



Financial Statements
June 30, 2023

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 Audit of 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, 2023, 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, 2023, 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 October 27, 2023, 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.

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

Boise, Idaho
October 27, 2023

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. The Authority's operations consist of governmental fund activities reported as a Special Revenue Fund and business-type activities reported as an Enterprise Fund. The financial information in this report is later reported as a component of the State and is discreetly presented in the State's Annual Comprehensive Financial Report (ACFR).

The Authority manages the following projects and programs: owned hydroelectric and intertie projects, rural energy programs, and energy development programs. The Authority's programs are funded primarily by State appropriations, federal grants, investment income, and utility companies – for use of the Authority's owned assets. Further information on the Authority'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, 2023. 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 and Schedules.

Government-Wide Financial Statements

The government-wide financial statements report information about the overall finances of the Authority similar to a business-type enterprise. These statements combine and consolidate current near-term financial 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. The Authority's governmental activities include the Power Cost Equalization (PCE) Program, the Renewable Energy Grant Fund (REF), Emerging Energy Technology Fund, the Trans-Alaska Pipeline Liability (TAPL) Fund, Rural Energy Projects, the Volkswagen Diesel Settlement Fund, the Power Development Fund, and the Community Contributions 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. The Authority'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. 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 the Authority's assets less liabilities, which results in net position. This statement is designed to display the financial position of the Authority.

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 is presented in the full accrual basis of accounting which utilizes the economic resources measurement focus. This is similar to the basis of accounting used by private-sector businesses. Revenues are recognized when they become available and measurable, and expenses are recognized in the period in which the fund liability is incurred, if measurable.

Fund Financial Statements

A fund is a standalone accounting entity with a set of self-balancing accounts for tracking cash and other financial resources earmarked for the purpose of carrying out specific functions or activities. The funds of the Authority are divided into two categories: governmental fund and proprietary fund, both of which are further described below, and which provide more detail than the government-wide statements. The Authority utilizes fund accounting to ensure and demonstrate compliance with finance related legislative requirements and to demonstrate fiscal responsibility to their resource providers.

Governmental Funds – Special Revenue Funds

The Authority reports one governmental fund this is reported as a Special Revenue Fund. The Special Revenue Fund is used to account for activities that are supported primarily by intergovernmental revenues whose use is restricted to specific activities.

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 near-term view of the Authority's operations. Because the financial statement reporting focus of governmental funds is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements.

Propriety Funds – Enterprise Funds

The Authority reports one Enterprise Fund. The Enterprise Fund is used to account for goods and services provided to the public for which a fee is charged to external users.

The Statement of Net Position reports the Authority's assets, liabilities, and resulting net position. The net position is reported as net investment in capital assets, restricted, and unrestricted (deficit). 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 utilize the 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 the periods reported.

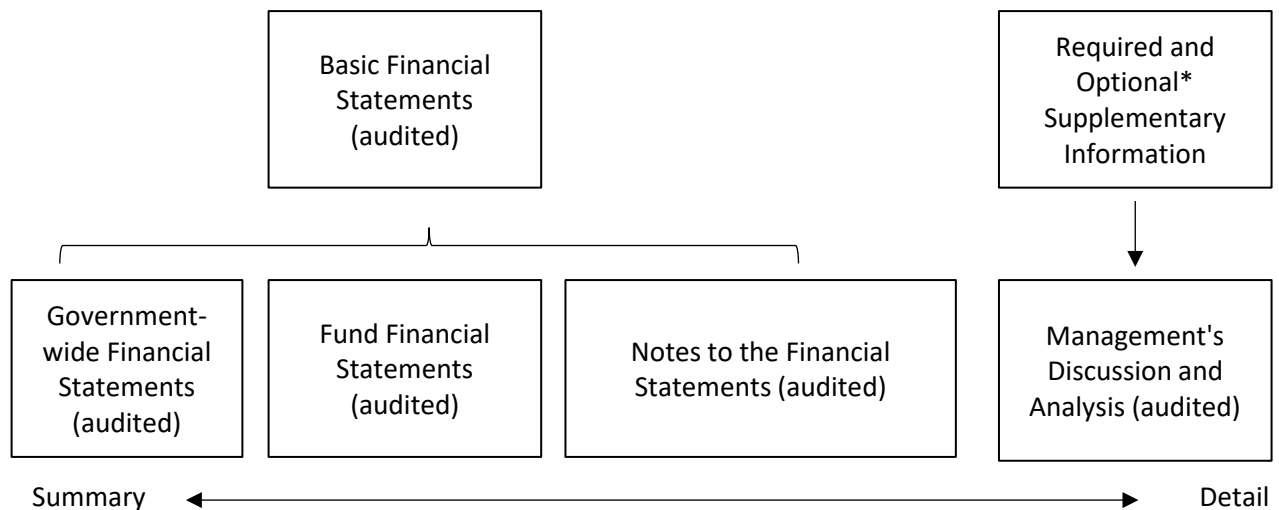
Notes to Basic Financial Statements

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 financial statements and accompanying notes, this report also presents certain supplementary information as schedules, which provides additional information about the Authority's projects and programs.

Required Components of the Financial Statements



*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, Expenditures, 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 Statement of Net Position Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority as a whole, assets exceeded its liabilities by \$1.4 billion at June 30, 2023 and \$1.4 billion at June 30, 2022.

Of the total net position at June 30, 2023, \$347.2 million was invested in capital assets, net of related debt, and \$1.2 billion was restricted. 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. 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 capital projects, 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, 2023 and 2022 (stated in thousands):

	Governmental Activities			Business-Type Activities		
	2023	2022	Variance	2023	2022	Variance
Assets:						
Current and other noncurrent assets	\$ 1,031,535	\$ 1,020,376	\$ 11,159	\$ 229,782	\$ 60,821	\$ 168,961
Capital assets	-	-	-	375,794	385,307	(9,513)
Total assets	1,031,535	1,020,376	11,159	605,576	446,128	159,448
Liabilities:						
Current liabilities	43,700	38,110	5,590	11,426	10,141	1,285
Noncurrent liabilities	-	-	-	200,051	44,376	155,675
Total liabilities	43,700	38,110	5,590	211,477	54,517	156,960
Net Position:						
Net investment in capital assets	-	-	-	347,199	339,383	7,816
Restricted	987,835	982,266	5,569	223,416	52,232	171,184
Unrestricted deficit	-	-	-	(176,516)	(4)	(176,512)
Total net position	987,835	982,266	5,569	394,099	391,611	2,488
Total liabilities and net position	\$ 1,031,535	\$ 1,020,376	\$ 11,159	\$ 605,576	\$ 446,128	\$ 159,448

Governmental Activities

Current and other noncurrent assets

The following table is provided to show the details of the Authority's current and noncurrent assets at June 30, 2023 and 2022 (stated in thousands):

	2023	2022	Variance
Cash and cash equivalents, restricted	\$ 999,872	\$ 35,945	\$ 963,927
Investments, restricted	23,990	978,610	(954,620)
Operating receivables	45	167	(122)
Prepaid expenses	194	-	194
Due from federal government	4,887	4,424	463
Due from State of Alaska	2,085	616	1,469
Due from State of Alaska's component units	-	-	-
Due (to) from other funds/internal balances	462	614	(152)
Current and noncurrent assets	\$ 1,031,535	\$ 1,020,376	\$ 11,159

Current and noncurrent assets in total are \$11.2 million higher in the current fiscal year. Restricted cash and cash equivalents held by the Authority increased by \$963.9 million and is associated with PCE Endowment Fund investments decreasing by \$957.5 million. At July 3, 2023, the Alaska Permanent Fund Corporation (APFC) per Senate Bill (SB) 98 became the managers and investors of the PCE Endowment Fund. As a result, the prior managers of the PCE Endowment Fund the Revenue Department, Treasury Division (Treasury) disinvested all long-term investments and held all investments in cash and cash equivalent short-term investments by June 30, 2023. This was done so these funds could be easily transferred to APFC from the Treasury at July 3, 2023. Overall the net increase for both cash and cash equivalents and investments was \$9.3 million, relating to investment earnings for the PCE Endowment Fund and REF. Amounts due from the federal government increased by \$463.0 thousand related to timing of reimbursement requests submitted and funds received from federal agencies for various federal awards. Due from the State of Alaska increased by \$1.5 million. This balance will fluctuate annually. Due (to) from other funds, internal balances, will also fluctuate annually depending on timing of cash expended for the various program and project activities. The \$152.0 thousand decrease is due to timing of fiscal year 2023 related billing and reimbursement requests.

