



Financial Statements
June 30, 2022

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

Opinions

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) (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Schedules 1 through 5 are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Schedules 1 through 5 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other supplemental information included in the annual report. The other information comprises the Schedules 6-9 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, 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, and 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 the Authority's internal control over financial reporting and compliance.



Boise, Idaho
December 22, 2022

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, 2022. 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, Trans-Alaska Pipeline Liability Fund, Rural Energy Projects, Volkswagen Diesel Settlement Fund, and the Electric Utility Relief 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, and the Power Project Fund. 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.

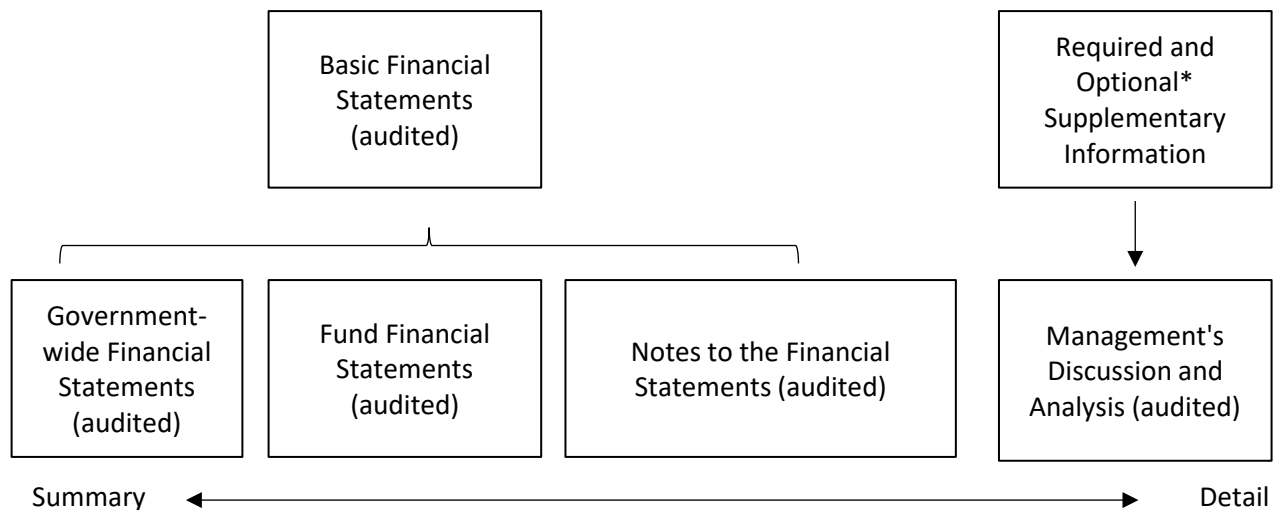
Notes to Basic Financial Statements

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 \$1.4 billion at June 30, 2022 and \$1.6 billion at June 30, 2021.

Of the total net position at June 30, 2022, \$339.4 million was invested in capital assets, net of related debt, and \$1.0 billion was restricted. Of the total net position at June 30, 2021, \$325.6 million was invested in capital assets, net of related debt, and \$1.2 billion 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, 2022 and 2021 (stated in thousands):

	Governmental Activities			Business-Type Activities		
	2022	2021	Variance	2022	2021	Variance
Assets:						
Current and other noncurrent assets	\$ 1,020,376	\$ 1,194,856	\$ (174,480)	\$ 60,821	\$ 81,565	\$ (20,744)
Capital assets	-	-	-	385,307	396,079	(10,772)
Total assets	1,020,376	1,194,856	(174,480)	446,128	477,644	(31,516)
 Total assets	 1,020,376	 1,194,856	 (174,480)	 446,128	 477,644	 (31,516)
Liabilities:						
Current liabilities	38,110	25,866	12,244	10,141	19,912	(9,771)
Noncurrent liabilities	-	-	-	44,376	57,043	(12,667)
Total liabilities	38,110	25,866	12,244	54,517	76,955	(22,438)
Net Position:						
Net investment in capital assets	-	-	-	339,383	325,614	13,769
Restricted	982,266	1,169,262	(186,996)	52,232	74,804	(22,572)
Unrestricted	-	-	-	(4)	-	(4)
Total net position	982,266	1,169,262	(186,996)	391,611	400,418	(8,807)
Total liabilities and net position	\$ 1,020,376	\$ 1,195,128	\$ (174,752)	\$ 446,128	\$ 477,373	\$ (31,245)

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, 2022 and 2021 (stated in thousands):

	2022	2021	Variance
Restricted cash and cash equivalents	\$ 35,945	\$ 28,160	\$ 7,785
Restricted investments	978,610	1,161,100	(182,490)
Operating receivables	167	14	153
Due from Federal Government	4,424	3,991	433
Due from State of Alaska	616	1,268	(652)
Due from State of Alaska's component units	-	7	(7)
Due (to) from other funds/internal balances	614	316	298
Current and other noncurrent assets	\$ 1,020,376	\$ 1,194,856	\$ (174,480)

Current and other noncurrent assets in total are \$174.5 million lower in the current fiscal year. Restricted cash and cash equivalents held by AEA increased by \$7.8 million and is associated with unspent advances for State of Alaska RPSU Capital for \$5.8 million and Federal Advances for EURP Grants for \$1.9 million. Restricted investments decreased by \$182.5 million, primarily due to unrealized losses in the fiscal year 2022 PCE Endowment Fund. Amounts due from the federal government increased by \$433.0 thousand related to timing of reimbursement requests submitted and received from federal agencies on federal awards. Due from the State of Alaska and State of Alaska's component units decreased by \$652.0 thousand. These balances will fluctuate annually. Due (to) from other funds/internal balances will fluctuate annually depending on program activities and cash needs. The \$298.0 thousand increase is due to timing of fiscal year 2022 related billing and reimbursement requests.

Total current and noncurrent liabilities increased in this fiscal year by \$12.2. The increase is in current liabilities is primarily due to higher accounts payable at year end.

Net Position

The following table is provided to show details of AEA's net position at June 30, 2022 and 2021 (stated in thousands):

	2022	2021	Variance
Restricted by agreements with external parties	\$ 922	\$ 1,110	\$ (188)
Restricted by legislation	981,344	1,168,152	(186,808)
Net Position	\$ 982,266	\$ 1,169,262	\$ (186,996)

The Governmental Activities Net position decreased by \$186.7 million during the current fiscal year. Net position restricted by agreements with external parties decreased by \$188.0 thousand compared to the June 30, 2021 balance due to current year expenditures from the Trans-Alaska Pipeline Liability Fund. Net position restricted by legislation decreased by \$186.8 million primarily due to unrealized investment losses in the PCE Endowment Fund.

Business-Type Activities

Business-type activities 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, and the Power Development and Railbelt Energy Projects.

