual energy by approximately 37,000 megawatt hours (MWh). Construction began in 2018 and was completed in October 2020.

In December 2020 the Authority purchased the Sterling to Quartz section of the 115kV transmission line from Homer Electric Association. This transmission line connects the Bradley Lake Hydroelectric Project to the customers that are located north of the Kenai Peninsula. The section is approximately 39 miles long.

In December 2020, the Authority closed on the purchase of the Sterling Substation to Quartz Creek Substation (SSQ Line), which issued bonds in the amount of \$17,000,000. Purchase of the SSQ Line is in support of the Bradley Lake Hydroelectric Project.

Alaska Intertie Project

The Alaska Intertie is a 170-mile transmission line designed for 345 kilovolts (kV) and operated at 138kV. It runs between Willow and Healy and interconnects the electric utilities in the Southcentral region with Fairbanks area electric utilities. The Intertie Management Committee (IMC) and AEA manage the Alaska Intertie according to the terms and conditions of the Alaska Intertie Agreement. AEA contracts with the following utilities for operations and maintenance: GVEA in Fairbanks, and Southcentral Alaska utilities, CEA, and MEA (Participating Utilities). The Intertie reduces the number of black/brownouts throughout the system by enabling power to move either north or south when major system disturbances occur. The Intertie enables GVEA to purchase low cost power from Southcentral utilities and allows Southcentral Alaska utilities to purchase power from Fairbanks during power shortages. It also enables GVEA to receive power generated by the Bradley Lake Project, which is some of the lowest priced power in the Railbelt region.

Susitna-Watana Hydroelectric Project

The Alaska Legislature appropriated \$192 million in funding to AEA towards the development of a large hydroelectric project to be built in the Railbelt Region. The proposed project would be located approximately half-way between Anchorage and Fairbanks on the upper Susitna River and would include a single dam that would produce 2,800,000 MWh annually, equivalent to approximately 50% of the Railbelt's annual electrical use.

AEA pursued a FERC license. Pursuant to Administrative Order No. 271, AEA advanced the licensing process through FERC's issuance of an updated Study Plan Determination on the environmental studies completed between 2013 and 2015. The engineering feasibility study and economic analysis have been completed; FERC's updated Determination on the environmental work completed thus far was favorable to the State. The licensing effort is currently in abeyance. On February 21, 2019, Governor Michael Dunleavy issued Administrative Order (AO) No. 309 which rescinded several AOs, including AO No. 271. However, AEA has not been directed to re-initiate the licensing process.

Rural Energy Programs

The rural energy programs include Bulk Fuel Storage Upgrades, Rural Power System Upgrades, the Power Cost Equalization (PCE) Grant Program, Utility Training, Technical Assistance, one active loan program (the Power Project Fund), and one inactive loan program (Rural Electrification Revolving Loan Fund). Subject to appropriations and the adoption of the reverse sweep, the PCE Endowment Fund provides the PCE grant program a long-term stable financing source in order to reduce electricity costs for residential and community facility customers in otherwise high-cost service areas.

Energy Development Programs

The energy development programs include the Renewable Energy Grant Fund and Recommendation Program, Alternative Energy and Energy Efficiency (AEEE) programs, and the Emerging Energy Technology Fund (EETF) grant program.

The purpose of the Renewable Energy Grant Fund and Recommendation program is to finance renewable energy projects in Alaska. The AEEE programs support the development of alternative energy resources specific to Alaska. The purpose of the EETF grant program is to promote and provide financial assistance to applicants to test, conserve, and improve emerging energy technologies.

Basis of Accounting

As a component unit of the State, and for the purpose of preparing financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP), the Authority, as a public corporation of the State with separate and independent legal existence, is subject to the accounting requirements as set forth by the Governmental Accounting Standards Board (GASB).

The funds of the Authority are organized as Governmental Fund and Proprietary Fund. The financial activities of the Authority are recorded in various funds as necessitated by sound fiscal management. The funds are combined for financial statement purposes.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Authority. In general, the effect of inter-fund activity has been removed from these statements to minimize the double-counting of internal activities. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely primarily on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues. Investment earnings are general revenues.

Separate financial statements are provided for the special revenue fund and enterprise fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers all revenues, except reimbursement grants, to be available if they are collected within 60 days after year end. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under full accrual accounting. However, debt service expenditures are recorded only to the extent they have matured.

The Authority reports the following major funds:

- Major governmental funds – AEA uses a special revenue fund to account for its governmental activities. This fund does not have a legally adopted budget, and hence the budget to actual is not presented in the financial statements.
- Major proprietary funds – The enterprise fund accounts for all financial activities primarily related to fees and charges to external parties.

Revenue Recognition

AEA does not have a General Fund since all funds are legally restricted with specific purposes by external agreements, legislation, or statute. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) fees, fines, and charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

For purposes of proprietary fund presentation, the Authority considers its revenues and expenses, except investment income, the sale of program loans, certain fund transfers and appropriations with the State, and conveyance of capital assets, to be part of its principal ongoing operations and, therefore, classifies these revenues and expenses as operating in the statement of revenues, expenses, and changes in net position.

All other revenues and expenses are considered nonoperating.

Fair Value Measurement and Application

Securities or other assets are reported and measured at fair value if (a) we hold it primarily for the purpose of income or profit and (b) it has a present service capacity based solely on its ability to generate cash or be sold to generate cash.

Cash and Cash Equivalents

All of AEA's cash and cash equivalents are restricted or designated as to use. AEA has trust accounts defined by bond resolutions, agreements with external parties, and state legislation restricting the use of cash and investments.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash, short-term commercial paper, and money market funds.

Investments

Marketable securities are reported at fair value in the financial statements. Unrealized gains and losses are reported as components of the change in net position. Fair values are obtained from independent sources. Investments are segregated between current and noncurrent based on stated maturity and intended use. Investments maturing within a year are classified as current if they are considered to be potentially needed for current operations. This classification recognizes that a portion of our investment portfolio may be needed for current operations. A noncurrent investment may be sold for operational cash flow needs, if needed, and is beneficial under current market conditions.

Loans and Related Interest Income

Loans are generally carried at amounts advanced less principal payments collected. Interest income is accrued as earned. Accrual of interest is discontinued whenever the payment of interest or principal is more than ninety days past due or when the loan terms are restructured. The Authority considers lending activities to be part of its principal operations and classifies it as operating in the statement of revenues, expenses, and changes in net position. For purposes of the statement of cash flows, the loan program activities are treated as investing activities.

Allowance for Loan Losses

The allowance for loan losses represents management's judgment as to the amount required to absorb probable losses in the loan portfolio. The factors used by management to determine the allowance required include payment history, individual loan size, collateral values, and other factors. Management's opinion is that the allowance is currently adequate to absorb known losses and inherent risks in the portfolio.

Capital Assets

Capital assets are stated at cost and depreciation is charged to operations by use of the straight-line method over their estimated useful lives. The Authority capitalizes all assets with a cost of at least \$500 and a useful life greater than one year.

The estimated economic lives of the assets are as follows:

Utility Plant	Life in Years
Intangible	30-50
Production	30-50
Transmission	20-40
General	5-30

AEA recognizes intangible assets per the guidance of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Intangible assets are assets which are nonfinancial in nature, lack physical substance, are identifiable and have a useful life extending beyond a single reporting period. Costs associated with the generation of internally generated intangible assets are capitalized when incurred after the following milestones have been met:

- Determination of the specific objective of the project and the nature of the service capacity that is expected to be provided by the intangible asset upon the completion of the project
- Demonstration of the technical or technological feasibility for completing the project so that the intangible asset will provide its expected service capacity
- Demonstration of the current intention, ability, and presence of effort to complete or, in the case of a multiyear project, continue development of the intangible asset

The Authority recognizes impairment losses for long-lived assets whenever there is a significant unexpected decline in service utility.