Total current and noncurrent liabilities increased in this fiscal year by \$162.6 million. The increase in current liabilities is primarily due to higher Due to State of Alaska and bonds payable – current portion at year-end. The increase in noncurrent liabilities is primarily due to an increase in bonds payable – noncurrent portion. The increase in current and noncurrent liabilities for bonds payable was primarily due to the issuance of new debt in fiscal-year 2023.

	2023	2022	Variance
Due to federal government	\$ 1,168	\$ -	\$ 1,168
Due to State of Alaska	24,168	17,238	6,930
Due to State of Alaska's component units	4,111	4,356	(245)
Due to local governments	615	-	615
Accounts payable	18,581	24,100	(5,519)
Capital acquisition and construction accounts and retainages	405	-	405
Bonds payable - current portion	3,981	1,605	2,376
Unearned revenue - grant match from outside entities	1,180	-	1,180
Accrued interest payable	917	952	(35)
Bonds payable - noncurrent portion	200,051	44,320	155,731
Other bond liabilities	-	56	(56)
Net Position	\$ 255,177	\$ 92,627	\$ 162,550

Net Position

The following table is provided to show details of the Authority's net position at June 30, 2023 and 2022 (stated in thousands):

	2023	2022	Variance
Restricted by agreements with external parties	\$ 596	\$ 922	\$ (326)
Restricted by legislation	987,239	981,344	5,895
Net Position	\$ 987,835	\$ 982,266	\$ 5,569

The Governmental Activities Net Position increased by \$5.6 million during the current fiscal year. Net Position restricted by agreements with external parties decreased by \$326.0 thousand compared to the June 30, 2022, balance due to current year expenses from the TAPL Fund. Net Position restricted by legislation increased by \$5.9 million primarily due to unrealized investment gains 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. The Authority'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 Authority's current and noncurrent assets, excluding capital assets at June 30, 2023 and 2022 (stated in thousands):

	2023	2022	Variance
Cash and cash equivalents, restricted	\$ 202,928	\$ 33,950	\$ 168,978
Operating receivables, net of allowance	783	267	516
Loans receivable, net of allowance	26,459	26,576	(117)
Due from federal government	-	482	(482)
Due from State of Alaska's component units	53	113	(60)
Accrued interest receivable	21	47	(26)
Due (to) from other funds/internal balances	(462)	(614)	152
Current and noncurrent assets	\$ 229,782	\$ 60,821	\$ 168,961

Overall current and noncurrent assets increased by \$169.0 million in the current fiscal year. The increase in current and noncurrent assets is primarily due to an increase in restricted cash and cash equivalents of \$169.0 million. This increase was primarily due to investments made in fiscal year 2023 from the bond proceeds of the new Bradley Lake bond issue (Eleventh Series) in November of 2022.

Operating receivables increased by \$516.0 thousand, associated with timing of monthly billing. Due from federal government decreased \$482.0 thousand as there were no federal funds due at year-end, this balance will fluctuate year to year depending on the funding of projects. Loans receivable (net of allowance) decreased by \$117.0 thousand due to loans being very current. Accrued interest receivable decreased by \$26.0 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 the Authority's total current and noncurrent liabilities at June 30, 2023 and 2022 (stated in thousands):

	2023	2022	Variance
Due to federal government	\$ 298	\$ -	\$ 298
Due to State of Alaska	925	691	234
Due to State of Alaska's component units	-	99	(99)
Due to local governments	-	-	-
Accounts payable	4,900	6,794	(1,894)
Capital acquisition and construction accounts and retainage	405	-	405
Bonds payable	204,032	45,925	158,107
Other bond liabilities	-	56	(56)
Accrued interest payable	917	952	(35)
Current and noncurrent liabilities	\$ 211,477	\$ 54,517	\$ 156,960

Overall total current and noncurrent liabilities increased in the current fiscal year by \$157.0 million primarily due to the new debt issue (Eleventh Series) in this fiscal year for Bradley Lake of \$166.0 million. At year-end this debt issue had an overall balance liability of \$159.7 million. Due to the State of Alaska increased by \$234.0 thousand and is related to state appropriations drawn based on project need; therefore, these balances will fluctuate annually. Due to State of Alaska's component units decreased by \$99.0 thousand, these balances will fluctuate annually based on project need. Accounts payable decreased by \$1.9 million due to invoicing accruals at year end. Other Bonds payable decreased by \$56.0 thousand as this liability was only relevant to the prior fiscal year and there was no activity for this fiscal year. Accrued interest payable decreased by \$35.0 thousand related to lower Bradley Lake accrued interest on existing debt compared to prior year.

Net Position

The following table is provided to show the details of the Authority's Net Position at June 30, 2023 and 2022 (stated in thousands):

	2023	2022	Variance
Net investment in capital assets	\$ 347,199	\$ 339,383	\$ 7,816
Restricted for capital projects	158,062	1,969	156,093
Restricted for debt service	18,697	5,771	12,926
Restricted by agreements with external parties	4,659	3,168	1,491
Restricted by legislation	41,998	41,324	674
Unrestricted deficit	(176,516)	(4)	(176,512)
Total Net Position	\$ 394,099	\$ 391,611	\$ 2,488

Overall Net Position increased in the current fiscal year by \$2.5 million primarily due to the Bradley Lake bond issuance in the current fiscal year. Net investment in capital assets increased \$7.8 million due to the net effect of capital asset additions and reduction of debt related to those specific capital projects. Capital projects, and debt service increased \$12.9 million and \$1.5 million, respectively, in fiscal year 2023 due to the issuance of Bradley Lake bonds (Eleventh Series).

The following table is provided to show the Authority's revenues, expenses, and changes in net position at June 30, 2023 and 2022 (stated in thousands):

	Governmental Activities			Business-Type Activities		
	2023	2022	Variance	2023	2022	Variance
Revenues:						
Program revenues:						
Fees and charges for services	\$ -	\$ -	\$ -	\$ 27,886	\$ 14,022	\$ 13,864
Operating grants and contributions	34,536	16,993	17,543	1,105	172	933
General revenues:						
Investment income (loss)	89,707	(144,144)	233,851	4,573	35	4,538
Total revenues	124,243	(127,151)	251,394	33,564	14,229	19,335
Expenses:						
Grants and projects	71,162	30,633	40,529	-	-	-
Power cost equalization grants	42,332	24,222	18,110	-	-	-
General and administrative	5,070	4,990	80	1,637	1,329	308
Interest expense	-	-	-	7,705	1,568	6,137
Plant operations	-	-	-	10,146	7,834	2,312
Depreciation	-	-	-	11,698	12,305	(607)
Total expenses	118,564	59,845	58,719	31,186	23,036	8,150
Transfers:						
Transfers	(110)	-	(110)	110	-	110
Change in net position	5,569	(186,996)	192,565	2,488	(8,807)	11,295
Net position, beginning of year	982,266	1,169,262	(186,996)	391,611	400,418	(8,807)
Net position, end of year	\$ 987,835	\$ 982,266	\$ 5,569	\$ 394,099	\$ 391,611	\$ 2,488

Governmental Activities:

These are functions of the Authority that are financed primarily by intergovernmental revenues. The Authority's program revenues include the PCE Program, the REF, the TAPL Fund, the Rural Energy Projects, and the Volkswagen Diesel Settlement Fund.

Total Revenues for governmental activities increased by \$251.4 million, based on the following:

- **Operating grants and appropriated contributions** are Federal grant awards and operating or capital appropriations from the primary government, the State. The Authority recognizes revenue to the extent of expenditures or expenses. The State of Alaska appropriations reflect a variance increase by \$17.5 million as a result of increased Renewable Energy Grant funding of \$15.0 million.
- **Investment income** is primarily from interest earned in the PCE Endowment Fund and the REF, which are managed by Treasury. Market conditions improved for the current year with an increase of \$234.0 million over the prior year's investment income losses of (\$144.1) million. Investment income in the PCE Endowment Fund is \$88.7 million and for REF \$950.0 thousand.

Total Expenses for Governmental Activities increased by \$58.7 million, based on the following:

- **Grants and projects** expenses increased by \$40.5 million in the current fiscal year. The increase was a combination of additional State of Alaska and federal grant funds appropriated for programs and projects.
- **PCE grants** increased by \$18.1 million due to increased appropriated funding for programs and projects from the PCE Endowment Fund.
- **General and administrative expenses** increased by \$80.0 thousand. The increase was directly related to an increase of general and administrative expenses associated with an increase in programs and projects.