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, 2022 and 2021 (stated in thousands):

	2022	2021	Variance
Restricted cash and cash equivalents	\$ 33,950	\$ 32,351	\$ 1,599
Restricted investments	-	22,342	(22,342)
Operating receivables	267	206	61
Prepaid expense	-	36	(36)
Loans receivable, net of allowance	26,576	25,447	1,129
Due from Federal Government	482	564	(82)
Due from State of Alaska's component units	113	-	113
Accrued interest receivable	47	935	(888)
Due (to) from other funds/internal balances	(614)	(316)	(298)
Current and other noncurrent assets	\$ 60,821	\$ 81,565	\$ (20,744)

Overall Current and other noncurrent assets decreased by \$20.7 million in the current fiscal year. The decrease in current and noncurrent assets is primarily due to a decrease in restricted investment of \$22.3 million. This decrease was primarily due to liquidation of investment agreements with JP Morgan Chase Bank upon pay off of the original Bradley Lake Project bonds on July 1, 2021. Increase in Restricted cash and cash equivalents of \$1.6 million is primarily due to funds received for utility buy-in for participation in the Battle Creek Project to be disbursed to the original project participants in fiscal year 2023. Operating receivables and prepaid expenses increased by \$25.0 thousand, associated with timing of monthly billing. Loans receivable (net of allowance) increased by \$1.1 million due to new loans. Accrued interest receivable decreased by \$888.0 thousand associated with interest rates on 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, 2022 and 2021 (stated in thousands):

	2022	2021	Variance
Due to State of Alaska	\$ 691	\$ 744	\$ (53)
Due to component units	99	-	99
Accounts payable	6,794	5,049	1,745
Bonds payable	45,925	69,109	(23,184)
Other liabilities	56	569	(513)
Accrued interest payable	952	1,484	(532)
Current and other noncurrent liabilities	\$ 54,517	\$ 76,955	\$ (22,438)

Overall total current and noncurrent liabilities decreased in the current fiscal year by \$22.4 million primarily due to the reduction in bonds payable associated with the payoff of Bradley Lake bonds (First, Fourth and Sixth Series), and an early prepayment of SSQ line debt service (Tenth Series). Due to the State of Alaska decreased by \$53 thousand and is related to state appropriations drawn based on project need; therefore, these balances will fluctuate annually. Accounts payable increased by \$1.7 million due to invoicing accruals at year end. Other Bonds payable decreased by \$513 thousand netted between debt service principal payments on the Bradley Lake Hydroelectric Project bonds. Accrued interest payable decreased by \$532 thousand related to lower Bradley Lake debt compared to prior year.

Net Position

The following table is provided to show the details of AEA's net position at June 30, 2022 and 2021 (stated in thousands):

	2022	2021	Variance
Net investment in capital assets	\$ 339,383	\$ 325,614	\$ 13,769
Restricted for capital projects	1,969	1,979	(10)
Restricted for debt service	5,771	27,636	(21,865)
Restricted by agreements with external parties	3,168	3,913	(745)
Restricted by legislation	41,324	41,276	48
Unrestricted	(4)	-	(4)
Net Position	\$ 391,611	\$ 400,418	\$ (8,807)

Overall Net position decreased in the current fiscal year by \$8.8 million primarily to reduction in bond debt being greater than investments in capital additions. Net investment in capital assets increased \$13.8 million due to the net effect of capital asset additions and reduction of debt related to capital projects. Debt service is reduced in fiscal year 2022 due to the payoff of original Bradley Lake Bond debt (Series First, Fourth and Sixth). In addition, an early prepayment was made towards the SSQ Line bonds (Series Tenth).

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis
June 30, 2022

The following table is provided to show AEA's revenues, expenses, and changes in net position at June 30, 2022 and 2021 (stated in thousands):

	Governmental Activities			Business-Type Activities		
	2022	2021	Variance	2022	2021	Variance
Revenues:						
Program revenues:						
Fees, fines, and charges for services	\$ -	\$ -	\$ -	\$ 14,005	\$ 23,209	\$ (9,204)
Operating grants and contributions	16,993	17,064	(71)	172	228	(56)
General revenues:						
Investment income	(144,144)	150,472	(294,616)	35	1,511	(1,476)
State of Alaska appropriations/transfers	(12,395)	1,017,213	(1,029,608)	-	-	-
Total revenues	(139,546)	1,184,749	(1,324,295)	14,212	24,948	(10,736)
Expenses:						
Grants and projects	18,238	20,370	(2,132)	-	-	-
Power cost equalization grants	24,222	25,557	(1,335)	-	-	-
General and administrative	4,990	19,078	(14,088)	1,329	1,526	(197)
Interest expense	-	-	-	1,568	1,159	409
Plant operations	-	-	-	7,834	7,797	37
Depreciation	-	-	-	12,305	12,356	(51)
Provision for loan loss	-	-	-	(17)	(33)	16
Total expenses	47,450	65,005	(17,555)	23,019	22,805	214
Change in net position	(186,996)	1,119,744	(1,306,740)	(8,807)	2,143	(10,950)
Net position, beginning of year	1,169,262	49,518	1,119,744	400,418	398,275	2,143
Net position, end of year	982,266	1,169,262	\$ (186,996)	\$ 391,611	\$ 400,418	\$ (8,807)

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, Trans-Alaska Pipeline Liability Fund, Rural Energy Projects, Volkswagen Diesel Settlement Fund, and the Electric Utility Relief Fund.

Total revenues for governmental activities decreased by \$1.3 billion, 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. AEA recognizes revenue to the extent of expenditures. The State of Alaska appropriations/transfers reflects a variance decrease by \$1.0 billion as a result of removal of the PCE sweep in fiscal year 2021.
- **Investment income** is primarily from interest earned in the PCE Endowment Fund and the Renewable Energy Grant Fund (REF), which are managed by the State Department of Revenue, Treasury Division. Geopolitical and market conditions affected FY22 Investment income losses totaling \$144.1 million compared to investment income of \$150.5 million in fiscal year 2021. Investment income losses in the PCE Endowment Fund are \$143.9 million and \$309.0 thousand for REF.

Expenses for governmental activities decreased by \$17.5 million, based on the following:

- **Grants and project expenses decreased** by \$2.1 million in the current fiscal year. The decrease was a combination of less State funds appropriated for the projects and deferral of projects due to supply chain and logistical issues.
- **PCE grants** decreased by \$1.3 million due to the timing between receipt of documentation from grantees and payment to grantees and related year end liability accrual estimates of the timing differences.
- **State of Alaska appropriations/transfers** incurred no activity in fiscal year 2022. This is the result of the legal ruling, which removed PCE from the sweep to the CBR, which removed the netted sweep reversal from fiscal year 2020 and the fiscal year 2021 sweep amount.
- **General and administrative expenses** decreased by \$14.1 million compared to the prior year and is primarily due to a fiscal year 2021 State charge to the PCE Endowment for \$16 million that did not reoccur in fiscal year 2022.