Interest on short-term and long-term borrowing for construction projects are capitalized during the construction phase of the projects.

Fund Balance

In the fund financial statements, the Special Revenue Fund reports aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact. The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance – this classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

All of the Authority's fund balance is restricted.

Net Position

Net position is displayed in three components, as follows:

Net investment in capital assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, and accounts payable or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – this consists of net assets that are legally restricted by outside parties. Those restrictions come in the form of legislation or State statute that cannot be modified by AEA's board of directors.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

The Authority's spending policy is to evaluate, on a case-by-case basis, whether restricted or unrestricted net position should be spent. This evaluation is performed by management as part of the overall spending plan.

Environmental Issues

The Authority's policy relating to environmental issues, including pollution and contamination remediation obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups, is to record a liability when the likelihood of Authority responsibility for clean-up is probable and the costs are reasonably estimable.

Appropriations and Grants

The Authority recognizes appropriations and grant revenue when all applicable eligibility requirements, including time requirements, are met.

Estimates

In preparing the financial statements, management of the Authority is required to make estimates and assumptions that affect the reported amounts of asset, deferred outflows of resources, liabilities, deferred inflows of resources and disclosures of contingencies as of the date of the statements of net position. These estimates impact revenue and expenses for the period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

GASB Statement No. 87, *Leases*, was issued by GASB in June 2017. The objective of Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the

contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this Statement are required to be implemented for the reporting periods beginning after June 15, 2021. The Authority has not implemented Statement No. 87 and are currently evaluating the impact on future financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was released in June of 2018. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates in the financial statements prepared using the current financial resources measurement focus that interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Authority has not implemented Statement No. 89 and will evaluate the impact on future financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*, was issued May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The Authority has not implemented Statement No. 91 and will evaluate the impact on future financial statements.

GASB Statement No. 92, *Omnibus 2020* (Statement No. 92) was issued by GASB in January 2020. This statement addresses a variety of topics with an objective to enhance comparability in accounting and financial reporting

and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. We have not implemented Statement No. 92 and are currently evaluating impact on the financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* (Statement No. 93) was issued by GASB in March 2020. This statement addresses a scheduled replacement of interbank offered rate (IBOR) with a new reference rate and an impact of the replacement on derivative instruments and lease contracts in which variable payments made or received depend on IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. We have not implemented Statement No. 93 and are currently evaluating impact on the financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, (Statement No. 94) was issued by GASB in March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. We have not implemented Statement No. 94 and are currently evaluating impact on the financial statements.

In light of the COVID-19 pandemic, on May 8, 2020, the GASB issued Statement No. 95, *Postponement of the Effect Dates of Certain Authoritative Guidance, to Provide Relief to Governments*, (Statement No. 95). This Statement, which was effective upon issuance, postpones the effective dates of certain provisions in the above noted pronouncements for one year, except for Statement No. 87 and provisions related to leases in Statement 92 are excluded from Statement No. 95. Additionally, Statement No. 95 excludes provisions in Statement No. 93 related to lease modifications and excludes Statement No. 94 since GASB considered the pandemic in determining effective dates. Earlier application of the standards is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, (Statement No. 96) is effective for year-end June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement, among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA. The Authority has not implemented Statement No. 96 and will evaluate the impact on future financial statements.

GASB Statement No. 97, *Certain Components Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (Statements No. 97) is effective for year-end June 30, 2022, except the portion of the pronouncement related to component unit criteria, which is effective for year - end June 30, 2020. This statement modifies certain guidance contained in Statement No. 84 and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. We determined that the portion of Statement No. 97 that is related to component unit criteria has no impact on the presentation of the financial statements for the year ended June 30, 2021. We have not implemented the remaining pronouncements of Statement No. 97 and will evaluate the impact on future financial statements.

Note 2 - Cash and Investments

Pursuant to various agreements, appropriations, and statutory requirements relating to its operations, AEA has established accounts for assets restricted to construction, operation, and financing activities. As used throughout this note, "Fund" means a separate account established by the State legislature and does not refer to a separate group of self-balancing accounts as contemplated by GAAP.

At June 30, 2021, the Authority's bank and carrying amount of cash and cash equivalents (all of which were restricted or designated for specific purposes) was \$60,511,000.

The restricted cash and cash equivalents and investments were held in trust and restricted accounts for the following activities as of June 30, 2021 (in thousands):

	Governmental Activities	Business-Type Activities	Totals
<u>Restricted Cash and Cash Equivalents</u>			
Bradley Lake Hydroelectric Project	\$ -	\$ 16,273	\$ 16,273
Alaska Intertie Project	-	703	703
Power Project Fund	-	13,768	13,768
Power Development and Railbelt Energy Projects	-	1,607	1,607
Rural Energy Projects	2,011	-	2,011
Power Cost Equalization Program	18,349	-	18,349
Renewable Energy Grant Fund	1,001	-	1,001
Emerging Energy Technology Fund	1,083	-	1,083
Trans-Alaska Pipeline Liability Fund	1,134	-	1,134
VW Settlement	4,582	-	4,582
	<u>\$ 28,160</u>	<u>\$ 32,351</u>	<u>\$ 60,511</u>
	Governmental Activities	Business-Type Activities	Totals
<u>Restricted Investments</u>			
Bradley Lake Hydroelectric Project	\$ -	\$ 22,342	\$ 22,342
Power Cost Equalization Program	1,139,313	-	1,139,313
Renewable Energy Grant Fund	21,787	-	21,787
	<u>\$ 1,161,100</u>	<u>\$ 22,342</u>	<u>\$ 1,183,442</u>

Investment Holdings

The Power Cost Equalization Endowment Fund (PCE Fund), created under Alaska Statute (AS) 42.45.070, the Renewable Energy Grant Fund (RE Fund), created under AS 42.45.045, and the Emerging Energy Technology Fund (EET Fund), created under AS 42.45.375, are under the fiduciary authority of the State Department of Revenue, Treasury Division (Treasury). AEA requests draws from these funds as needed for program cashflow needs.

Other AEA Cash and Investments – a portion of Bradley Lake Hydroelectric Project investments are invested pursuant to investment agreements with JP Morgan Chase Bank that guarantees annual interest earnings of 7.38% or 7.41% per annum that ends the earlier of July 1, 2021 or the date of repayment of the Bradley Lake Power Revenue Bonds, First Series. These investments are in nonparticipating contracts and are measured at cost in accordance with GASB 31. Additional funds are held by a trustee bank and invested in accordance with the requirements of the trust agreement.

Under the Internal Revenue Code of 1986, as amended, certain earnings in excess of arbitrage yield on the Bradley Lake bonds must be rebated to the U.S. Treasury. Bradley Lake investments, associated with the Power Revenue Bonds and Refunding Bonds, are subject to rebate computation.

Internal staff manage AEA's internally managed portfolio for liquidity and safety. There is no AEA Board approved investment policy; however, staff follows AIDEA's Board approved investment policy for internally managed investments (the Resolution). The AEA managed portfolio consists of the following eligible securities:

- Debt instruments issued or guaranteed by the U.S. government, its agencies and instrumentalities, and Government Sponsored Enterprises (GSEs);
- Money market funds collateralized by U.S. Treasury, agency securities, and repurchase agreements;
- Units in the investment pool or any series of investment pool of the Alaska Municipal League Investment Pool, Inc., or any successor to that entity, or any other investment pool for public entities of the State of Alaska that is established under the Alaska Investment Pool Act (AS 37.23.010-37.23.900); and
- Other investments specifically approved by the board.