Business-Type Activities

Revenues for business-type activities increased by \$19.3 million, based on the following:

- **Fees and charges for services** increased by \$13.9 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 increase was primarily due to increased project costs in the current year, and increased debt service payments. The prior fiscal year debt service payments were down significantly because of a pay off on debt utilizing funds other than charges for services to the utilities.
- **Operating grants and contributions** are from State of Alaska operating and capital appropriations. Operating grants and contributions increased by \$933.0 thousand due to project expenses related to the capital appropriations.
- **Investment income** increased by \$4.5 million, due to increased investment earnings. This increase was primarily due to the new issuance of Bradley Lake bonds (Eleventh Series) in November of 2022 which were then invested.

Expenses for business-type activities increased by \$8.2 million, primarily based on the following:

- **Interest expense** represents the cost of interest on the Authority's Power Revenue Bonds for the Bradley Lake Hydroelectric Project. Interest expense increased in the current fiscal year by \$6.1 million. 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 and issuance of new debt in fiscal year 2023.
- **Plant operations** for the Bradley Lake Hydroelectric Project and the Alaska Intertie Project increased in the current fiscal year by \$2.3 million. Plant operations consist of various activities required to maintain operations of each project. The increase from the prior year is primarily due to expenses incurred to remove an old transmission line and maintenance of existing transmission lines.

Fund Financial Analysis

Governmental Fund:

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

The following table is provided to show the Authority's total Restricted Fund Balance for sub-funds of the governmental fund at June 30, 2023 and 2022 (stated in thousands):

	2023	2022	Variance
Power Cost Equalization Program	\$ 956,887	\$ 960,388	\$ (3,501)
Renewable Energy Grant Fund	28,892	19,693	9,199
Emerging Energy Technology Fund	979	979	-
Trans-Alaska Pipeline Liability Fund	597	922	(325)
Rural Energy Projects	208	12	196
Power Development Fund	272	272	-
Total Fund Balances	\$ 987,835	\$ 982,266	\$ 5,569

At the end of the current fiscal year, the Authority's governmental fund reported an ending fund balance of \$987.8 million, which is an increase in comparison with the prior fiscal year. The PCE Program decreases are due to increased program costs and distributions from the PCE Endowment Fund during the year. The increase in the REF by \$9.2 million is a result of additional funding from appropriations for the REF. The TAPL Fund reduced by \$325.0 thousand, as a result of increased project activity and new revenue sources in fiscal year 2023. Rural Energy Projects increase of \$196.0 million is a result of increase projects and appropriations in fiscal year 2023.

The ending fund balance is categorized as restricted to indicate that there are externally enforceable limitations imposed in regard to the expending of the fund balance. Specifically, the fund balance is entirely restricted by agreements with external parties or by legislation.

Proprietary Fund:

The Authority's proprietary fund financial statements consist of an enterprise fund, which provides 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 the Authority's total Net Position by project for the proprietary fund at June 30, 2023 and 2022 (stated in thousands):

	2023	2022	Variance
Bradley Lake Hydroelectric Project	\$ 155,866	\$ 153,281	\$ 2,585
Alaska Intertie Project	12,553	13,324	(771)
Susitna-Watana Hydroelectric Project	183,682	183,682	-
Power Project Fund	40,278	39,602	676
Power Development and Railbelt Energy Projects	1,720	1,722	(2)
	<u>\$ 394,099</u>	<u>\$ 391,611</u>	<u>\$ 2,488</u>

At the end of the current fiscal year, the Authority's proprietary fund reported an ending Net Position of \$394.1 million, which is an increase of \$2.5 million in comparison with the prior fiscal year. The increase of \$2.6 million for the Bradley Lake Hydroelectric Project was due to higher investment income. The decrease of \$771.0 thousand for the Alaska Intertie Project was due to lower operating revenues net of higher operating expenses. The Power Project Fund increased \$674.0 thousand due to increased legislative appropriations.

The following table is provided to show the proprietary fund net position by category at June 30, 2023 and 2022 (stated in thousands):

	2023	2022	Variance
Net investment in capital assets	\$ 347,199	\$ 339,383	\$ 7,816
Restricted for capital projects	158,062	1,969	156,093
Restricted for debt service	18,697	5,771	12,926
Restricted by agreements with external parties	4,659	3,168	1,491
Restricted by legislation	41,998	41,324	674
Unrestricted (deficit)	(176,516)	(4)	(176,512)
Total Net Position	<u>\$ 394,099</u>	<u>\$ 391,611</u>	<u>\$ 2,488</u>

Total Net Position increased by \$2.5 million primarily by capital projects, debt service activity and net investment in capital asset activity. The Net investment in capital assets increased by \$7.8 million, which is the net effect of capital asset additions and retirements net related debt.

Debt for existing projects were paid off in the prior year which increased capital asset net investment for this fiscal year. The increase of \$156.1 million of restricted for capital projects is directly attributable to the new Bradley Lake bond issue (Eleventh Series). The increase of \$12.9 million of restricted for debt service is directly attributable to the new Bradley Lake bond issue (Eleventh Series). The increase of \$1.5 million restricted by agreements with external parties is attributable to the increase of revenues received from the Utilities for increased costs associated with interest expense for debt service and plant operations. The increase of \$674.0 thousand restricted by legislation is directly related to increased appropriations for project work of the current fiscal year over the prior fiscal year.

Capital Assets and Debt Administration

Capital Assets:

The Authority's net investment in capital assets shown below (stated in thousands) for its business-type activities as of June 30, 2023 amounts to \$375.8 million (net of accumulated depreciation), which is a decrease of \$9.5 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		
	2023	2022	Variance
Land and Rights of Way	\$ 11,212	\$ 11,212	\$ -
Equipment	1,704	1,394	310
Infrastructure	177,980	187,803	(9,823)
Construction in Progress	184,898	184,898	-
Total	\$ 375,794	\$ 385,307	\$ (9,513)

Capital assets, net of accumulated depreciation decreased by \$9.5 million as a net result of additions, retirements and depreciation of capital assets for both Bradley Lake and Alaska Intertie. Further information on the Authority's capital assets can be found in Note 3.

Long-Term Debt:

At the end of the current fiscal year, the Authority had total long-term debt outstanding of \$204.0 million. The Authority's total long-term debt increased by \$158.1 million during the current fiscal year as a result of the issuance of new debt for Bradley Lake (Eleventh Series).

The following table is provided to show the outstanding debt at June 30, 2023 and 2022 (stated in thousands):

	Business-Type Activities		
	2023	2022	Variance
Power Revenue and Refunding Bonds			
Bradley Lake private placement	\$ 159,713	\$ -	\$ 159,713
Bradley Lake-Battle Creek private placement	38,489	39,864	(1,375)
Sterling Substation to Quartz Creek (SSQ) private placement	5,830	6,060	(230)
Total	\$ 204,032	\$ 45,924	\$ 158,108

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

Outlook

The Authority 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 2024 with ongoing federal and state funding. The Authority and the Denali Commission are leveraging the use of available funding by shifting project focus to maintenance and improvement projects. The Authority will continue Bulk Fuel and Power Plant Operator training, Circuit Rider, Technical Assistance, and Electrical Emergency efforts across the State.

The Authority continues to manage the REF active projects. The legislature approved funding for Round 16 to begin in fiscal year 2024.

Operations and maintenance of the Authority's Bradley Lake Hydroelectric Project, and the Alaska Intertie Project will continue as approved by the Bradley Lake Project Management Committee, the Authority, and the Alaska Intertie Committee, respectively. Projects utilizing the bond proceeds from the new Bradley Lake bond issuance are being planned and will progress in the next several years to further the Authority's mission of reducing the cost of energy in the State.