Business-Type Activities:

Total revenues for business-type activities decreased by \$10.7 million, based on the following:

- **Fees, fines, and charges for services** decreased by \$9.2 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. This decrease was primarily due to pay off of the original Bradley Lake Project bonds on July 1, 2021. The revenue for funds to make the final payment was received in the prior year and no need for revenue for the debt service in fiscal year 2022.
- **Operating grants and contributions** are from State of Alaska operating and capital appropriations. Operating grants and contributions decreased slightly by \$56.0 thousand due to project expenditures related to the capital appropriations.
- **Investment income** decreased by \$1.5 million, due to decreased investment earnings. This decrease was primarily due to liquidation of investment agreements with JP Morgan Chase Bank upon pay off of the original Bradley Lake Project bonds on July 1, 2021.

Expenses for business-type activities increased by \$214.0 thousand, primarily based on the following:

- **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 \$409.0 thousand. The increase in interest expense is primarily due to increase in debt for the Bradley Lake Project purchase of a transmission line from a participating utility in fiscal year 2022.
- **Plant operations** for the Bradley Lake Hydroelectric Project and the Alaska Intertie Project increased in the current fiscal year by \$37.0 thousand. Plant operations consist of various activities required to maintain operations of each project. The decrease from the prior year is primarily due to reduced transmission line expense for the Alaska Intertie Project.

Fund Financial Analysis

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, 2022 and 2021 (stated in thousands):

	2022	2021	Variance
Power Cost Equalization Program	\$ 960,388	\$ 1,145,062	\$ (184,674)
Renewable Energy Grant Fund	19,693	21,802	(2,109)
Emerging Energy Technology Fund	979	1,004	(25)
Trans-Alaska Pipeline Liability Fund	922	1,110	(188)
Rural Energy Projects	12	12	-
Power Development Fund	272	272	-
Total Fund Balances	\$ 982,266	\$ 1,169,262	\$ (186,996)

At the end of the current fiscal year, AEA's governmental funds reported combined ending fund balances of \$982.3 million, which is a decrease in comparison with the prior fiscal year. The Power Cost Equalization Program decreases are due to unrealized losses on investments in the PCE Endowment Fund during the year. The decrease in the Renewable Energy Fund by \$2.1 million is a result of AEA disbursements for the Renewable Energy Fund. The Trans-Alaska Pipeline Liability Fund reduced by \$188.0 thousand, both as a result of project activity in fiscal year 2022.

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, 2022 and 2021 (stated in thousands):

	2022	2021	Variance
Bradley Lake Hydroelectric Project	\$ 153,281	\$ 160,429	\$ (7,148)
Alaska Intertie Project	13,324	15,031	(1,707)
Susitna-Watana Hydroelectric Project	183,682	183,682	-
Power Project Fund	39,602	39,554	48
Power Development and Railbelt Energy Projects	1,722	1,722	-
Total Net Position	\$ 391,611	\$ 400,418	\$ (8,807)

At the end of the current fiscal year, AEA's proprietary fund reported combined ending net position of \$391.6 million, which is a decrease of \$8.8 million in comparison with the prior fiscal year. The decrease of \$7.1 million for the Bradley Lake Hydroelectric Project was due to lower operating revenues net of higher operating expenses. The operating revenue decrease is related to pay-off of the original Bradley Lake Project Bonds at the

beginning of the year. The SSQ Line Bond (Tenth Series) payment was funded by the capital reserve balance from the Bradley Lake Project bonds that was released upon payoff of the bonds. The decrease of \$1.7 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 slightly by \$48.0 thousand.

The following table is provided to show the proprietary fund net position by category at June 30, 2022 and 2021 (stated in thousands):

	2022	2021	Variance
Net investment in capital assets	\$ 339,383	\$ 325,614	\$ 13,769
Restricted for capital projects	1,969	1,979	(10)
Restricted for debt service	5,771	27,636	(21,865)
Restricted by agreements with external parties	3,168	3,913	(745)
Restricted by legislation	41,324	41,276	48
Unrestricted	(4)	-	(4)
Total Net Position	\$ 391,611	\$ 400,418	\$ (8,807)

Total Net Position decreased by \$8.8 million primarily by capital asset and debt service activity. The Net investment in capital assets increased by \$13.8 million, which is the net effect of capital asset additions and retirements. In fiscal year 2022 the Bradley Project purchased a transmission line which is the primary reason for the increase. The reduction of debt related to capital projects in fiscal year 2022 is reflected in the \$21.9 million decrease in the Restricted for debt service. The decrease is primarily due to pay off of the original Bradley Lake Bonds.

Capital Assets and Debt Administration

Capital Assets:

AEA's investment in capital assets for its business-type activities as of June 30, 2022 amounts to \$385.3 million (net of accumulated depreciation), which is a decrease of \$10.8 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		
	2022	2021	Variance
Land and Rights of Way	\$ 11,212	\$ 11,212	\$ -
Equipment	1,394	1,228	166
Infrastructure	187,803	198,741	(10,938)
Construction in Progress	184,898	184,898	-
Total	\$ 385,307	\$ 396,079	\$ (10,772)

Capital assets, net of accumulated depreciation decreased by \$10.8 million as a net result of additions and depreciation of capital assets for both Bradley Lake and Alaska Intertie as normal maintenance and upgrades to the existing assets. Further information on AEA's capital assets can be found in Note 3.

Long-Term Debt:

At the end of the current fiscal year, AEA had total long-term debt outstanding of \$45.9 million. AEA's total long-term debt decreased by \$23.2 million during the current fiscal year as a result of the final payments made on the Bradley Lake First, Fourth and Sixth Series debt service and an early pay down of \$10.9 million towards the SSQ Line debt service (Series Tenth), which secured bonds in the amount of \$17.0 million.

The following table is provided to show the outstanding debt at June 30, 2022 and 2021 (stated in thousands):

	Business-Type Activities		
	2022	2021	Variance
Power Revenue and Refunding Bonds			
Bradley Lake	\$ -	\$ 10,870	\$ (10,870)
Bradley Lake-Battle Creek private placement	39,864	41,239	(1,375)
Soldotna to Quartz Creek (SSQ) private placement	6,060	17,000	(10,940)
Total	\$ 45,924	\$ 69,109	\$ (23,185)

Further information on AEA's long-term debt can be found in Note 5.

Outlook

AEA anticipates a substantial increase in federal funding, from the Infrastructure Investment and Jobs Act and others, over the next several years. This increase will require substantial new receipt authority as well as matching funds from the Legislature and other sources. In addition, it is anticipated that additional personnel will be required to fulfill the Authority's mission with the new funding.

Various Rural Power System Upgrades and Bulk Fuel Upgrades projects are anticipated to continue through fiscal year 2023 with ongoing federal and state funding. AEA and the Denali Commission are leveraging the use of available funding by shifting project focus to 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 14 to begin in fiscal year 2023. AEA will next solicit applications for the Renewable Energy Fund grant program in late 2022 to deliver a recommended priority for awarding grants to the Legislature for fiscal year 2024 funding.