Fair Value Measurement

AEA categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Following is a summary of the AEA's cash and investments at the recurring fair value measurement at June 30, 2021 (in thousands):

	Governmental Activities	Business-Type Activities	Totals
Money market funds	\$ 28,160	\$ 32,351	\$ 60,511
Investment agreements	-	22,342	22,342
Investments managed by Treasury	<u>1,161,100</u>	<u>-</u>	<u>1,161,100</u>
	<u>\$ 1,189,260</u>	<u>\$ 54,693</u>	<u>\$ 1,243,953</u>

Cash and cash equivalents, including investment agreements, are reported at amortized cost, investments managed by Treasury are invested in a pooled environment and the remaining investments have a fair value Level of 2.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will negatively affect the fair value of an investment. The Resolution addresses interest rate risk. Duration is an indicator of a portfolio's market sensitivity to changes in interest rates. In general, major factors affecting duration are (in order of importance):

1. Maturity
2. Prepayment frequency
3. Level of market interest rates
4. Size of coupon
5. Coupon payments

Rising interest rates generally translate into the fair market value of fixed income investments declining, while falling interest rates are generally associated with increasing market values. Effective duration attempts to account for the price sensitivity of a bond to changes in prevailing interest rates, including the effect of embedded options. For example, for a bond portfolio with a duration of 5.0, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of 5.0%.

AEA Internally Managed Investments – AEA has no written policy for interest rate risk for internally managed investments; however, staff follows and believes to be in compliance with AIDEA's written policy for interest rate risk. The duration for investments is 2 years or less. The maximum maturity of any issue is 3 years from the date of purchase.

Credit Risk

AEA has no written policy with regard to credit risk; however, staff follows and believe to be in compliance with AIDEA's written policy for credit risk with regards to its internally managed portfolio. Since AEA only invests its internally managed portfolio in highly rated money markets and U.S. government and agency securities and GSEs, credit risk is minimal.

The Bradley Lake Hydroelectric Project investments contain a portion that are invested in guaranteed investment contracts collateralized by federal obligations, which minimize credit risk.

Custodial Credit Risk

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. Treasury's policy with regard to custodial credit risk is to collateralize State deposits to the extent possible. At June 30, 2021, AEA's deposits managed by Treasury were uncollateralized and uninsured.

With respect to AEA managed investments, amounts totaling approximately \$60,511,000 at June 30, 2021 are held in money market funds with the custodian, the trust department of a commercial bank; therefore, no custodial risk exists for these securities. Investment agreements in the amount of \$22,342,000 are held with the custodian institution and are collateralized.

Renewable Energy Grant Fund

The State Department of Revenue – Treasury Division has created a pooled environment by which it manages the investments for which its Commissioner has fiduciary responsibility. Actual investing is performed by investment officers within Treasury or by contracted external investment managers. The Fund invests in the State's internally managed General Fund and Other Non-Segregated Investments Pool (GeFONSI). The GeFONSI consists of investments in the State's internally managed Short-term Fixed Income Pool, Short-term Liquidity Fixed Income Pool, and the Intermediate-term Fixed Income Pool. The complete financial activity of the Fund is shown in the Annual Comprehensive Financial Report (ACFR) available from the Department of Administration, Division of Finance.

Assets in the pools are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Securities are valued each business day using prices obtained from a pricing service.

The full accrual basis of accounting is used for the investment income and GeFONSI investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by the State legislature. Income in the Short-term, Short-term Liquidity, and Intermediate-term Fixed Income Pools is allocated to the pool participants daily on a pro-rata basis.

At June 30, 2021, the GeFONSI total for the Renewable Energy Grant Fund was \$21,787,000. For additional information on interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk see the separately issued report on the Invested Assets of the Commissioner of Revenue at: <http://treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx>.

Power Cost Equalization Endowment Fund Investment Holdings

Treasury has created a pooled environment by which it manages the investments for which the Commissioner has fiduciary responsibility. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Fund invests in the State's internally managed Short-term Fixed Income Pool, the Broad Market Fixed Income Pool, as well as the State's internally managed Domestic Equity and International Equity Pools. The complete financial activity of the Fund is shown in the ACFR available from the State - Department of Administration, Division of Finance.

Assets in the pools are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Fixed income and equity securities are valued each business day. Securities expressed in terms of foreign currencies are translated into U.S. dollars at the prevailing exchange rates.

The full accrual basis of accounting is used for investment income. Income in the Short-term and Broad Market Fixed Income Pools is allocated to pool participants daily on a pro-rata basis.

At June 30, 2021, the Fund's share of pool investments was as follows (in thousands):

Cash and cash equivalents	
Short-term fixed income pool	\$ 9,852
Fixed income – broad market pool	689,141
Equity	
Domestic equity pool	280,130
International equity pools	170,042
	<u>1,149,165</u>
Less cash and cash equivalents	<u>(9,852)</u>
	<u><u>\$ 1,139,313</u></u>

For additional information on interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk see the separately issued report on the Invested Assets of the Commissioner of Revenue at: <http://treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx>.

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows (in thousands):

Business-Type Activities	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets not being depreciated				
Land and rights of way	\$ 11,212	\$ -	\$ -	\$ 11,212
Construction in progress				
Intangibles	189,151	-	(5,469)	183,682
Other	46,015	-	(44,799)	1,216
Total capital assets not being depreciated	246,378	-	(50,268)	196,110
Capital assets being depreciated				
Equipment	6,633	231	-	6,864
Infrastructure	443,142	70,426	-	513,568
Total capital assets being depreciated	449,775	70,657	-	520,432
Less accumulated depreciation				
Equipment	(5,541)	(95)	-	(5,636)
Infrastructure	(302,566)	(12,261)	-	(314,827)
Total accumulated depreciation	(308,107)	(12,356)	-	(320,463)
Total capital assets, being depreciated, net	141,668	58,301	-	199,969
Capital assets, net	<u>\$ 388,046</u>	<u>\$ 58,301</u>	<u>\$ (50,268)</u>	<u>\$ 396,079</u>

For the year ended June 30, 2021 total interest costs on long-term borrowings for construction projects was \$1,729,000, of that amount \$569,000 was capitalized as a part of construction in progress-other.

Depreciation expense was charged to the functions as follows for the year ended June 30, 2021 (in thousands):

Business-Type Activities	
Bradley Lake Hydroelectric Project	\$ 8,973
Alaska Intertie Project	3,383
	<u>\$ 12,356</u>

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances typically result from short-term operating or capital advances. Transfers typically result from operating activities. A schedule of interfund balances as of and for the year ended June 30, 2021 follows (in thousands):

Due from other funds	
Due to Special Revenue Fund from Enterprise Fund	<u><u>\$ 316</u></u>

Note 5 - Long-Term Debt

Long-term debt activity for the year ended June 30, 2021 was as follows (in thousands):

Business-Type Activities	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021	Due within one year
Power Revenue Bonds					
Bradley Lake					
First Series	\$ 50	\$ -	\$ (25)	\$ 25	\$ 25
Refunding, Fourth Series	8,540	-	(4,145)	4,395	4,395
Refunding, Sixth Series	13,855	-	(7,405)	6,450	6,450
Transmission Line					
Tenth Series	-	17,000	-	17,000	-
Bradley Lake - Battle Creek Diversion - Private Placement					
Seventh Series	40,000	-	-	40,000	1,333
Eighth Series	1,239	-	-	1,239	42
Total bonds payable	<u>63,684</u>	<u>17,000</u>	<u>(11,575)</u>	<u>69,109</u>	<u>12,245</u>
Arbitrage interest payable (c)	1,007	-	(617)	390	390
Bond original issue premium	45	-	(45)	-	-
Total other bond liabilities	<u>1,052</u>	<u>-</u>	<u>(662)</u>	<u>390</u>	<u>390</u>
	<u><u>\$ 64,736</u></u>	<u><u>\$ 17,000</u></u>	<u><u>\$ (12,237)</u></u>	<u><u>\$ 69,499</u></u>	<u><u>\$ 12,635</u></u>

AEA issued the following Bonds in support of the Bradley Lake Project (Bradley Lake Bonds):

- First and Second Series in September 1989 and August 1990, respectively, for the long-term financing of the construction costs of the Bradley Lake Hydroelectric Project and refunded AEA's Variable Rate Demand Bonds which were issued in November 1985 to provide interim financing for the Project.
- Third and Fifth Series Power Revenue Refunding Bonds in April 1999 to refund a portion of the First Series Bonds and pay costs of issuance. The First Series refunded bonds were called on July 1, 1999.