Audited Financial Statements

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Net Position
(in thousands)
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents, restricted	\$ 999,872	\$ 202,928	\$ 1,202,800
Operating receivables	45	783	828
Prepaid expenses	194	-	194
Loans receivable	-	1,960	1,960
Due from federal government	4,887	-	4,887
Due from State of Alaska	2,085	-	2,085
Due from State of Alaska's component units	-	53	53
Due from (to) other funds/internal balances	462	(462)	-
Accrued interest receivable	-	21	21
Total current assets	<u>1,007,545</u>	<u>205,283</u>	<u>1,212,828</u>
Noncurrent Assets			
Investments, restricted	23,990	-	23,990
Loans receivable, net of allowance	-	24,499	24,499
Capital assets, net of accumulated depreciation	-	375,794	375,794
Total noncurrent assets	<u>23,990</u>	<u>400,293</u>	<u>424,283</u>
Total Assets	<u><u>\$ 1,031,535</u></u>	<u><u>\$ 605,576</u></u>	<u><u>\$ 1,637,111</u></u>

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Net Position
(in thousands)
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Due to federal government	\$ 870	\$ 298	\$ 1,168
Due to State of Alaska	23,243	925	24,168
Due to State of Alaska's component units	4,111	-	4,111
Due to local governments	615	-	615
Accounts payable	13,681	4,900	18,581
Capital acquisition and construction accounts and retainages payable	-	405	405
Bonds payable - current portion	-	3,981	3,981
Unearned revenue - grant match from outside entities	1,180	-	1,180
Accrued interest payable	-	917	917
Total current liabilities	<u>43,700</u>	<u>11,426</u>	<u>55,126</u>
Noncurrent Liabilities			
Bonds payable - noncurrent portion	-	200,051	200,051
Total liabilities	<u>43,700</u>	<u>211,477</u>	<u>255,177</u>
Net Position			
Net investment in capital assets	-	347,199	347,199
Restricted for			
Capital projects	-	158,062	158,062
Debt service	-	18,697	18,697
Agreements with external parties	596	4,659	5,255
Legislation	987,239	41,998	1,029,237
Unrestricted (deficit)	-	(176,516)	(176,516)
Total net position	<u>987,835</u>	<u>394,099</u>	<u>1,381,934</u>
Total Liabilities and Net Position	<u>\$ 1,031,535</u>	<u>\$ 605,576</u>	<u>\$ 1,637,111</u>

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Activities
(in thousands)
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Fees and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Power Cost Equalization Program	\$ 88,830	\$ -	\$ -	\$ (88,830)	\$ -	\$ (88,830)
Renewable Energy Grant Fund	6,631	-	15,000	8,369	-	8,369
Trans Alaska Pipeline Liability Fund	355	-	-	(355)	-	(355)
Rural Energy projects	22,231	-	19,019	(3,212)	-	(3,212)
Volkswagen Diesel Settlement Fund	517	-	517	-	-	-
Total governmental activities	118,564	-	34,536	(84,028)	-	(84,028)
Business-Type Activities						
Bradley Lake Hydroelectric Project	27,549	24,948	1,052	-	(1,549)	(1,549)
Alaska Intertie Project	3,529	2,646	53	-	(830)	(830)
Power Project Fund	108	292	-	-	184	184
Total business-type activities	31,186	27,886	1,105	-	(2,195)	(2,195)
Total Activities	\$ 149,750	\$ 27,886	\$ 35,641	(84,028)	(2,195)	(86,223)
		General Revenues				
		Interest and investment income		89,707	4,573	94,280
		Transfers		(110)	110	-
		Change in Net Position		5,569	2,488	8,057
		Net Position, Beginning of Year		982,266	391,611	1,373,877
		Net Position, End of Year		\$ 987,835	\$ 394,099	\$ 1,381,934

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Balance Sheet – Governmental Funds
(in thousands)
June 30, 2023

	Major Special Revenue Fund	Statement of Net Position
Restricted Assets		
Current Restricted Assets		
Cash and cash equivalents	\$ 999,872	\$ 999,872
Operating receivables	45	45
Prepaid expenses	194	194
Due from federal government	4,887	4,887
Due from State of Alaska	2,085	2,085
Due from proprietary funds/internal balances	462	462
Total restricted current assets	1,007,545	1,007,545
Noncurrent Restricted Assets		
Investments	23,990	23,990
Total restricted assets	<u>\$ 1,031,535</u>	<u>\$ 1,031,535</u>
Restricted Liabilities		
Current Restricted Liabilities		
Due to federal government	\$ 870	\$ 870
Due to State of Alaska	23,243	23,243
Due to State of Alaska's component units	4,111	4,111
Due to local governments	615	615
Accounts payable	13,681	13,681
Unearned revenue - grant match from outside entities	1,180	1,180
Total restricted liabilities	43,700	43,700
Fund Balance		
Restricted for		
Agreements with external parties	596	
Legislation	987,239	
Total fund balance	987,835	
Total Restricted Liabilities and Fund Balance	<u>\$ 1,031,535</u>	
Net Position		
Restricted for		
Agreements with external parties		596
Legislation		987,239
Total net position		987,835
Total Restricted Liabilities and Net Position		<u>\$ 1,031,535</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, 2023

	Major Special Revenue Fund	Statement of Activities
Operating Revenues		
Federal grants	\$ 10,179	\$ 10,179
State of Alaska appropriations	23,651	23,651
Other revenues	<u>707</u>	<u>707</u>
Total operating revenues	<u>34,537</u>	<u>34,537</u>
Operating Expenses		
Grants and projects	26,163	26,163
Power cost equalization grants	42,332	42,332
General and administrative	<u>5,070</u>	<u>5,070</u>
Total operating expenses	<u>73,565</u>	<u>73,565</u>
Nonoperating Revenues (Expenses)		
Investment income, net expenses	89,707	89,707
State of Alaska contribution	<u>(45,000)</u>	<u>(45,000)</u>
Total nonoperating revenues (expenses) before transfers	<u>44,707</u>	<u>44,707</u>
Transfers to other funds	<u>(110)</u>	<u>(110)</u>
Change in Fund Balance	<u>5,569</u>	
Change in Net Position		<u>5,569</u>
Fund Balance/Net Position, Beginning of Year	<u>982,266</u>	<u>982,266</u>
Fund Balance/Net Position, End of Year	<u><u>\$ 987,835</u></u>	<u><u>\$ 987,835</u></u>

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Net Position – Enterprise Fund
(in thousands)
June 30, 2023

Restricted Assets

Current Restricted Assets

Cash and cash equivalents	\$ 202,928
Operating receivables	783
Loans receivable	1,960
Due from State of Alaska's component units	53
Accrued interest receivable	21

Total current restricted assets	205,745
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Noncurrent Restricted Assets

Loans receivable, net of allowance	24,499
Capital assets, net of accumulated depreciation	375,794

Total noncurrent restricted assets	400,293
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Total Restricted Assets	\$ 606,038
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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, 2023

Restricted Liabilities

Current Restricted Liabilities

Due to federal government	\$ 298
Due to State of Alaska	925
Due to governmental funds/internal balances	462
Accounts payable	4,900
Capital acquisition and construction accounts and retainages payable	405
Bonds payable - current portion	3,981
Accrued interest payable	917
Total current restricted liabilities	11,888

Noncurrent Restricted Liabilities

Bonds payable - noncurrent portion	200,051
Total restricted liabilities	211,939

Net Position

Net investment in capital assets	347,199
Restricted for	
Capital projects	158,062
Debt service	18,697
Agreements with external parties	4,659
Legislation	41,998
Unrestricted (deficit)	(176,516)
Total net position	394,099

Total Restricted Liabilities and Net Position	\$ 606,038
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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, 2023

Operating Revenues	
State of Alaska appropriations	\$ 53
Revenue from operating plants	27,461
Interest on loans	280
Other revenues	145
	<u>27,939</u>
Total operating revenues	<u>27,939</u>
Operating Expenses	
Depreciation	11,698
General and administrative	1,637
Plant operations	9,746
	<u>23,081</u>
Total operating expenses	<u>23,081</u>
Operating Income	4,858
Nonoperating Revenues (Expenses)	
Investment income, net expenses	4,573
Federal direct bond interest expense subsidy	1,052
Loss on disposal of assets	(400)
Interest expense and other charges	(7,705)
	<u>(2,480)</u>
Total nonoperating revenues (expenses) before capital contributions	<u>(2,480)</u>
Income before Capital Contributions	2,378
Capital Contributions	110
Change in Net Position	2,488
Net Position, Beginning of Year	<u>391,611</u>
Net Position, End of Year	<u><u>\$ 394,099</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, 2023

Operating Activities	
Receipts from customers and users	\$ 27,361
Payments from State of Alaska	287
Payments to suppliers	<u>(13,277)</u>
Net Cash from Operating Activities	<u>14,371</u>
Noncapital and Related Financing Activities	
Receipts from short-term borrowings from AIDEA working capital	6,690
Payments to AIDEA for short-term borrowing working capital	<u>(6,630)</u>
Net Cash from noncapital and Related Financing Activities	60
Capital and Related Financing Activities	
Principal paid on bonds	(7,905)
Proceeds from issuance of bonds	166,013
Interest paid on bonds and other charges	(7,741)
Capital asset acquisitions	(2,070)
Federal direct bond interest expense subsidy	<u>1,052</u>
Net Cash used for Capital and Related Financing Activities	<u>149,349</u>
Investing Activities	
Interest received from investments	4,573
Net change in loans	<u>625</u>
Net Cash from Investing Activities	<u>5,198</u>
Net Change in Restricted Cash and Cash Equivalents	168,978
Restricted Cash and Cash Equivalents, Beginning of Year	<u>33,950</u>
Restricted Cash and Cash Equivalents, End of Year	<u><u>\$ 202,928</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, 2023