Operations and maintenance of AEA's Bradley Lake Hydroelectric Project, and the Alaska Intertie Project will continue as approved by the Bradley Lake Project Management Committee, AEA, and the Alaska Intertie Committee, respectively. With the final payment on the original Bradley Lake bonds in early fiscal year 2022, an excess earnings estimate has been calculated and will be used to pay for a bond issuance of \$166 million. These funds will be used for required project work associated with the Bradley Lake Hydroelectric Project.

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Net Position
(in thousands)
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Restricted cash and cash equivalents	\$ 35,945	\$ 33,950	\$ 69,895
Operating receivables	167	267	434
Due from federal government	4,424	-	4,424
Loans receivable, net of allowance	-	482	482
Due from State of Alaska	616	-	616
Due from State of Alaska's component units	-	113	113
Accrued interest receivable	-	47	47
Due (to) from other funds/internal balances	614	(614)	-
Total current assets	41,766	34,245	76,011
Noncurrent Assets			
Restricted investments	978,610	-	978,610
Loans receivable, net of allowance	-	26,576	26,576
Capital assets, net of accumulated depreciation	-	385,307	385,307
Total noncurrent assets	978,610	411,883	1,390,493
Total Assets	<u>\$ 1,020,376</u>	<u>\$ 446,128</u>	<u>\$ 1,466,504</u>

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Net Position
(in thousands)
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Due to State of Alaska	\$ 16,547	\$ 691	\$ 17,238
Due to State of Alaska's component units	4,257	99	4,356
Accounts payable	17,306	6,794	24,100
Bonds payable - current portion	-	1,605	1,605
Accrued interest payable	-	952	952
Total current liabilities	38,110	10,141	48,251
Noncurrent Liabilities			
Bonds payable - noncurrent portion	-	44,320	44,320
Other bond liabilities	-	56	56
Total noncurrent liabilities	-	44,376	44,376
Total liabilities	38,110	54,517	92,627
Net Position			
Net investment in capital assets	-	339,383	339,383
Restricted for			
Capital projects	-	1,969	1,969
Debt service	-	5,771	5,771
Agreements with external parties	922	3,168	4,090
Legislation	981,344	41,324	1,022,668
Unrestricted	-	(4)	(4)
Total net position	982,266	391,611	1,373,877
Total Liabilities and Net Position	\$ 1,020,376	\$ 446,128	\$ 1,466,504

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Activities
(in thousands)
Year Ended June 30, 2022

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	\$ 25,944	\$ -	\$ -	\$ (25,944)	\$ -	\$ (25,944)
Renewable Energy Grant Fund	1,787	-	-	(1,787)	-	(1,787)
Emerging Energy Technology Fund	37	-	12	(25)	-	(25)
Trans Alaska Pipeline Liability Fund	190	-	-	(190)	-	(190)
Rural Energy projects	17,877	-	15,366	(2,511)	-	(2,511)
Volkswagen Diesel Settlement Fund	1,615	-	1,615	-	-	-
Total governmental activities	47,450	-	16,993	(30,457)	-	(30,457)
Business-Type Activities						
Bradley Lake Hydroelectric Project	18,960	11,798	-	-	(7,162)	(7,162)
Alaska Intertie Project	3,590	1,709	172	-	(1,709)	(1,709)
Power Project Fund	469	498	-	-	29	29
Total business-type activities	23,019	14,005	172	-	(8,842)	(8,842)
Total Activities	\$ 70,469	\$ 14,005	\$ 17,165	(30,457)	(8,842)	(39,299)
		General Revenues				
		Interest and investment income (loss)		(144,144)	35	(144,109)
		Transfer to State of Alaska		(12,395)	-	(12,395)
		Change in Net Position		(186,996)	(8,807)	(195,803)
		Net Position, Beginning of Year		1,169,262	400,418	1,569,680
		Net Position, End of Year		\$ 982,266	\$ 391,611	\$ 1,373,877

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Balance Sheet – Governmental Funds
(in thousands)
June 30, 2022

	Major Special Revenue Fund	Statement of Net Position
Assets		
Current Assets		
Restricted cash and cash equivalents	\$ 35,945	\$ 35,945
Operating receivable	167	167
Due from federal government	4,424	4,424
Due from State of Alaska	616	616
Due (to) from other funds/internal balances	614	614
Total current assets	41,766	41,766
Noncurrent Assets		
Restricted investments	978,610	978,610
Total assets	<u>\$ 1,020,376</u>	<u>\$ 1,020,376</u>
Liabilities		
Current Liabilities		
Due to State of Alaska	\$ 16,547	\$ 16,547
Due to State of Alaska's component units	4,257	4,257
Accounts payable	17,306	17,306
Total liabilities	38,110	38,110
Fund Balance		
Restricted for		
Agreements with external parties	922	
Legislation	981,344	
Total fund balance	982,266	
Total Liabilities and Fund Balance	<u>\$ 1,020,376</u>	
Net Position		
Restricted for		
Agreements with external parties		922
Legislation		981,344
Total net position		982,266
Total Liabilities and Net Position		<u>\$ 1,020,376</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, 2022

	Major Special Revenue Fund	Statement of Activities
Operating Revenues		
State of Alaska appropriations	\$ 4,290	\$ 4,290
Federal grants	10,211	10,211
Other revenues	<u>2,492</u>	<u>2,492</u>
Total operating revenues	<u>16,993</u>	<u>16,993</u>
Operating Expenses		
Grants and projects	18,238	18,238
Power cost equalization grants	24,222	24,222
General and administrative	<u>4,990</u>	<u>4,990</u>
Total operating expenses	<u>47,450</u>	<u>47,450</u>
Nonoperating Revenues (Expenses)		
Investment loss, net	(144,144)	(144,144)
State of Alaska appropriations and transfers	<u>(12,395)</u>	<u>(12,395)</u>
Total nonoperating revenue (expenses)	<u>(156,539)</u>	<u>(156,539)</u>
Change in Fund Balance	<u>(186,996)</u>	
Change in Net Position		<u>(186,996)</u>
Fund Balance/Net Position, Beginning of Year	<u>1,169,262</u>	<u>1,169,262</u>
Fund Balance/Net Position, End of Year	<u><u>\$ 982,266</u></u>	<u><u>\$ 982,266</u></u>

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Net Position – Enterprise Fund
(in thousands)
June 30, 2022

Assets

Current Assets

Restricted cash and cash equivalents	\$ 33,950
Operating receivable	267
Loans receivable, net of allowance	482
Due from State of Alaska's component units	113
Accrued interest receivable	47
Due (to) from other funds/internal balances	<u>(614)</u>
Total current assets	<u>34,245</u>

Noncurrent Assets

Loans receivable, net of allowance	26,576
Capital assets, net of accumulated depreciation	<u>385,307</u>
Total noncurrent assets	<u>411,883</u>

Total Assets	<u><u>\$ 446,128</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, 2022