- Fourth Series Power Revenue Refunding Bonds in April 2000 to refund a portion of the Second Series Bonds and to provide costs of issuance. The Second Series refunded bonds were called on July 1, 2000.
- Sixth Series Power Revenue Refunding Bonds in July 2010 in the amount of \$28,800,000 to refund and defease \$30,640,000 aggregate outstanding principal amount of the Authority's Power Revenue Refunding Bonds, Fifth Series, and to pay costs of issuing the bonds. The refunded bonds were called on August 2, 2010.

The outstanding Bradley Lake bonds above mature annually each July 1 through the year 2021 with interest rates ranging from 4.0% to 6.25%.

AEA issued the following Bonds in support of the Bradley Lake Project. The Bradley Lake Bond below was issued on 12/17/2020 as a private placement for the purchase of the SQQ Line project, as required project work for the Bradley Lake Project:

- \$17,000,000 Tenth Series Taxable Draw-Down Bonds

The Bradley Lake Bonds below were issued as a private placement in support of the Battle Creek Diversion project, an improvement to the Bradley Lake Project:

- \$40,000,000 Seventh Series New Clean Renewable Energy Bonds.
- \$1,239,000 Eighth Series Qualified Energy Conservation Bonds.
- \$5,761,000 Ninth Series Taxable Draw-Down Bonds.

Only the Seventh and Eighth Series have amounts outstanding as of June 30, 2021. During the period of construction, interest only payments are due on the outstanding bonds at a fixed interest rate of 4.24%. The outstanding bonds mature annually each July 1 starting in 2021 through the year 2050. The draw period for the Ninth Series ended in December 2020; no draws have been made as of June 30, 2021. The Seventh and Eighth Series Bonds qualify for federal tax credits under the New Clean Renewable Energy Bond and Qualified Energy Conservation Bond Programs, respectively. These programs provide for a partial federal subsidy of interest due on such bonds, subject to federal funding availability.

The bonds are direct and general obligations of AEA and the full faith and credit of AEA are pledged to pay principal and interest on the bonds. Payment of the bonds is secured by a pledge of revenues of the project, including all payments to be made by power purchasers under the Agreement for the Sale and Purchase of Electric Power by and among named powers purchasers and AEA. Under the Power Sales Agreement (PSA), the power purchasers are obligated to make payments to AEA in an aggregate amount sufficient to pay annual project costs, including debt service on all outstanding bonds.

Under the terms of the Bond Resolution, as additional security for repayment of the bonds, a capital reserve fund has been established in an amount equal to the capital reserve fund requirement. The capital reserve fund is supported by the moral obligation of the State of Alaska. In the event amounts are drawn from the capital reserve fund to pay debt service on the bonds the Authority is to certify in writing to the Governor and the State

Legislature the sum required to restore the capital reserve fund to the capital reserve requirement. The State Legislature may, but is not obligated to, appropriate to the Authority the sum certified by the Chair of the board of the Authority necessary to restore the capital reserve fund to the capital reserve fund requirement.

The Fourth Series Bonds are further secured by bond insurance.

All Bradley Lake bonds above were issued under the Alaska Energy Authority Power Revenue Bond Resolution (Bond Resolution). Events of Default under the Bond Resolution include:

- Late payment or non-payment of principal or Redemption Price (as defined in the Bond Resolution) whether at maturity or upon call for redemption.
- Late payment or non-payment of interest or on the unsatisfied balance of any sinking fund installment.
- Non-performance or non-observance of any of the other covenants, agreements, or conditions in the Bond Resolution or in the Bonds, and such default continues for 60 days after written notice to the Authority by the Trustee or to the Authority and the Trustee by the Holders of not less than 25% in the principal amount of the outstanding bonds.
- Dissolution or liquidation of the Authority or filing by the Authority of a voluntary petition in bankruptcy, or the commission by the Authority of any act of bankruptcy, or adjudication of the Authority as bankrupt, or assignment by the Authority for the benefit of its creditors, or the entry by the creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Authority in any proceedings for its reorganization instituted under the provisions of the federal bankruptcy act, as amended, or under any similar act in any jurisdiction effective now or in the future.
- If an order or decree is entered with the consent or acquiescence of the Authority, appointing a receiver(s) of the Bradley Lake Project, in whole or part, or of the Bradley Lake Project rents, fees, charges or other Revenues therefrom (as defined in the Bond Resolution). If the order or decree is entered without the consent or acquiescence of the Authority and is not vacated or discharged or stayed within 90 days after the entry.
- If a judgment for the payment of money shall be rendered against the Authority resulting from the construction, improvement, ownership, control or operation of the Bradley Lake Project, and the judgment is not discharged within 90 days, or an appeal or decree to set aside or stay the execution or levy of the judgment is not filed in such manner as to set aside or stay the execution of or levy under such judgment, or order, decree or process or the enforcement thereof.

In the Event of Default, the Authority shall pay over or cause to be paid over to the Trustee (i) all moneys, securities and funds then held by the Authority in any Fund or Account under the Bond Resolution, and (ii) all Revenues (as defined in the Bond Resolution) as promptly as practicable after receipt. During the continuance of an Event of Default, per the Bond Resolution the Trustee shall apply funds in the following order:

- Expenses of Fiduciaries
- Operating Expenses
- Principal, redemption, and interest payments

Additionally, AEA has covenanted to notify the State Legislature of any failure to maintain the capital reserve fund at its required level. If the capital reserve fund is less than the required level the State Legislature may appropriate funds (but not legally bound) to bring the capital reserve to the required level. Under the Alaska Constitution, appropriations passed by the State Legislature are subject to line item veto by the Governor.

The arbitrage interest payable is due to the U.S. Treasury for the excess of investment income on the proceeds of each series of AEA's tax exempt and tax advantaged Bradley Lake bonds over the related interest expense computed in accordance with Section 148 of the Internal Revenue Code of 1986, as amended. The accumulated arbitrage interest payable amount is computed each year, and the amount for each series is first due after the end of the fifth bond year and every five years thereafter. AEA maintains a separate account for each series with the trustee and each year sets aside a sufficient amount to satisfy the liability.