Reconciliation of operating income to net cash from operating activities	
Operating income	\$ 4,858
Adjustments to reconcile operating income to net cash from (used for) operating activities	
Depreciation	11,698
Changes in assets and liabilities	
Operating receivables	(516)
Due to other funds	(152)
Due to federal government	298
Due to State of Alaska	234
Due to/from local government	(99)
Operating accounts payable	<u>(1,950)</u>
Net Cash from Operating Activities	<u><u>\$ 14,371</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. For financial reporting, AEA is a discretely presented 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 from utility companies for the 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 borrow short-term, interest free, working capital funds from AIDEA up to a maximum of \$7,500. 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 \$300,000, 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 five 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 Utilities). These five utilities are also known as the Railbelt utilities. The project is managed and 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 BPMC have supported the development and completion of the Battle Creek Diversion (BCD) Project. In April 2022, GVEA, an initial Non-Purchaser, issued their 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 115 kilovolts (kV) 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. 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 \$10,900 on the SSQ Line debt using capital reserve funds that were released upon final payment on the original Bradley Lake project bonds.

On November 30, 2022, The Authority in partnership with the Railbelt utilities, coordinated and acquired aggregate committed bond financing in the amount of \$166,013 for required project work to improve the efficiency and deliverable capacity of power from the Bradley Lake Hydroelectric Project. The 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.

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: GVEA in Fairbanks, and Southcentral Alaska utilities, CEA, and MEA (participating utilities). The Intertie reduces the number of black or 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 Alaska utilities. Southcentral Alaska utilities 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 \$192,000 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 (AO) 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 Study Plan Determination on the environmental work completed thus far was favorable to AEA. The licensing effort is currently in abeyance. On February 21, 2019, Governor Michael Dunleavy issued 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 integrate 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 PCE Grant Program, Utility Training, Technical Assistance, one active loan program (the Power Project Fund), and one inactive loan program. Subject to appropriations, the PCE Endowment Fund provides the PCE Grant Program a long-term stable financing source. The driver of the PCE Grant Program is to reduce electricity costs for residential and community facility customers in otherwise high-cost rural 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 REF and Recommendation Program is to finance renewable energy projects in the State. The AEEE programs support the development of alternative energy resources specific to the State.

Basis of Accounting

As a discrete 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 reporting 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 the 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 are recorded when a near-term liability is incurred. Debt service expenditures are recorded only to the extent they have matured.

The Authority reports the following major governmental fund:

- A single special revenue fund is utilized to report AEA's governmental activities. All of AEA's incoming proceeds or revenues related to governmental fund types are restricted to expenditure for specified purposes other than debt service or capital projects. This fund does not have a legally adopted budget. Hence as part of AEA's Financial Statements a Budgetary Comparison Schedule is not presented as required supplemental information.

The Authority reports the following major proprietary fund:

- Major proprietary fund – A single enterprise fund is utilized to report AEA’s business-type activities. This fund includes all of the following: Bradley Lake Hydroelectric Project, Alaska Intertie Project, Susitna-Watana Hydroelectric Project, Power Project Fund, Power Development and Railbelt Energy Projects.

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 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

Investment securities 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 for a specific purpose. 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 with original maturities of three months or less.

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. Revenues from interest on loans reported in the enterprise fund are presented net of the current year allowance adjustments which total \$(9) for the year ending June 30, 2023.

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 thousand and a useful life greater than one year.

The estimated economic lives of the assets are as follows:

<u>Capital Assets</u>	<u>Life in Years</u>
Equipment	5-15
Infrastructure	5-35

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.

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 the remaining net position where the definition of “restricted” or “net investment in capital assets” does not apply.

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 which 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 assets, 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, 2023, the AEA's bank and carrying amount of cash and cash equivalents (all of which were restricted for specific purposes) was \$1,202,800.

The restricted cash and cash equivalents and investments were held in trust and restricted accounts for the following activities as of June 30, 2023:

<u>Restricted Cash and Cash Equivalents</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Bradley Lake Hydroelectric Project	\$ -	\$ 185,544	\$ 185,544
Alaska Intertie Project	-	1,212	1,212
Power Project Fund	-	13,581	13,581
Power Development and Railbelt Energy Projects	17,986	2,591	20,577
Rural Energy Projects	223	-	223
Power Cost Equalization Program	970,517	-	970,517
Renewable Energy Grant Fund	7,264	-	7,264
Emerging Energy Technology Fund	983	-	983
Trans-Alaska Pipeline Liability Fund	612	-	612
VW Settlement	1,107	-	1,107
Community Contributions Fund	1,180	-	1,180
	<u>\$ 999,872</u>	<u>\$ 202,928</u>	<u>\$ 1,202,800</u>
<u>Restricted Investments</u>			
Renewable Energy Grant Fund	<u>\$ 23,990</u>	<u>\$ -</u>	<u>\$ 23,990</u>
	<u>\$ 1,023,862</u>	<u>\$ 202,928</u>	<u>\$ 1,226,790</u>

Investment Holdings

The PCE Fund, created under Alaska Statute (AS) 42.45.070, and the REF, created under AS 42.45.045, are under the fiduciary authority of the State Department of Revenue, Treasury Division (Treasury). AEA request draws from these Funds as required to meet project and program cash flow needs.

Other AEA cash and investments are held by U.S. Bank and KeyBank. The U.S. Bank cash and investments are invested in accordance with the requirements and conditions of a trust agreement with each bond issue.

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

Internal staff manage AEA's investment portfolio for liquidity and safety. There is no AEA Board approved investment policy. AEA investment portfolio consists of the following 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; and
- Other investments specifically approved by the board.

Fair Value Measurement

AEA categorizes fair value measurements within the fair value hierarchy established by GAAP. 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, 2023:

	Governmental Activities	Business-Type Activities	Totals
Money market funds	\$ 999,872	\$ 202,928	\$ 1,202,800
Investments managed by Treasury	<u>23,990</u>	<u>-</u>	<u>23,990</u>
	<u><u>\$ 1,023,862</u></u>	<u><u>\$ 202,928</u></u>	<u><u>\$ 1,226,790</u></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 three months 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. 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. Since AEA only invests its internally managed portfolio in highly rated money markets, U.S. government and agency securities, and GSEs, the credit risk is minimal.

The Bradley Lake Hydroelectric Project investments contain a portion of funds 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 investment policy requires the State's depository banks to collateralize State deposits to the extent insurance coverage provided by the Federal Deposit Insurance Corporation. In accordance with the Treasury policy, they are required to retain collateral equal to 100 percent of uninsured deposits. At June 30, 2023, AEA's deposits managed by Treasury were collateralized under this same policy.

With respect to AEA managed investments, amounts totaling approximately \$1,202,800 at June 30, 2023 are held in money market funds with the custodian, the trust department of a commercial bank; therefore, there is no custodial risk for these securities.

Renewable Energy Grant Fund

Treasury 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. Treasury manages and invests the Short-term Fixed Income Pool, Short-term Treasury Pool, Real Estate Investment Trust (REIT) Pool, and the Broad Market Fixed Income Pool. External investment managers manage and invest the Tactical Bond, Domestic Equity and the International Equity Pools. Treasury investment officers are also the oversight manager for all externally managed investments. The complete financial activity of the REF is shown in the State's ACFR available from the State - Department of Administration, Division of Finance or is available at the Treasury's website: <https://treasury.dor.alaska.gov/home/investments>.

Assets in the pools are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Fixed income securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the most current sale price or based on a valuation provided by investment managers. Domestic and international equity securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers.