Liabilities

Current Liabilities

Due to State of Alaska	\$ 691
Due to local government	99
Accounts payable	6,794
Bonds payable - current portion	1,605
Accrued interest payable	952
Total current liabilities	10,141

Noncurrent Liabilities

Bonds payable - noncurrent portion	44,320
Other liabilities	56
Total noncurrent liabilities	44,376

Total liabilities	54,517
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Net Position

Net investment in capital assets	339,383
Restricted for	
Capital projects	1,969
Debt service	5,771
Agreements with external parties	3,168
Legislation	41,324
Unrestricted	(4)
Total net position	391,611

Total Liabilities and Net Position	\$ 446,128
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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, 2022

Operating Revenues	
State of Alaska appropriations	\$ 171
Revenue from operating plants	13,507
Interest on loans	346
Other revenues	<u>153</u>
Total operating revenues	<u>14,177</u>
Operating Expenses	
Depreciation	12,305
General and administrative	1,329
Plant operations	7,834
Provision for loan recovery	<u>(17)</u>
Total operating expenses	<u>21,451</u>
Operating Income (Loss)	(7,274)
Nonoperating Revenues (Expenses)	
Investment income, net expenses	35
Interest expense	<u>(1,568)</u>
Total nonoperating revenue	<u>(1,533)</u>
Change in Net Position	(8,807)
Net Position, Beginning of Year	<u>400,418</u>
Net Position, End of Year	<u><u>\$ 391,611</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, 2022

Operating Activities	
Receipts from customers and users	\$ 14,836
Payments from State of Alaska	171
Payments to suppliers	<u>(6,091)</u>
Net Cash from Operating Activities	<u>8,916</u>
Noncapital and Related Financing Activities	
Net Increase in short-term borrowings from AIDEA for working capital	<u>(1,043)</u>
Capital and Related Financing Activities	
Principal paid on bonds	(23,185)
Payments for other bond liabilities	(1,977)
Interest paid on bonds	(1,532)
Capital asset acquisitions	<u>(927)</u>
Net Cash used for Capital and Related Financing Activities	<u>(27,621)</u>
Investing Activities	
Purchase of investments	(5,280)
Proceeds from sales and maturities of investments	27,622
Interest received from investments	35
Net change in loans	<u>(1,030)</u>
Net Cash from Investing Activities	<u>21,347</u>
Net Change in Restricted Cash and Cash Equivalents	1,599
Restricted Cash and Cash Equivalents, Beginning of Year	<u>32,351</u>
Restricted Cash and Cash Equivalents, End of Year	<u><u>\$ 33,950</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, 2022

Reconciliation of operating income (loss) to net cash from operating activities	
Operating income (loss)	\$ (7,274)
Adjustments to reconcile operating income (loss) to net cash used from operating activities	
Depreciation	12,305
Changes in assets and liabilities	
Operating receivables	(61)
Due to/from other funds	298
Due to/from local government	(14)
Accrued interest receivable	889
Prepaid assets	36
Due to/from State of Alaska	(52)
Operating accounts payable	<u>2,789</u>
Net Cash from Operating Activities	<u><u>\$ 8,916</u></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 increases the Bradley Lake projects annual energy by approximately 37,000 megawatt hours (MWh). Construction began in 2018 and was completed in October 2020.

All the Purchasers of the Bradley Lake Project Management Committee (BPMC) have supported the development and completion of the Battle Creek Diversion (BCD) Project. In April 2022, Golden Valley Electric Association (GVEA), an initial Non-Purchaser, issued it Callback Notice and payment to participate in the Battle Creek Diversion Project. The BPMC accepted a GVEA Buy-In, re-allocated the shares and GVEA became a full participant in the Battle Creek Diversion Project effective May 1, 2022.

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. In June 2022, the Railbelt utilities opted to make an early prepayment of \$10.9 million on the SSQ Line debt using capital reserve funds that were released upon final payment on the original Bradley Lake project bonds.

In December of 2021, The Authority in partnership with the Railbelt utilities, began coordination to pursue bond financing for required project work to improve the efficiency and deliverable capacity of power from the Bradley Lake Hydroelectric Project. The planned financing will pay for transmission line upgrades and battery energy storage systems that will reduce existing constraints on the Railbelt grid by increasing transmission capacity to export Bradley Lake hydropower, while also allowing for the integration of future renewable energy generation. Bradley Lake financing completed on November 30, 2022.

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. The licensing project remains in abeyance, as State level discussions integrating this project into Alaska's Statewide Energy Plan.

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). During fiscal year 2022, the Authority established the Electric Utility Relief Fund and disbursed funds to Grantee's for verified eligible residential electric utility costs that arose due to COVID -19. The Program provided Grantee's with funding to retire delinquent residential electric utility costs stemming from the pandemic. Subject to appropriations, 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 and the Alternative Energy and Energy Efficiency (AEEE) programs.

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.

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 non-operating.

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 \$5,000 and a useful life greater than one year.

The estimated economic lives of the assets are as follows:

<u>Utility Plant</u>	<u>Life in Years</u>
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 non-spendable 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.

Rounding

The preparation of the financial statements represents accurate numerical values by using rounding which may cause differences in the statements due to rounding. Rounding a numerical value means replacing it by another value that is approximately equal but shorter, simpler, or more explicit.

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, 2022, the Authority's bank and carrying amount of cash and cash equivalents (all of which were restricted or designated for specific purposes) was \$69,895,000.

The restricted cash and cash equivalents and investments were held in trust and restricted accounts for the following activities as of June 30, 2022 (in thousands):

	Governmental Activities	Business-Type Activities	Totals
Restricted Cash and Cash Equivalents			
Bradley Lake Hydroelectric Project	\$ -	\$ 17,561	\$ 17,561
Alaska Intertie Project	-	1,335	1,335
Power Project Fund	-	12,544	12,544
Power Development and Railbelt Energy Projects	13,933	2,510	16,443
Rural Energy Projects	218	-	218
Power Cost Equalization Program	14,877	-	14,877
Renewable Energy Grant Fund	3,893	-	3,893
Emerging Energy Technology Fund	984	-	984
Trans-Alaska Pipeline Liability Fund	964	-	964
VW Settlement	1,076	-	1,076
	<u>\$ 35,945</u>	<u>\$ 33,950</u>	<u>\$ 69,895</u>
	Governmental Activities	Business-Type Activities	Totals
Restricted Investments			
Power Cost Equalization Program	\$ 957,488	\$ -	\$ 957,488
Renewable Energy Grant Fund	21,122	-	21,122
	<u>\$ 978,610</u>	<u>\$ -</u>	<u>\$ 978,610</u>

Investment Holdings

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

Other AEA Cash and Investments – a portion of Bradley Lake Hydroelectric Project investments were invested pursuant to investment agreements with JP Morgan Chase Bank that guarantees annual interest earnings of 7.38% or 7.41% per annum. The investment agreement closed as a result of the Bradley Lake Power Revenue Bonds, First Series debt service repayment completed on July 1, 2021. These investments were in nonparticipating contracts and were 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, 2022 (in thousands):

	Governmental Activities	Business-Type Activities	Totals
Money market funds	\$ 35,945	\$ 33,950	\$ 69,895
Investments managed by Treasury	978,610	-	978,610
	<u>\$ 1,014,555</u>	<u>\$ 33,950</u>	<u>\$ 1,048,505</u>

Money market funds which are not held primarily for the purpose of income or profit and have remaining maturities at time of purchase of one year or less. Therefore, the money market funds are recorded 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, 2022, AEA's deposits managed by Treasury were uncollateralized and uninsured.