The minimum payments related to all bonds, for the years subsequent to June 30, 2021, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 12,245	\$ 2,630	\$ 14,875
2023	2,020	2,245	4,265
2024	2,042	2,161	4,203
2025	2,066	2,082	4,148
2026	2,089	1,998	4,087
2027-2031	10,842	8,719	19,561
2032-2036	11,587	6,503	18,090
2037-2041	12,472	4,146	16,618
2042-2046	6,873	2,186	9,059
2047-2051	6,873	729	7,602
	<u>\$ 69,109</u>	<u>\$ 33,399</u>	<u>\$ 102,508</u>

Note 6 - Loans Receivable

The Authority administers the Power Project Fund Loan Program and the Rural Electrification Revolving Loan Program. Loans outstanding at June 30, 2021 are classified as follows (in thousands):

	<u>Number of Loans</u>	<u>Amount</u>
Power Project Fund Loan Programs	15	\$ 26,505
Less allowance for loan loss		(494)
		<u>\$ 26,011</u>

Loans more than 90 days past due are not included in the accrual of interest. At June 30, 2021, there were no loans more than 90 days past due.

An analysis of changes in the allowance for loan losses for the years ended June 30, 2021 follows (in thousands):

Balance at beginning of year	\$ 527
Provision for loan loss (recovery)	<u>(33)</u>
Balance at end of year	<u><u>\$ 494</u></u>

On September 30, 2010, the Authority sold a portion of its Power Project Fund loan portfolio to AIDEA. Under the agreement, upon AIDEA's request, AEA is required to repurchase any loan upon a payment default. On June 30, 2021, the outstanding principal balance of the loans sold was \$8,933,000 for which AEA has recognized an estimated liability for potential repurchase of \$179,000.

Note 7 - Fund Balance

Fund balances reported in the aggregate on the governmental fund balance sheet are subject to the following constraints (in thousands):

	<u>Restricted by External Parties</u>	<u>Restricted by Legislation</u>
Power Cost Equalization Program	\$ -	\$ 1,145,062
Renewable Energy Grant Fund	-	21,802
Emerging Energy Technology Fund	-	1,004
Trans-Alaska Pipeline Liability Fund	1,110	-
Rural Energy Projects	<u>-</u>	<u>12</u>
	<u><u>\$ 1,110</u></u>	<u><u>\$ 1,167,880</u></u>

Note 8 - Risk Management

AEA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. AEA covers that risk through the purchase of commercial insurance and participation in the State's Risk Management Pool. The Risk Management Pool administers a self-insurance program for each State agency, which covers all sudden and accidental property and casualty claims. Annual assessments allocated by Risk Management are the maximum each agency is called upon to pay, forestalling the need for supplemental appropriation or disruption of vital state services after a major property loss, adverse civil jury award, or significant workers compensation claim.

Note 9 - Related Parties

Alaska Industrial Development and Export Authority

Pursuant to understandings and agreements between AIDEA and AEA, AIDEA provides administrative, personnel, data processing, communications, and other services to AEA. AEA has a Board approved borrowing agreement with AIDEA to provide short-term working capital funds up to a maximum of \$7,500,000.

At June 30, 2021, AEA recognized expenses for services from AIDEA in the amount of \$5,300,000. In addition, AEA had \$5,070,000 payable to AIDEA for services and borrowings, which are included in accounts payable.

As a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, AIDEA recorded a net pension liability. Additionally, as a result of implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*, AIDEA recorded a net liability for other postemployment benefits. AEA's annual payments to AIDEA for personnel services supporting AEA activities includes a Public Employees' Retirement System contribution component. Payments to AIDEA for personnel services supporting AEA activities comprise over half of AIDEA's personnel costs.

Alaska Intertie Management Committee

AEA is party to agreement with utilities (GVEA, MEA, CEA, and ML&P) using the Alaska Intertie for wheeling of electrical power. Pursuant to the Intertie Agreement, the IMC was established to manage the system. The IMC is comprised of a representative from AEA and each of the utilities. AEA is reimbursed for operation and maintenance costs on a monthly basis with an annual settlement to adjust the payments to actual costs. AEA received \$210,000 during fiscal year 2021 for administrative services.

Bradley Lake Project Management Committee

On December 7, 1987, AEA entered into a Power Sales Agreement (PSA) with utilities (GVEA, MEA, CEA, ML&P, HEA, and City of Seward) purchasing electric power produced by the Bradley Lake Hydroelectric Project. In 1988, legislation was passed which made the PSA effective. Pursuant to the PSA, a Project Management Committee (PMC) was formed to manage the project. The PMC is comprised of a representative from AEA and each of the utilities. The participating utilities make monthly payments directly to the bond trustee based on their respective percentage share of the estimated annual project costs. AEA has an agreement with the PMC to provide administrative services to the Bradley Lake Project and received \$330,000 for these services.

Note 10 - Commitments and Contingencies

In the normal course of business, AEA also has various commitments, such as commitments for the extension of credit and award of grants. At June 30, 2021, AEA had Power Project Fund loan commitments of \$5,154,000.

At June 30, 2021, AEA had cumulative prior year commitments from grant awards that are funded by State appropriations and federal awards; the amounts committed were \$21,945,000.

Note 11 - Correction of an Error

Beginning net position/fund balance was restated for an increase of \$7,388,000, to record revised amounts related to the sweep activity in the due to the State of Alaska.

Beginning net position/fund balance was restated for an increase of \$2,239,000, to record revised amounts related to the general activity in the due to funds managed by Treasury.

The following table shows the changes to the beginning net position/fund balance as of July 1, 2020, for the following:

	Major Special Revenue Fund	Statement of Activities
Fund balance/net position at June 30, 2020, as previously reported	\$ 39,891	\$ 39,891
Correction of the due to State of Alaska - sweep activity	7,388	7,388
Correction of the due to funds managed by Treasury	2,239	2,239
Fund balance/net position at July 1, 2020, as restated	<u>\$ 49,518</u>	<u>\$ 49,518</u>



Supplementary Information
June 30, 2021

Alaska Energy Authority

(A Component Unit of the State of Alaska)

Alaska Energy Authority

(A Component Unit of the State of Alaska)

Schedule 1 – Bradley Lake Hydroelectric Project Trust Account Activities (Unaudited)

(in thousands)

Year Ended June 30, 2021

	Construction Fund	Debt Service Fund	Capital Reserve Fund	Renewal and Contingency Reserve Fund	Excess Investment Earnings Fund	Revenue Fund	Operating Fund	Operating Reserve Account	Total
Balance at July 1, 2020	\$ 8,550	\$ 13,049	\$ 15,575	\$ 3,922	\$ 653	\$ 2,210	\$ 1,878	\$ 1,149	\$ 46,986
Interest received	-	271	913	270	34	330	79	81	1,978
Bond principal paid	-	(11,575)	-	-	-	-	-	-	(11,575)
Bond interest paid	-	(2,647)	-	-	-	-	-	-	(2,647)
Construction proceeds received	-	-	-	-	-	50	-	-	50
Acquisition proceeds received	15,760	-	1,240	-	-	-	-	-	17,000
Capital expenditures	(22,331)	-	-	(6,081)	-	(770)	-	(48)	(29,230)
Operating revenue received	-	-	-	750	-	23,997	-	-	24,747
Operating expenses paid	-	-	-	-	(895)	(994)	(6,571)	(233)	(8,693)
Transfers between funds	-	14,313	(2,131)	2,209	320	(21,299)	6,268	320	-
Balance at June 30, 2021	<u>\$ 1,979</u>	<u>\$ 13,411</u>	<u>\$ 15,597</u>	<u>\$ 1,070</u>	<u>\$ 112</u>	<u>\$ 3,524</u>	<u>\$ 1,654</u>	<u>\$ 1,269</u>	<u>\$ 38,616</u>

Alaska Energy Authority
(A Component Unit of the State of Alaska)

Schedule 2 – Special Revenue Fund – Projects and Programs – Balance Sheet (Unaudited)

(in thousands)