The full accrual basis of accounting is used for the investment income. General Fund and Other Non-segregated Investments (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, 2023, the GeFONSI total for the REF was \$23,990. 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 its Commissioner has fiduciary responsibility. Actual investing is performed by investment officers within Treasury or by contracted external investment managers. Treasury manages and invests the Short-term Fixed Income Pool, Short-term Treasury Pool, REIT Pool, and the Broad Market Fixed Income Pool. External investment managers manage and invest the Tactical Bond, Domestic Equity and the International Equity Pools. Treasury investment officers are also the oversight manager for all externally managed investments. The complete financial activity of the Fund is shown in the State's 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, 2023, the Authority's share of pool investments was as follows:

Cash and cash equivalents	
Short-term fixed income pool	<u>\$ 946,597</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, 2023 was as follows:

Business-Type Activities	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023
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	7,258	486	-	7,744
Infrastructure	514,707	2,213	(646)	516,274
Total capital assets being depreciated	521,965	2,699	(646)	524,018
Less accumulated depreciation				
Equipment	(5,799)	(241)	-	(6,040)
Infrastructure	(326,969)	(11,457)	132	(338,294)
Total accumulated depreciation	(332,768)	(11,698)	132	(344,598)
Total capital assets, being depreciated, net	189,197	(8,999)	(514)	179,684
Capital assets, net	\$ 385,307	\$ (8,999)	\$ (514)	\$ 375,794

Depreciation expense was charged to the functions as follows for the year ended June 30, 2023:

Business-Type Activities	
Bradley Lake Hydroelectric Project	\$ 10,900
Alaska Intertie Project	798
	<u>\$ 11,698</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, 2023 follows:

Due from other funds	
Due to Special Revenue Fund from Enterprise Fund	\$ 462

A schedule of interfund transfers as of and for the year ended June 30, 2023 follows:

From Governmental Funds to:	
Enterprise Funds for Capital	\$ 110

Note 5 - Long-Term Debt

Long-term debt activity for the year ended June 30, 2023 was as follows:

Business-Type Activities	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023	Due within one year
Power Revenue Bonds					
Private Placement Bonds					
Bradley Lake					
Eleventh Series	\$ -	\$ 166,013	\$ (6,300)	\$ 159,713	\$ 2,368
Transmission Line					
Tenth Series	6,060	-	(230)	5,830	238
Bradley Lake - Battle Creek Diversion					
Seventh Series	38,667	-	(1,333)	37,334	1,333
Eighth Series	1,197	-	(42)	1,155	42
	<u>\$ 45,924</u>	<u>\$ 166,013</u>	<u>\$ (7,905)</u>	<u>\$ 204,032</u>	<u>\$ 3,981</u>

AEA has issued Power Revenue Bonds in support of the Bradley Lake Project. The Power Revenue Bonds are direct and general obligation bonds. 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 the Utilities. Each Utility has two established legal documents with AEA one called the Agreement for the Sale and Purchase of Electric Power and the other called the Power Sales Agreement (PSA). As a part of these legal documents the Utilities are obligated to make payments to AEA in an aggregate amount sufficient to pay annual project costs to include debt service on all outstanding bonds.

The bond covenant terms provide additional security for repayment of the bonds. One of the terms of the bond covenants is that a capital reserve fund must be established for each bond issue in an amount equal to the capital reserve fund requirement. Further, the capital reserve fund is supported by the moral obligation of the State. As well, in the event it becomes necessary to draw from the capital reserve fund to pay debt service AEA is then required to certify (through the Chair of the AEA board) 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 AEA that certified amount which is necessary to restore the capital reserve fund to the capital reserve fund requirement.

As of June 30, 2023, AEA reported total outstanding Power Revenue Bonds of \$204,032. Total incurred interest expense for fiscal year 2023 was \$7,548. The details of each of these bond series are as follows:

Eleventh Series Taxable Draw-Down Bonds (Eleventh Series) were issued on November 30, 2022, in the amount of \$166,013 as a private placement to finance and develop a series of projects to increase available energy for the Bradley Lake Project. The Eleventh Series requires payment on June 30 of each fiscal year starting in 2023 through the year 2050 with a fixed interest rate of 6.06%. Projects funded by the Eleventh Series are considered required project work as defined by the Power Sales Agreement with the Utilities.

Tenth Series Taxable Draw-Down Bonds (Tenth Series) were issued on December 17, 2000, in the amount of \$17,000 as a private placement for the purchase of the SSQ Line. The Tenth Series requires payment annually each July 1 starting in 2022 through the year 2040 with a fixed interest rate of 3.50%. An early pay down of principal in the amount of \$10,940 occurred on June 29, 2022, using remaining excess payment amounts after payoff of original Bradley Lake Project construction bonds. Projects funded by the Tenth Series are considered required project work as defined by the Power Sales Agreement with the Utilities.

Seventh and Eighth Series were issued as a private placement in support of the Battle Creek Diversion Project, an improvement to the Bradley Lake Project. The amounts issued by series is as follows:

- \$40,000 Seventh Series New Clean Renewable Energy Bonds (Seventh Series).
- \$1,239 Eighth Series Qualified Energy Conservation Bonds (Eighth Series).

The Seventh and Eighth Series have amounts outstanding as of June 30, 2023. The bonds have a fixed interest rate of 4.24%. The outstanding bonds require payment annually each July 1 starting in 2021 through the year 2050.

The Seventh and Eighth Series 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.

All of the Bradley Lake bonds described above were issued under the AEA 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 AEA by the Trustee or to AEA and the Trustee by the Holders of not less than 25% in the principal amount of the outstanding bonds.
- Dissolution or liquidation of AEA or filing by AEA of a voluntary petition in bankruptcy, or the commission by AEA of any act of bankruptcy, or adjudication of AEA as bankrupt, or assignment by AEA 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 AEA 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 AEA, 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 AEA 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 AEA 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, AEA shall pay over or cause to be paid over to the Trustee (i) all moneys, securities and funds then held by AEA 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

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 fiscal year. If a specific bond series is calculated to have arbitrage interest payable, the payable amount would be transferred to a separate investment account by the Trustee. The arbitrage interest payable amount for each series is first due after the end of the fifth bond year and every five years thereafter. As of June 30, 2023, the amount of arbitrage interest payable is \$0.

The minimum payments related to all bonds, for the years subsequent to June 30, 2023 are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	\$ 3,981	\$ 11,446	\$ 15,427
2025	4,136	11,234	15,370
2026	4,299	11,012	15,311
2027	4,472	10,781	15,253
2028	4,655	10,538	15,193
2029-2033	26,443	48,650	75,093
2034-2038	33,007	40,623	73,630
2039-2043	41,843	30,347	72,190
2044-2048	53,942	16,806	70,748
2049-2051	27,254	2,041	29,295
	<u>\$ 204,032</u>	<u>\$ 193,478</u>	<u>\$ 397,510</u>

Note 6 - Loans Receivable

The Authority administers the Power Project Fund Loan Program. Loans outstanding at June 30, 2023 are classified as follows:

	Number of Loans	Amount
Power Project Fund	14	\$ 26,928
Less allowance		(469)
		<u>\$ 26,459</u>

At year-end, there were no loans more than 90 days past due.

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. At year-end, the outstanding principal balance of the loans sold was \$2,435 for which AEA has allowed \$49 for loan loss.

Note 7 - Fund Balance

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

	Restricted by External Parties	Restricted by Legislation
Power Cost Equalization Program	\$ -	\$ 956,888
Renewable Energy Grant Fund	-	28,892
Emerging Energy Technology Fund	-	979
Trans-Alaska Pipeline Liability Fund	596	-
Power Development Fund	-	272
Rural Energy Projects	-	208
	<u>\$ 596</u>	<u>\$ 987,239</u>

Note 8 - Risk Management

AEA is exposed to various risk of loss, including those pertaining to credit, tort, theft, damage, or destruction of assets, errors and omissions, and natural disasters. AEA manages risk through the purchase of commercial insurance and participation in the State's self-insurance program, administered by the Division of Risk Management.

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 borrow short-term, interest free, working capital funds up to a maximum of \$7,500.

For the year ended June 30, 2023, AEA recognized expenses for services from AIDEA in the amount of \$6,276. In addition, AEA had a net \$4,058 payable to AIDEA for services and borrowings, which \$4,111 is included in Due to State of Alaska's component unit and \$53.0 thousand is in Due from State of Alaska's component unit.

Alaska Intertie Management Committee

AEA is party to agreement with GVEA, MEA, and CEA (the Utilities) 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 \$157 during fiscal year 2023 for administrative services.

Bradley Lake Project Management Committee

On December 7, 1987, AEA entered into a PSA with the 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 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 \$661 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, 2023, AEA had Power Project Fund loan commitments of \$5,575.

At June 30, 2023, AEA had cumulative prior year commitments from grant awards that are funded by State appropriations and federal awards; the amounts committed were \$37,305.