With respect to AEA managed investments, amounts totaling approximately \$69,895,000 at June 30, 2022 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 for Bradley Lake ended July 1, 2021 with the payoff of the bonds.

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, 2022, the GeFONSI total for the Renewable Energy Grant Fund was \$21,122,000. 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, 2022, the Authority's share of pool investments was as follows (in thousands):

Cash and cash equivalents	
Short-term fixed income pool	\$ 9,928
Fixed income – broad market pool	440,684
Equity	
Domestic equity pool	289,317
International equity pools	189,935
Real estate investment trust pool	37,552
	<u>967,416</u>
Less cash and cash equivalents	<u>(9,928)</u>
	<u><u>\$ 957,488</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, 2022 was as follows (in thousands):

Business-Type Activities	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets not being depreciated				
Land and rights of way	\$ 11,212	\$ -	\$ -	\$ 11,212
Construction in progress				
Intangibles	183,682	-	-	183,682
Other	1,216	-	-	1,216
Total capital assets not being depreciated	196,110	-	-	196,110
Capital assets being depreciated				
Equipment	6,864	394	-	7,258
Infrastructure	513,568	1,139	-	514,707
Total capital assets being depreciated	520,432	1,533	-	521,965
Less accumulated depreciation				
Equipment	(5,636)	(163)	-	(5,799)
Infrastructure	(314,827)	(12,142)	-	(326,969)
Total accumulated depreciation	(320,463)	(12,305)	-	(332,768)
Total capital assets, being depreciated, net	199,969	(10,772)	-	189,197
Capital assets, net	\$ 396,079	\$ (10,772)	\$ -	\$ 385,307

Depreciation expense was charged to the functions as follows for the year ended June 30, 2022 (in thousands):

Business-Type Activities	
Bradley Lake Hydroelectric Project	\$ 10,806
Alaska Intertie Project	1,499
	<u>\$ 12,305</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, 2022 follows (in thousands):

Due from other funds	
Due to Special Revenue Fund from Enterprise Fund	<u>\$ 614</u>

Note 5 - Long-Term Debt

Long-term debt activity for the year ended June 30, 2022 was as follows (in thousands):

Business-Type Activities	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022	Due within one year
Power Revenue Bonds					
Bradley Lake					
First Series	\$ 25	\$ -	\$ (25)	\$ -	\$ -
Refunding, Fourth Series	4,395	-	(4,395)	-	-
Refunding, Sixth Series	6,450	-	(6,450)	-	-
Transmission Line					
Tenth Series	17,000	-	(10,940)	6,060	230
Bradley Lake - Battle Creek Diversion - Private Placement					
Seventh Series	40,000	-	(1,333)	38,667	1,333
Eighth Series	1,239	-	(42)	1,197	42
Total bonds payable	<u>69,109</u>	<u>-</u>	<u>(23,185)</u>	<u>45,924</u>	<u>1,605</u>
Arbitrage interest payable (c)	<u>390</u>	<u>-</u>	<u>(390)</u>	<u>-</u>	<u>-</u>
Total other bond liabilities	<u>390</u>	<u>-</u>	<u>(390)</u>	<u>-</u>	<u>-</u>
	<u>\$ 69,499</u>	<u>\$ -</u>	<u>\$ (23,575)</u>	<u>\$ 45,924</u>	<u>\$ 1,605</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% and were paid off during fiscal year 2022.

AEA issued the following Bonds in support of the Bradley Lake Project. The Bradley Lake Bond below was issued on December 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, Eighth, and Tenth Series have amounts outstanding as of June 30, 2022. 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 were made as of June 30, 2022. 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, 2022, are as follows:

Years Ending June 30,	Principal	Interest	Total
2023	\$ 1,604	\$ 1,869	\$ 3,473
2024	1,613	1,803	3,416
2025	1,621	1,736	3,357
2026	1,630	1,669	3,299
2027	1,638	1,601	3,239
2028-2032	8,337	6,986	15,323
2033-2037	8,612	5,249	13,861
2038-2042	8,497	3,467	11,964
2043-2047	6,873	1,894	8,767
2048-2051	5,499	475	5,974
	<u>\$ 45,924</u>	<u>\$ 26,749</u>	<u>\$ 72,673</u>

Note 6 - Loans Receivable

The Authority administers the Power Project Fund Loan Program. Loans outstanding at June 30, 2022 are classified as follows (in thousands):

	Number of Loans	Amount
Power Project Fund Loan Programs	15	\$ 27,535
Less allowance for loan loss		(477)
		<u>\$ 27,058</u>

Loans more than 90 days past due are not included in the accrual of interest. At June 30, 2022, 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, 2022 follows (in thousands):

Balance at beginning of year	\$ 494
Provision for loan loss (recovery)	<u>(17)</u>
Balance at end of year	<u><u>\$ 477</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, 2022, the outstanding principal balance of the loans sold was \$2,795,000 for which AEA has recognized an estimated liability for potential repurchase of \$56,000.

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	\$ -	\$ 960,388
Renewable Energy Grant Fund	-	19,693
Emerging Energy Technology Fund	-	979
Trans-Alaska Pipeline Liability Fund	922	-
Power Development Fund	-	272
Rural Energy Projects	<u>-</u>	<u>12</u>
	<u><u>\$ 922</u></u>	<u><u>\$ 981,344</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.

As of June 30, 2022, AEA recognized expenses for services from AIDEA in the amount of \$5,473,000. In addition, AEA had \$4,032,000 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, and CEA) 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 \$222,000 during fiscal year 2022 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, 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, the Bradley Lake Hydroelectric Project Management Committee (BPMC) was formed to manage the project. The BPMC 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 BPMC to provide administrative services to the Bradley Lake Project, Battle Creek, and the SSQ Line and received \$464,000 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, 2022, AEA had Power Project Fund loan commitments of \$7,788,000.

At June 30, 2022, AEA had cumulative prior year commitments from grant awards that are funded by State appropriations and federal awards; the amounts committed were \$35,958,000.