June 30, 2021

	Power Cost Equalization Program	Renewable Energy Grant Fund	Emerging Energy Technology Fund	Trans Alaska Pipeline Liability Fund	Rural Energy Projects	Volkswagen Diesel Settlement Fund	Eliminations	Totals
Assets								
Current assets								
Restricted cash and cash equivalents	\$ 18,349	\$ 1,001	\$ 1,083	\$ 1,134	\$ 2,011	\$ 4,582	\$ -	\$ 28,160
Operating receivable	-	10	-	-	-	4	-	14
Due from Federal Government	-	-	113	-	3,878	-	-	3,991
Due from State of Alaska	-	-	-	-	1,268	-	-	1,268
Due from component units	-	-	-	-	7	-	-	7
Due (to) from other funds/internal balances	-	-	-	-	2,536	-	(2,220)	316
Total current assets	18,349	1,011	1,196	1,134	9,700	4,586	(2,220)	33,756
Noncurrent assets								
Restricted investments	1,139,313	21,787	-	-	-	-	-	1,161,100
Total assets	\$ 1,157,662	\$ 22,798	\$ 1,196	\$ 1,134	\$ 9,700	\$ 4,586	\$ (2,220)	\$ 1,194,856
Liabilities and Fund Balance								
Current liabilities								
Due to the State of Alaska	\$ 19	\$ -	\$ -	\$ -	\$ 1,145	\$ -	\$ -	\$ 1,164
Accounts payable	12,111	183	192	-	7,643	4,544	-	24,673
Other liabilities	-	-	-	-	29	-	-	29
Due to (from) other funds/internal balances	470	813	-	24	871	42	(2,220)	-
Total liabilities	12,600	996	192	24	9,688	4,586	(2,220)	25,866
Fund Balance								
Restricted by agreements with external parties	-	-	-	1,110	-	-	-	1,110
Restricted by legislation	1,145,062	21,802	1,004	-	12	-	-	1,167,880
Total fund balance	1,145,062	21,802	1,004	1,110	12	-	-	1,168,990
Total Liabilities and Fund Balance	\$ 1,157,662	\$ 22,798	\$ 1,196	\$ 1,134	\$ 9,700	\$ 4,586	\$ (2,220)	\$ 1,194,856

Alaska Energy Authority
(A Component Unit of the State of Alaska)

Schedule 3 – Special Revenue Fund – Projects and Programs – Statement of Revenues, Expenses, and Changes in Fund Balance (Unaudited)
(in thousands)

Year Ended June 30, 2021

	Power Cost Equalization Program	Renewable Energy Grant Fund	Emerging Energy Technology Fund	Trans Alaska Pipeline Liability Fund	Rural Energy Projects	Volkswagen Diesel Settlement Fund	Totals
Operating revenues							
State of Alaska appropriations	\$ -	\$ -	\$ -	\$ -	\$ 3,695	\$ -	\$ 3,695
Federal grants	-	-	123	-	8,452	-	8,575
Other revenues	-	-	-	-	911	3,883	4,794
Total operating revenues	-	-	123	-	13,058	3,883	17,064
Operating expenditures							
Grants and projects	-	2,387	228	52	13,801	3,797	20,265
Power cost equalization grants	25,557	-	-	-	-	-	25,557
General and administrative	17,155	-	-	20	2,089	86	19,350
Total operating expenditures	42,712	2,387	228	72	15,890	3,883	65,172
Nonoperating revenues (expenses) and other							
Investment income, net	150,349	123	-	-	-	-	150,472
Interfund capital grants and contributions	(2,420)	(412)	-	-	2,832	-	-
State of Alaska appropriations and transfers	1,017,213	(105)	-	-	-	-	1,017,108
Total nonoperating revenues (expenses) and other	1,165,142	(394)	-	-	2,832	-	1,167,580
Change in Fund Balance	1,122,430	(2,781)	(105)	(72)	-	-	1,119,472
Fund Balance, Beginning of Year, as Previously Report	13,005	24,583	1,109	1,182	12	-	39,891
Prior Period Adjustment	9,627	-	-	-	-	-	9,627
Fund Balance, Beginning of Year, as Restated	22,632	24,583	1,109	1,182	12	-	49,518
Fund Balance, End of Year	\$ 1,145,062	\$ 21,802	\$ 1,004	\$ 1,110	\$ 12	\$ -	\$ 1,168,990

Alaska Energy Authority

(A Component Unit of the State of Alaska)

Schedule 4 – Business-Type Activities – Enterprise Fund – Projects and Programs – Statement of Net Position (Unaudited)

(in thousands)

June 30, 2021

	Bradley Lake Hydroelectric Project	Alaska Intertie Project	Susitna- Watana Hydroelectric Project	Power Project Fund	Power Development and Railbelt Energy Projects	Eliminations	Totals
Assets							
Current assets							
Restricted cash and cash equivalents	\$ 16,273	\$ 703	\$ -	\$ 13,768	\$ 1,607	\$ -	\$ 32,351
Operating receivable	-	138	-	48	20	-	206
Prepaid expense	-	36	-	-	-	-	36
Loans receivable	-	-	-	564	-	-	564
Accrued interest receivable	908	-	-	27	-	-	935
Due (to) from other funds/internal balances	-	-	-	-	1,109	(1,425)	(316)
Total current assets	17,181	877	-	14,407	2,736	(1,425)	33,776
Noncurrent assets							
Restricted investments	22,342	-	-	-	-	-	22,342
Loans receivable, net of allowance	-	-	-	25,447	-	-	25,447
Capital assets, net of accumulated depreciation	197,570	14,827	183,682	-	-	-	396,079
Total noncurrent assets	219,912	14,827	183,682	25,447	-	-	443,868
Total Assets	\$ 237,093	\$ 15,704	\$ 183,682	\$ 39,854	\$ 2,736	\$ (1,425)	\$ 477,644

Alaska Energy Authority

(A Component Unit of the State of Alaska)

Schedule 4 – Business-Type Activities – Enterprise Fund – Projects and Programs – Statement of Net Position (Unaudited)

(in thousands)

June 30, 2021

	Bradley Lake Hydroelectric Project	Alaska Intertie Project	Susitna- Watana Hydroelectric Project	Power Project Fund	Power Development and Railbelt Energy Projects	Eliminations	Totals
Liabilities and Net Position							
Liabilities							
Current liabilities							
Due to the State of Alaska	\$ 2	\$ -	\$ -	\$ -	\$ 742	\$ -	\$ 744
Accounts payable	4,435	614	-	-	-	-	5,049
Bonds payable – current portion	12,245	-	-	-	-	-	12,245
Other bond liabilities – current portion	390	-	-	-	-	-	390
Accrued interest payable	1,484	-	-	-	-	-	1,484
Due to (from) other funds/internal balances	1,244	59	-	122	-	(1,425)	-
Total current liabilities	19,800	673	-	122	742	(1,425)	19,912
Noncurrent liabilities							
Bonds payable – noncurrent portion, net	56,864	-	-	-	-	-	56,864
Other liabilities	-	-	-	179	-	-	179
Total noncurrent liabilities	56,864	-	-	179	-	-	57,043
Total liabilities	76,664	673	-	301	742	(1,425)	76,955
Net Position							
Net investment in capital assets	127,105	14,827	183,682	-	-	-	325,614
Restricted for capital projects	1,979	-	-	-	-	-	1,979
Restricted for debt service	27,636	-	-	-	-	-	27,636
Restricted by agreements with external parties	3,709	204	-	-	-	-	3,913
Restricted by legislation	-	-	-	39,553	1,994	-	41,547
Total net position	160,429	15,031	183,682	39,553	1,994	-	400,689
Total Liabilities and Net Position	\$ 237,093	\$ 15,704	\$ 183,682	\$ 39,854	\$ 2,736	\$ (1,425)	\$ 477,644