Note 11 - Subsequent Events

On June 26, 2023, Senate Bill (SB) 98 passed and became law. In this legislation the Alaska Permanent Fund Corporation (APFC) was given management and investment authority over the PCE endowment fund. Per SB 98 this was to take effect July 1, 2023. Up and until June 30, 2023, Treasury continued to manage and invest the funds of the PCE endowment. SB 98 directs at July 1, 2023, that the commissioner of revenue shall transfer the balance of the PCE endowment fund to the APFC. At June 28, 2023, all of the investment funds held by the Treasury for the PCE endowment fund were held in the State's short-term pool as cash and cash equivalents. Thereby, there were no long-term investments held for the PCE Endowment Fund as of June 30, 2023. All funds were transferred to the APFC on the first business day of July, which was July 3, 2023.

On September 7, 2023, AEA received approval from the United States Department of Transportation & Public Facilities (DOT&PF) to implement Alaska's Electric Vehicle (EV) Infrastructure Deployment Plan (The Plan). The Plan outlines the development and build for a network of EV charging stations along the State's highway corridors. As part of the Infrastructure Investment and Jobs Act, AEA was awarded \$7,800 in federal fiscal year 2022 and \$11,200 in federal fiscal year 2023 under the Federal Highway Administration National Electric Vehicle Infrastructure (NEVI) Formula Program. AEA anticipates receiving approximately \$52,000 over the next five years through this program.

This is one of the first steps in developing DOT&PF's Sustainable Transportation Plan, which strives to reduce energy costs for Alaskans. The State suffers from some of the highest fuel costs in the nation. The implementation of transportation electrification will help to lower the cost of transportation energy for all Alaskans by ensuring that they can transition to EVs, which typically have a lower total cost of ownership. As NEVI funds must be used initially on federally designated Alternative Fuel Corridors (AFC), Phase 1 of The Plan will focus on the installation of EV charging stations every 50 miles along the State's designated AFC, which is the 358 miles of Glenn and Parks Highways between Anchorage and Fairbanks. The new charging stations must have at least four EV fast charging ports and be located within one travel mile of the highway. Phase 1 is expected to be complete by 2024. After that, AEA will deploy NEVI funds to build out the State's remaining highways including communities along the Alaska Marine Highway and rural hub communities.

AEA's primary mission is to lower the cost of energy in the State. The Plan provides the framework for utilizing NEVI formula funds to deliver EV charging infrastructure and enable passenger EV travel throughout the State. The charging network will provide EV drivers with confidence when traveling for work, recreation, and tourism.



Supplementary Information
June 30, 2023

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, 2023

	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, 2022	\$ 1,969	\$ 2,576	\$ 4,144	\$ -	\$ -	\$ 1,791	\$ 1,284	\$ 169	\$ 3,328	\$ 1,032	\$ 1,267	\$ 17,560
Bond Proceeds	153,559	-	12,454	-	-	-	-	-	-	-	-	166,013
Cost of issuance	(157)	-	-	-	-	-	-	-	-	-	-	(157)
Interest received	3,188	25	362	-	-	56	35	5	202	101	51	4,025
Bond principal paid	-	(7,906)	-	-	-	-	-	-	(5,168)	-	-	(13,074)
Bond interest paid	-	(7,581)	-	-	-	-	-	-	(838)	-	-	(8,419)
IRS Interest subsidy received	-	-	-	-	-	1,052	-	-	-	-	-	1,052
Operating budget surplus paid	-	-	-	-	-	(2,302)	-	-	(959)	(378)	-	(3,639)
Capital expenditures	(1,235)	-	-	-	-	-	7	-	-	-	-	(1,228)
Operating revenue received	-	-	-	-	-	4,329	85	-	22,382	-	-	26,796
Operating expenses paid	-	-	-	-	-	(400)	(541)	-	(7,969)	(796)	-	(9,706)
Transfers between funds	739	15,415	(794)	-	-	(3,911)	(531)	(14)	(8,136)	3,400	153	6,321
Balance at June 30, 2023	<u>\$ 158,063</u>	<u>\$ 2,529</u>	<u>\$ 16,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615</u>	<u>\$ 339</u>	<u>\$ 160</u>	<u>\$ 2,842</u>	<u>\$ 3,359</u>	<u>\$ 1,471</u>	<u>\$ 185,544</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, 2023

	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	Community Contributions Fund	Totals
Assets									
Current assets									
Cash and cash equivalents, restricted	\$ 970,518	\$ 7,264	\$ 983	\$ 612	\$ 222	\$ 1,107	\$ 17,986	\$ 1,180	\$ 999,872
Operating receivable	-	5	-	-	39	1	-	-	45
Prepaid expenses	194	-	-	-	-	-	-	-	194
Due from Federal Government	-	-	-	-	4,887	-	-	-	4,887
Due from State of Alaska	266	-	-	-	1,819	-	-	-	2,085
Due from other funds/internal balances	29	-	-	-	920	-	374	-	1,323
Total current restricted assets	971,007	7,269	983	612	7,887	1,108	18,360	1,180	1,008,406
Noncurrent assets									
Investments, restricted	-	23,990	-	-	-	-	-	-	23,990
Total assets	\$ 971,007	\$ 31,259	\$ 983	\$ 612	\$ 7,887	\$ 1,108	\$ 18,360	\$ 1,180	\$ 1,032,396
Liabilities and Fund Balance									
Current liabilities									
Due to Federal Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 866	\$ 4	\$ -	\$ 870
Due to the State of Alaska	5,642	-	-	-	(432)	-	18,033	-	23,243
Due to State of Alaska's component units	-	-	-	-	4,111	-	-	-	4,111
Due to local government	539	55	-	-	21	-	-	-	615
Due to other funds/internal balances	-	311	4	16	526	4	-	-	861
Accounts payable	7,938	2,001	-	-	3,453	238	51	-	13,681
Unearned revenue - grant match from outside entities	-	-	-	-	-	-	-	1,180	1,180
Total liabilities	14,119	2,367	4	16	7,679	1,108	18,088	1,180	44,561
Fund Balance									
Restricted by agreements with external parties	-	-	-	596	-	-	-	-	596
Restricted by legislation	956,888	28,892	979	-	208	-	272	-	987,239
Total fund balance	956,888	28,892	979	596	208	-	272	-	987,835
Total Liabilities and Fund Balance	\$ 971,007	\$ 31,259	\$ 983	\$ 612	\$ 7,887	\$ 1,108	\$ 18,360	\$ 1,180	\$ 1,032,396

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, 2023

	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								
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ 10,179	\$ -	\$ -	\$ 10,179
State of Alaska appropriations	(3,389)	14,990	-	-	12,050	-	-	23,651
Other revenues	-	-	-	-	190	517	-	707
Total operating revenues	(3,389)	14,990	-	-	22,419	517	-	34,537
Operating expenditures								
Grants and projects	-	5,436	-	342	19,940	445	-	26,163
Power cost equalization grants	42,332	-	-	-	-	-	-	42,332
General and administrative	1,499	1,195	-	14	2,290	72	-	5,070
Total operating expenditures	43,831	6,631	-	356	22,230	517	-	73,565
Nonoperating revenues (expenses) and other								
Investment income, net expenses	88,720	950	-	30	7	-	-	89,707
Contributions to the State of Alaska	(45,000)	-	-	-	-	-	-	(45,000)
Total nonoperating revenues (expenses) before transfers	43,720	950	-	30	7	-	-	44,707
Transfers to other funds	-	(110)	-	-	-	-	-	(110)
Change in Fund Balance	(3,500)	9,199	-	(326)	196	-	-	5,569
Fund Balance, Beginning of Year	960,388	19,693	979	922	12	-	272	982,266
Fund Balance, End of Year	\$ 956,888	\$ 28,892	\$ 979	\$ 596	\$ 208	\$ -	\$ 272	\$ 987,835

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, 2023

	Bradley Lake Hydroelectric Project	Alaska Intertie Project	Susitna- Watana Hydroelectric Project	Power Project Fund	Power Development and Railbelt Energy Projects	Totals
Restricted Assets						
Current restricted assets						
Cash and cash equivalents	\$ 185,544	\$ 1,212	\$ -	\$ 13,581	\$ 2,591	\$ 202,928
Operating receivable	242	541	-	-	-	783
Loans receivable	-	-	-	1,960	-	1,960
Due from State of Alaska's component units	-	-	-	53	-	53
Accrued interest receivable	-	-	-	21	-	21
Due from other funds/internal balances	-	48	-	213	49	310
Total current assets	<u>185,786</u>	<u>1,801</u>	<u>-</u>	<u>15,828</u>	<u>2,640</u>	<u>206,055</u>
Noncurrent restricted assets						
Loans receivable, net of allowance	-	-	-	24,499	-	24,499
Capital assets, net of accumulated depreciation	<u>179,582</u>	<u>12,530</u>	<u>183,682</u>	<u>-</u>	<u>-</u>	<u>375,794</u>
Total noncurrent restricted assets	<u>179,582</u>	<u>12,530</u>	<u>183,682</u>	<u>24,499</u>	<u>-</u>	<u>400,293</u>
Total Restricted Assets	<u>\$ 365,368</u>	<u>\$ 14,331</u>	<u>\$ 183,682</u>	<u>\$ 40,327</u>	<u>\$ 2,640</u>	<u>\$ 606,348</u>