Supplementary Information
June 30, 2022

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
(in thousands)
Year Ended June 30, 2022

	Construction Fund	Debt Service Fund	Capital Reserve Fund	Renewal and Contingency Reserve Fund	Excess Investment Earnings Fund	Revenue Fund	Operating Fund	Operating Reserve Account	Revenue and Operating Fund	Renewal and Contingency Reserve Fund	Operating Reserve Account	Total
Balance at July 1, 2021	\$ 1,979	\$ 13,411	\$ 15,597	\$ 1,070	\$ 112	\$ 3,524	\$ 1,654	\$ 1,269	\$ -	\$ -	\$ -	\$ 38,616
Interest received	-	217	420	41	4	150	38	42	7	2	2	923
Bond principal paid	-	(23,451)	-	-	-	-	-	-	-	-	-	(23,451)
Bond interest paid	-	(2,924)	-	-	-	-	-	-	-	-	-	(2,924)
Arbitrage paid	-	-	-	-	(390)	-	-	-	-	-	-	(390)
due to utilities	-	-	-	-	-	1,587	-	-	-	-	-	1,587
Operating budget surplus paid	-	-	-	-	-	1,089	-	-	(727)	(290)	-	72
Operating budget surplus paid	-	-	-	-	-	(2,140)	-	-	-	-	-	(2,140)
Capital expenditures	(11)	-	-	-	-	(1,254)	(49)	-	209	(895)	-	(2,000)
Operating revenue received	-	-	-	-	-	5,815	-	-	8,109	-	-	13,924
Operating expenses paid	-	-	-	-	-	-	(850)	-	(5,669)	-	-	(6,519)
Transfers between funds	-	15,324	(11,871)	(1,111)	274	(6,982)	490	(1,142)	1,538	2,215	1,265	-
Balance at June 30, 2022	<u>\$ 1,968</u>	<u>\$ 2,577</u>	<u>\$ 4,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,789</u>	<u>\$ 1,283</u>	<u>\$ 169</u>	<u>\$ 3,467</u>	<u>\$ 1,032</u>	<u>\$ 1,267</u>	<u>\$ 17,698</u>

Alaska Energy Authority
 (A Component Unit of the State of Alaska)
Schedule 2 – Special Revenue Fund – Projects and Programs – Balance Sheet
 (in thousands)
 June 30, 2022

	Power Cost Equalization Program	Renewable Energy Grant Fund	Emerging Energy Technology Fund	Trans Alaska Pipeline Liability Fund	Rural Energy Projects	Volkswagen Diesel Settlement Fund	Power Development Fund	Totals
Assets								
Current assets								
Restricted cash and cash equivalents	\$ 14,877	\$ 3,893	\$ 984	\$ 964	\$ 218	\$ 1,076	\$ 13,933	\$ 35,945
Operating receivable	-	8	-	-	117	-	42	167
Due from Federal Government	-	-	-	-	4,424	-	-	4,424
Due from State of Alaska	-	-	-	-	110	-	506	616
Due (to) from other funds/internal balances	-	-	-	-	413	-	201	614
Total current assets	14,877	3,901	984	964	5,282	1,076	14,682	41,766
Noncurrent assets								
Restricted investments	957,488	21,122	-	-	-	-	-	978,610
Total assets	\$ 972,365	\$ 25,023	\$ 984	\$ 964	\$ 5,282	\$ 1,076	\$ 14,682	\$ 1,020,376
Liabilities and Fund Balance								
Current liabilities								
Due to the State of Alaska	\$ 252	\$ 4,751	\$ 4	\$ -	\$ (951)	\$ -	\$ 12,491	\$ 16,547
Due to State of Alaska's component units	-	-	-	-	4,257	-	-	4,257
Accounts payable	11,502	406	-	-	2,509	970	1,919	17,306
Due to (from) other funds/internal balances	223	173	1	42	(545)	106	-	-
Total liabilities	11,977	5,330	5	42	5,270	1,076	14,410	38,110
Fund Balance								
Restricted by agreements with external parties	-	-	-	922	-	-	-	922
Restricted by legislation	960,388	19,693	979	-	12	-	272	981,344
Total fund balance	960,388	19,693	979	922	12	-	272	982,266
Total Liabilities and Fund Balance	\$ 972,365	\$ 25,023	\$ 984	\$ 964	\$ 5,282	\$ 1,076	\$ 14,682	\$ 1,020,376

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
(in thousands)
Year Ended June 30, 2022

	Power Cost Equalization Program	Renewable Energy Grant Fund	Emerging Energy Technology Fund	Trans Alaska Pipeline Liability Fund	Rural Energy Projects	Volkswagen Diesel Settlement Fund	Power Development Fund	Totals
Operating revenues								
State of Alaska appropriations	\$ -	\$ -	\$ -	\$ -	\$ 4,290	\$ -	\$ -	\$ 4,290
Federal grants	-	-	12	-	10,199	-	-	10,211
Other revenues	-	-	-	-	877	1,615	-	2,492
Total operating revenues	-	-	12	-	15,366	1,615	-	16,993
Operating expenditures								
Grants and projects	-	1,226	33	171	15,421	1,387	-	18,238
Power cost equalization grants	24,222	-	-	-	-	-	-	24,222
General and administrative	1,722	561	4	19	2,456	228	-	4,990
Total operating expenditures	25,944	1,787	37	190	17,877	1,615	-	47,450
Nonoperating revenues (expenses) and other								
Investment income, net	(143,837)	(309)	-	2	-	-	-	(144,144)
Interfund capital grants and contributions	(2,498)	(13)	-	-	2,511	-	-	-
State of Alaska appropriations and transfers	(12,395)	-	-	-	-	-	-	(12,395)
Total nonoperating revenues (expenses) and other	(158,730)	(322)	-	2	2,511	-	-	(156,539)
Change in Fund Balance	(184,674)	(2,109)	(25)	(188)	-	-	-	(186,996)
Fund Balance, Beginning of Year	1,145,062	21,802	1,004	1,110	12	-	272	1,169,262
Fund Balance, End of Year	\$ 960,388	\$ 19,693	\$ 979	\$ 922	\$ 12	\$ -	\$ 272	\$ 982,266

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

(in thousands)

June 30, 2022

	Bradley Lake Hydroelectric Project	Alaska Intertie Project	Susitna- Watana Hydroelectric Project	Power Project Fund	Power Development and Railbelt Energy Projects	Totals
Assets						
Current assets						
Restricted cash and cash equivalents	\$ 17,561	\$ 1,335	\$ -	\$ 12,544	\$ 2,510	\$ 33,950
Operating receivable	-	267	-	-	-	267
Loans receivable	-	-	-	482	-	482
Accrued interest receivable	-	-	-	47	-	47
Due from State of Alaska's component units	-	-	-	113	-	113
Due (to) from other funds/internal balances	(357)	(153)	-	(104)	-	(614)
Total current assets	17,204	1,449	-	13,082	2,510	34,245
Noncurrent assets						
Loans receivable, net of allowance	-	-	-	26,576	-	26,576
Capital assets, net of accumulated depreciation	188,297	13,328	183,682	-	-	385,307
Total noncurrent assets	188,297	13,328	183,682	26,576	-	411,883
Total Assets	\$ 205,501	\$ 14,777	\$ 183,682	\$ 39,658	\$ 2,510	\$ 446,128