Alaska Energy Authority
(A Component Unit of the State of Alaska)

Schedule 5 – Business-Type Activities – Enterprise Fund – Projects and Programs – Statement of Revenues, Expenses, and Changes in Net Position
(Unaudited)
(in thousands)

Year Ended June 30, 2021

	Bradley Lake Hydroelectric Project	Alaska Intertie Project	Susitna-Watana Hydroelectric Project	Power Project Fund	Power Development and Railbelt Energy Projects	Totals
Operating revenues						
State of Alaska appropriations	\$ -	\$ 227	\$ -	\$ -	\$ -	\$ 227
Revenue from operating plants	19,852	2,805	-	-	-	22,657
Interest on loans	-	-	-	339	-	339
Other revenues	-	1	-	213	-	214
Total operating revenues	19,852	3,033	-	552	-	23,437
Operating expenses						
Depreciation	8,973	3,383	-	-	-	12,356
General and administrative	666	283	-	306	-	1,255
Interest expense	1,159	-	-	-	-	1,159
Plant operating	4,905	2,892	-	-	-	7,797
Provision for loan loss (recovery)	-	-	-	(33)	-	(33)
Total operating expenses	15,703	6,558	-	273	-	22,534
Operating Income (Loss)	4,149	(3,525)	-	279	-	903
Nonoperating revenues (expenses) and other investment income, net	1,508	-	-	3	-	1,511
Change in Net Position	5,657	(3,525)	-	282	-	2,414
Fund Balance, Beginning of Year	154,772	18,556	183,682	39,271	1,994	398,275
Fund Balance, End of Year	\$ 160,429	\$ 15,031	\$ 183,682	\$ 39,553	\$ 1,994	\$ 400,689

Alaska Energy Authority

(A Component Unit of the State of Alaska)

Schedule 6 – Capital Assets Presented under Federal Energy Commission Requirements (Unaudited)

(in thousands)

June 30, 2021

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets				
Intangible	\$ 183,696	\$ -	\$ -	\$ 183,696
Production	314,439	6,736	-	321,175
Transmission	192,213	13,834	-	206,047
General	5,805	149	(330)	5,624
Total capital assets	696,153	20,719	(330)	716,542
Less accumulated depreciation				
Intangible	(6)	-	-	(6)
Production	(149,532)	(6,971)	-	(156,503)
Transmission	(153,165)	(5,353)	-	(158,518)
General	(5,404)	(32)	-	(5,436)
Total accumulated depreciation	(308,107)	(12,356)	-	(320,463)
Capital assets, net	\$ 388,046	\$ 8,363	\$ (330)	\$ 396,079

Alaska Energy Authority
 (A Component Unit of the State of Alaska)
 Schedule 7 – Bradley Lake Historical Annual Project Cost (Unaudited)
 (in thousands)
 Year Ended June 30, 2021

Operating Data

Project costs	
Operations and maintenance	\$ 3,767
Repairs	280
General and administrative	922
Insurance	708
Capital purchases	268
Contributions to capital reserve fund	107
Contributions to renewal and contingency fund and operating reserve account	<u>2,590</u>
	<u>8,642</u>
Debt service	14,584
Less Federal interest subsidy	(1,132)
Less investment income	<u>(1,622)</u>
Total cost of power	<u><u>\$ 20,472</u></u>
Energy delivered (MWh)	400,761
Total unit cost of power (cents per kWh)	5.11

This schedule is provided as part of the municipal secondary market disclosure requirements relating to the Bradley Lake Hydroelectric Power Revenue and Refunding Bonds.

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Schedule 8 – PCE Endowment Fund Historical Analysis (Unaudited)
(in thousands)
Last Ten Fiscal Years

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Beginning cash and investment balance	\$ 364,529	\$ 751,780	\$ 840,215	\$ 977,867	\$ 969,389	\$ 946,939	\$ 1,023,566	\$ 1,073,378	\$ 1,072,825	\$ 1,078,157
Inflows										
Annual investment earnings	10,948	111,488	171,112	33,192	8,912	112,331	76,602	74,142	48,303	150,299
Capital fund transfers in	400,000	-	-	-	-	-	-	-	-	-
Total inflows	410,948	111,488	171,112	33,192	8,912	112,331	76,602	74,142	48,303	150,299
Outflows										
Transfers to AEA for PCE payments (1)	(23,154)	(22,527)	(32,773)	(41,002)	(30,622)	(34,956)	(25,595)	(29,719)	(27,000)	(28,237)
Transfers to Other Funds	-	-	-	-	-	-	-	(44,000)	(14,867)	(49,164)
Program administration - AEA	(211)	(198)	(241)	(248)	(255)	(243)	(624)	(444)	(575)	(737)
Administrative fee - Regulatory										
Commission	(129)	(90)	(110)	(107)	(100)	(112)	(113)	(102)	(108)	(123)
Management fee - Department of										
Revenue	(203)	(238)	(336)	(313)	(385)	(393)	(458)	(430)	(421)	(1,030)
Total outflows	(23,697)	(23,053)	(33,460)	(41,670)	(31,362)	(35,704)	(26,790)	(74,695)	(42,971)	(79,291)
Ending cash and investment balance	\$ 751,780	\$ 840,215	\$ 977,867	\$ 969,389	\$ 946,939	\$ 1,023,566	\$ 1,073,378	\$ 1,072,825	\$ 1,078,157	\$ 1,149,165

(1) Final PCE program expenditures reported may vary depending on outstanding PCE payables at June 30, not included in this presentation.

Organization and Operations

Throughout the 1980's, Alaska Energy Authority (AEA or Authority) worked to develop the State's energy resources as a key element in diversifying Alaska's economy. A number of large-scale projects were constructed; four of those projects were sold in 2002 and one was transferred to the City of Larsen Bay in the fall of 2010. The Bradley Lake Hydroelectric project provides some of the least expensive electric energy to the Railbelt. The Alaska Intertie provides for connection and movement of power north or south to increase reliability and allow Interior Alaska to obtain less expensive electric energy available from the Southcentral portion of the state.

Pursuant to statute, on August 12, 1993, the Board of the Alaska Industrial Development and Export Authority (AIDEA), a public corporation and a political subdivision of the State, became the Board of Directors of AEA. AEA continues to exist as a separate legal entity. The corporate structure and operating assets of AEA were retained, but the ability to have employees and construct or acquire energy projects was eliminated. Among other things, AIDEA provides personnel services to AEA. The AEA executive director is an employee of AIDEA, but is separate and independent and is not subject to supervision by AIDEA's executive director. There is no commingling of funds, assets, or liabilities between AIDEA and AEA, and there is no responsibility of one for the debts or the obligations of the other. Consequently, the accounts of AIDEA are not included in the accompanying financial statements. The Legislature, in 1993, required AEA, to the maximum extent feasible, to enter into contracts with public utilities and other entities to carry out AEA duties with respect to the ongoing operation and maintenance of the AEA owned operating assets; this has occurred with oversight responsibility retained by AEA.

Rural energy programs previously administered by the former Department of Community and Regional Affairs, Division of Energy, were transferred to AEA for administration, as part of a larger reorganization of State agencies. These rural energy programs were originally part of AEA prior to the 1993 reorganization. During fiscal year 2009, legislation added energy development programs to AEA.