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, 2023

	Bradley Lake Hydroelectric Project	Alaska Intertie Project	Susitna- Watana Hydroelectric Project	Power Project Fund	Power Development and Railbelt Energy Projects	Totals
Restricted Liabilities and Net Position						
Restricted Liabilities						
Current restricted liabilities						
Due to the federal government	\$ 298	\$ -	\$ -	\$ -	\$ -	\$ 298
Due to the State of Alaska	5	-	-	-	920	925
Due to other funds/internal balances	772	-	-	-	-	772
Accounts payable	3,073	1,778	-	49	-	4,900
Capital acquisition and construction accounts and retainages payable	405	-	-	-	-	405
Bonds payable – current portion	3,981	-	-	-	-	3,981
Accrued interest payable	917	-	-	-	-	917
Total restricted current liabilities	9,451	1,778	-	49	920	12,198
Noncurrent restricted liabilities						
Bonds payable – noncurrent portion, net	200,051	-	-	-	-	200,051
Total noncurrent restricted liabilities	200,051	-	-	-	-	200,051
Total restricted liabilities	209,502	1,778	-	49	920	212,249
Net Position						
Net investment in capital assets	150,987	12,530	183,682	-	-	347,199
Restricted for capital projects	158,062	-	-	-	-	158,062
Restricted for debt service	18,697	-	-	-	-	18,697
Restricted by agreements with external parties	4,636	23	-	-	-	4,659
Restricted by legislation	-	-	-	40,278	1,720	41,998
Deficit	(176,516)	-	-	-	-	(176,516)
Total net position	155,866	12,553	183,682	40,278	1,720	394,099
Total Restricted Liabilities and Net Position	\$ 365,368	\$ 14,331	\$ 183,682	\$ 40,327	\$ 2,640	\$ 606,348

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, 2023

	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	\$ -	\$ 53	\$ -	\$ -	\$ -	\$ 53
Revenue from operating plants	24,843	2,618	-	-	-	27,461
Interest on loans	-	-	-	280	-	280
Other revenues	106	27	-	12	-	145
Total operating revenues	24,949	2,698	-	292	-	27,939
Operating expenses						
Depreciation	10,900	798	-	-	-	11,698
General and administrative	1,143	386	-	108	-	1,637
Plant operating	7,402	2,344	-	-	-	9,746
Total operating expenses	19,445	3,528	-	108	-	23,081
Operating Income (Loss)	5,504	(830)	-	184	-	4,858
Nonoperating revenues (expenses) and other						
Investment income, net expenses	4,023	59	-	491	-	4,573
Federal direct bond interest expense subsidy	1,052	-	-	-	-	1,052
Loss on disposal of assets	(400)	-	-	-	-	(400)
Interest expense and other charges	(7,705)	-	-	-	-	(7,705)
Total nonoperating revenues (expenses) before capital contributions	(3,030)	59	-	491	-	(2,480)
Income (Loss) before Capital Contributions	2,474	(771)	-	675	-	2,378
Capital Contributions	110	-	-	-	-	110
Change in Net Position	2,584	(771)	-	675	-	2,488
Fund Balance, Beginning of Year	153,282	13,324	183,682	39,603	1,720	391,611
Fund Balance, End of Year	\$ 155,866	\$ 12,553	\$ 183,682	\$ 40,278	\$ 1,720	\$ 394,099

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, 2023

	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023
Capital assets				
Intangible	\$ 183,696	\$ -	\$ -	\$ 183,696
Production	322,380	1,665	(103)	323,942
Transmission	206,298	495	(543)	206,250
General	5,701	539	-	6,240
Total capital assets	718,075	2,699	(646)	720,128
Less accumulated depreciation				
Intangible	(7)	(1)	-	(8)
Production	(164,929)	(8,449)	66	(173,312)
Transmission	(162,350)	(3,133)	66	(165,417)
General	(5,482)	(115)	-	(5,597)
Total accumulated depreciation	(332,768)	(11,698)	132	(344,334)
Capital assets, net	\$ 385,307	\$ (8,999)	\$ (514)	\$ 375,794

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, 2023

Operating Data

Project costs	
Operations and maintenance	\$ 4,339
Repairs	1,263
General and administrative	1,979
Insurance	986
Capital purchases	525
Contributions to capital reserve fund	96
Contributions to renewal and contingency fund and operating reserve account	2,731
	<u>11,919</u>
Debt service	15,436
Less Federal interest subsidy	(1,052)
Less investment income	<u>(577)</u>
 Total cost of power	 <u><u>\$ 25,726</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

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Beginning 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
Inflows										
Annual investment earnings	171,112	33,192	8,912	112,331	76,602	74,142	48,303	150,299	(143,842)	88,405
Total inflows	171,112	33,192	8,912	112,331	76,602	74,142	48,303	150,299	(143,842)	88,405
Outflows										
Transfers to AEA for PCE payments (1)	(32,773)	(41,002)	(30,622)	(34,956)	(25,595)	(29,719)	(27,000)	(28,237)	(24,000)	(54,139)
Transfers to Other Funds	-	-	-	-	-	(44,000)	(14,867)	(49,164)	(12,140)	(53,775)
Program administration - AEA	(241)	(248)	(255)	(243)	(624)	(444)	(575)	(737)	(602)	(214)
Administrative fee - Regulatory Commission	(110)	(107)	(100)	(112)	(113)	(102)	(108)	(123)	(135)	(126)
Management fee - Department of Revenue	(336)	(313)	(385)	(393)	(458)	(430)	(421)	(1,030)	(1,030)	(970)
Total outflows	(33,460)	(41,670)	(31,362)	(35,704)	(26,790)	(74,695)	(42,971)	(79,291)	(37,907)	(109,224)
Ending cash and investment balance	\$ 977,867	\$ 969,389	\$ 946,939	\$ 1,023,566	\$ 1,073,378	\$ 1,072,825	\$ 1,078,157	\$ 1,149,165	\$ 967,416	\$ 946,597

(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. On February 21, 2019, pursuant to Administrative Order No. 271, AEA advanced the licensing process through FERC. FERC required an updated Study Plan Determination which included additional environmental impact studies. In 2019 FERC ruled that AEA would not need to repeat any of the Integrated Licensing Process.

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 increases the Bradley Lake Hydroelectric Project annual energy output to approximately 37,000 Megawatt hours (MWh). The Battle Creek project addition included construction of three miles of road, a concrete diversion dam, and a pipe and canal to convey the water to Bradley Lake. Construction began in 2018 and was completed in October 2020.

In December 2020, the Authority closed on the purchase of the Soldotna to Quartz Creek (SSQ) Transmission 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.

On November 30, 2022, the Authority issued \$166 million of bonds (the Eleventh Series). Proceeds from this bond issue will be utilized for capital projects of the Bradley Lake Hydroelectric Project.

Alaska Intertie Project

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

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

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 (AO) 271 suspending discretionary spending on the project. On January 8, 2015, the FERC granted AEA's request to hold the licensing process in abeyance. On July 6, 2015, Governor Walker's office authorized AEA to proceed with the Integrated Licensing Process (ILP) using previously appropriated funds. AEA, in August 2015, requested the FERC's permission to resume the licensing efforts. On August 4, 2016, Governor Walker issued a letter to FERC requesting to proceed with the ILP to the point of issuing an updated Study Plan Determination (SPD) to preserve the State of Alaska's investment in the project. On August 26, 2016, FERC responded to the Governor's letter stating that FERC will proceed with the ILP to complete the SPD. After issuing the SPD, the project will be put into abeyance as requested by the Governor.

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

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

The licensing project that was in abeyance (FY14) had been rescinded in FY19 (AO 271). 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. As of June 30, 2023, the project is still viable and AEA continues to engage discussions with the Congressional Delegation and current presidential administration in order to maintain federal support of the project.