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
(in thousands)
June 30, 2022

	Bradley Lake Hydroelectric Project	Alaska Intertie Project	Susitna- Watana Hydroelectric Project	Power Project Fund	Power Development and Railbelt Energy Projects	Totals
Liabilities and Net Position						
Liabilities						
Current liabilities						
Due to the State of Alaska	\$ 78	\$ (4)	\$ -	\$ -	\$ 617	\$ 691
Due to local governments	109	1	-	-	(11)	99
Accounts payable	5,156	1,456	-	-	182	6,794
Bonds payable – current portion	1,605	-	-	-	-	1,605
Accrued interest payable	952	-	-	-	-	952
Total current liabilities	7,900	1,453	-	-	788	10,141
Noncurrent liabilities						
Bonds payable – noncurrent portion, net	44,320	-	-	-	-	44,320
Other liabilities	-	-	-	56	-	56
Total noncurrent liabilities	44,320	-	-	56	-	44,376
Total liabilities	52,220	1,453	-	56	788	54,517
Net Position						
Net investment in capital assets	142,373	13,328	183,682	-	-	339,383
Restricted for capital projects	1,969	-	-	-	-	1,969
Restricted for debt service	5,771	-	-	-	-	5,771
Restricted by agreements with external parties	3,168	-	-	-	-	3,168
Restricted by legislation	-	-	-	39,602	1,722	41,324
Unrestricted	-	(4)	-	-	-	(4)
Total net position	153,281	13,324	183,682	39,602	1,722	391,611
Total Liabilities and Net Position	\$ 205,501	\$ 14,777	\$ 183,682	\$ 39,658	\$ 2,510	\$ 446,128

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
(in thousands)

Year Ended June 30, 2022

	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	\$ -	\$ 171	\$ -	\$ -	\$ -	\$ 171
Revenue from operating plants	11,798	1,709	-	-	-	13,507
Interest on loans	-	-	-	346	-	346
Other revenues	-	1	-	152	-	153
Total operating revenues	<u>11,798</u>	<u>1,881</u>	<u>-</u>	<u>498</u>	<u>-</u>	<u>14,177</u>
Operating expenses						
Depreciation	10,806	1,499	-	-	-	12,305
General and administrative	767	76	-	486	-	1,329
Plant operating	5,819	2,015	-	-	-	7,834
Provision for loan loss (recovery)	-	-	-	(17)	-	(17)
Total operating expenses	<u>17,392</u>	<u>3,590</u>	<u>-</u>	<u>469</u>	<u>-</u>	<u>21,451</u>
Operating Income (Loss)	<u>(5,594)</u>	<u>(1,709)</u>	<u>-</u>	<u>29</u>	<u>-</u>	<u>(7,274)</u>
Nonoperating revenues (expenses) and other						
Investment income, net	14	2	-	19	-	35
Interest expense	(1,568)	-	-	-	-	(1,568)
Total nonoperating revenues (expenses) and other	<u>(1,554)</u>	<u>2</u>	<u>-</u>	<u>19</u>	<u>-</u>	<u>(1,533)</u>
Change in Net Position	(7,148)	(1,707)	-	48	-	(8,807)
Fund Balance, Beginning of Year	<u>160,429</u>	<u>15,031</u>	<u>183,682</u>	<u>39,554</u>	<u>1,722</u>	<u>400,418</u>
Fund Balance, End of Year	<u>\$ 153,281</u>	<u>\$ 13,324</u>	<u>\$ 183,682</u>	<u>\$ 39,602</u>	<u>\$ 1,722</u>	<u>\$ 391,611</u>

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, 2022

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets				
Intangible	\$ 183,696	\$ -	\$ -	\$ 183,696
Production	321,175	1,205	-	322,380
Transmission	206,047	251	-	206,298
General	5,624	77	-	5,701
Total capital assets	716,542	1,533	-	718,075
Less accumulated depreciation				
Intangible	(6)	(1)	-	(7)
Production	(156,503)	(8,426)	-	(164,929)
Transmission	(158,518)	(3,832)	-	(162,350)
General	(5,436)	(46)	-	(5,482)
Total accumulated depreciation	(320,463)	(12,305)	-	(332,768)
Capital assets, net	\$ 396,079	\$ (10,772)	\$ -	\$ 385,307

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, 2022 and 2021

Operating Data	As of June 30, 2021	As of June 30, 2022
Project costs		
Operations and maintenance	\$ 3,767	\$ 4,166
Repairs	280	229
General and administrative	922	1,204
Insurance	708	1,216
Capital purchases	268	315
Contributions to capital reserve fund	107	1
Contributions to renewal and contingency fund and operating reserve account	<u>2,590</u>	<u>2,265</u>
	<u>8,642</u>	<u>9,396</u>
Debt service	14,584	15,540
Less Federal interest subsidy	(1,132)	(1,089)
Less investment income	<u>1,622</u>	<u>(597)</u>
Total cost of power	<u><u>\$ 23,716</u></u>	<u><u>\$ 23,250</u></u>

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

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Beginning 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
Inflows										
Annual investment earnings	111,488	171,112	33,192	8,912	112,331	76,602	74,142	48,303	150,299	(143,842)
Total inflows	111,488	171,112	33,192	8,912	112,331	76,602	74,142	48,303	150,299	(143,842)
Outflows										
Transfers to AEA for PCE payments (1)	(22,527)	(32,773)	(41,002)	(30,622)	(34,956)	(25,595)	(29,719)	(27,000)	(28,237)	(24,000)
Transfers to Other Funds	-	-	-	-	-	-	(44,000)	(14,867)	(49,164)	(12,140)
Program administration - AEA	(198)	(241)	(248)	(255)	(243)	(624)	(444)	(575)	(737)	(602)
Administrative fee - Regulatory Commission	(90)	(110)	(107)	(100)	(112)	(113)	(102)	(108)	(123)	(135)
Management fee - Department of Revenue	(238)	(336)	(313)	(385)	(393)	(458)	(430)	(421)	(1,030)	(1,030)
Total outflows	(23,053)	(33,460)	(41,670)	(31,362)	(35,704)	(26,790)	(74,695)	(42,971)	(79,291)	(37,907)
Ending cash and investment balance	\$ 840,215	\$ 977,867	\$ 969,389	\$ 946,939	\$ 1,023,566	\$ 1,073,378	\$ 1,072,825	\$ 1,078,157	\$ 1,149,165	\$ 967,416

(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. In June 2022, the Authority applied \$10.9 million as an early prepayment to pay down the debt service.

In April 2022, the Authority filed an Initial Consultation Document with FERC for a diversion of the Dixon Glacier outlet stream to Bradley Lake. AEA is performing studies and investigating the feasibility of this project to significantly increase Bradley Lake Project annual energy.

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.

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 fiscal year 2017 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 fiscal year 2019.

As of June 30, 2022, 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.