The Alaska Legislature empowered AEA to acquire a Susitna River power project under AS 44.83.080 (18), effective July 1, 1999. Effective July 14, 2011, the legislature empowered AEA to acquire, construct, own, and operate a hydroelectric project located on the Susitna River. Under this legislative authorization, AEA worked on planning, designing, and Federal Energy Regulatory Commission (FERC) licensing of the Susitna-Watana Hydroelectric Project. Pursuant to Administrative Order No. 271, AEA advanced the licensing process through FERC's issuance of an updated Study Plan Determination on the environmental studies completed through 2015 and the licensing effort is currently in abeyance.

Bradley Lake Hydroelectric Project

The project has 120 Megawatts (MW) of installed capacity and transmits its power to the State's main power grid via two parallel 20-mile transmission lines. The project, which cost in excess of \$300 million, went into commercial operation in 1991. Homer Electric Association now operates the project under contract with AEA. Bradley Lake serves Alaska's Railbelt from the Kenai Peninsula to Fairbanks, as well as the Delta Junction area.

In September 2016, the Authority received an amendment to the FERC license for a diversion of West Fork Upper Battle Creek into Bradley Lake. The diversion will increase the Bradley Lake Hydroelectric Project annual energy output by approximately 37,000 Megawatt hours (MWh). The Battle Creek project addition includes construction of three miles of road, a concrete diversion dam, and a pipe and canal to convey the water to Bradley Lake. The estimated cost of construction is approximately \$47.2 million. Construction began in 2018 and was completed in October 2020.

In December 2020, the Authority closed on the purchase of the SSQ Line, which issued bonds in the amount of \$17,000,000. Purchase of the SSQ Line is in support of the Bradley Lake Hydroelectric Project.

Alaska Intertie Project

The Alaska Intertie is a 170-mile transmission line designed for 345kV and operated at 138kV. It runs between Willow and Healy and interconnects the electric utilities in the Southcentral region with Fairbanks area electric utilities. The Intertie Management Committee (IMC) and AEA manage the Alaska Intertie according to the terms and conditions of the Alaska Intertie Agreement. AEA contracts with the following utilities for operations and maintenance: Golden Valley Electric Association (GVEA) in Fairbanks, and Southcentral Alaska utilities, Chugach Electric Association (CEA) and Matanuska Electric Association (MEA) (Participating Utilities). The Intertie reduces the number of black/brownouts throughout the system by enabling power to move either north or south when major system disturbances occur. The Intertie enables GVEA to purchase low cost power from Southcentral utilities and allows Southcentral Alaska utilities to purchase power from Fairbanks during power shortages. It also enables GVEA to receive power generated by the Bradley Lake Project, which is some of the lowest priced power in the Railbelt region.

The Intertie Management Committee (IMC) and AEA manage the activities of the Alaska Intertie project under the terms and conditions of the Second Amended and Restated Intertie Agreement (Agreement) executed on March 11, 2014. AEA contracts with certain Participating Utilities for operations and maintenance. The Agreement improves the reliability of the interconnected electrical systems, outlines how the transfer over the Intertie of electrical capacity and energy among the participants will occur, and establishes the IMC. The IMC's primary responsibility is to provide governance, control, operation, maintenance, repair, and improvement to the Intertie, subject to AEA's oversight. The IMC is comprised of a representative from AEA and each of the Participating Utilities.

Summarized below are the State's appropriations to upgrade and extend a portion of the Alaska Intertie (in thousands):

Appropriation Description	Year	Amount
Upgrade and extension of the Intertie, net of FY08 and FY12 reappropriations)	FY02	\$ 9,300
Repair of Static VAR compensators (SVC) and a tower foundation repair	FY08	10,000
Substation upgrades and tower repairs	FY12	5,000
Railbelt transmission plan	FY12	1,000

ML&P was contracted to perform the repairs and upgrades. The tower repairs are now complete. Design and construction of the new static VAR compensators (SVC's) is complete. AEA will continue to work with the Railbelt utilities to extend the intertie to Lake Lorraine.

Susitna-Watana Hydroelectric Project

Starting in 2010, AEA conducted preliminary planning and conceptual design for a large hydroelectric project to be built in the Railbelt Region. A number of hydroelectric generation alternatives were studied and AEA issued a Preliminary Decision Document selecting what is now known as the Susitna-Watana Hydroelectric Project as the primary large hydroelectric project for the State to pursue.

The proposed Susitna-Watana Hydroelectric Project would be located approximately half-way between Anchorage and Fairbanks on the upper Susitna River. The Susitna-Watana dam would be located within a steep-sided valley of the Susitna River below Watana Creek at River Mile 184, approximately 22 miles upstream of the Devil's Canyon rapids.

The project would include a single roller compacted concrete dam with a height providing nominal crest elevation at 2,050 feet mean sea level with a 23,546 acre, 42.5-mile long reservoir with an average width of one to two miles. The height of the dam was determined to be 705 feet tall during the engineering feasibility studies. The powerhouse, dam, and related facilities would be linked by transmission lines connecting the project to the Alaska Intertie. The project would produce about 50% of the Railbelt's electrical demand or an annual average of 2,800,000 MWh.

AEA filed a Notice of Intent and Pre-Application Document with the FERC to begin the licensing process for the project in December 2011. The FERC approved 58 environmental study plans in early 2013. In implementing the study plans, AEA worked closely with the Alaska Department of Fish and Game in conducting the fishery and wildlife studies. On June 3, 2014, AEA filed the Initial Study Report (ISR) for the project. The approximately 7,000 page ISR presents information collected from the first year of field studies.

The Alaska Legislature has appropriated a total of \$192 million for AEA to plan, design, and obtain a FERC permit for the project. On December 26, 2014, Governor Bill Walker of Alaska (Governor Walker) issued Administrative Order 271 suspending discretionary spending on the project. On January 8, 2015, the FERC granted AEA's request to hold the licensing process in abeyance. On July 6, 2015, Governor Walker's office authorized AEA to proceed with the Integrated Licensing Process (ILP) using previously appropriated funds. AEA, in August 2015, requested the FERC's permission to resume the licensing efforts. On August 4, 2016, Governor Walker issued a letter to FERC requesting to proceed with the ILP to the point of issuing an updated Study Plan Determination (SPD) to preserve the State of Alaska's investment in the project. On August 26, 2016, FERC responded to the Governor's letter stating that FERC will proceed with the ILP to complete the SPD. After issuing the SPD, the project will be put into abeyance as requested by the Governor.

On June 22, 2017, FERC issued its Determination on the ISR for Susitna. Overall, it was very favorable to the State. However, since it was issued more than 100 days beyond the ILP schedule of March 10, 2017, there was insufficient time within FY17 to complete previously authorized scopes of work to complete a comprehensive analysis of the Determination and revise study reports as needed. AEA requested that a portion of the Susitna appropriation be extended for 90 days to complete this work and preserve the value of the State's investment to the maximum extent possible.

On July 18, 2017, the OMB issued a memo to AEA authorizing the continued spending on the project 90 days from June 30, 2017. AEA was granted concurrence and authorization to spend necessary funds in order to proceed to the point where the State's investment, to date, is preserved and the project was put in abeyance. The work was completed, and all remaining contracts were terminated September 30, 2017. The remaining funds, approximately \$1,893,000, were returned to the State in FY19.

As of June 30, 2021, the annual evaluation concluded there was no impairment of the costs capitalized relating to the Susitna-Watana Hydroelectric Project. An indicator of impairment cited under GASB 51 paragraph 18 is "development stoppage", which did not occur. Work on the project was completed and the licensing project is in abeyance. Looking ahead, and to the extent the project proposal does not change and the data gathered remains representative of current conditions, FERC ruled that AEA would not need to repeat the already completed Integrated Licensing Process (ILP) steps.