

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

Basic Financial Statements and Schedules

June 30, 2020

(With Independent Auditor's Reports Thereon)

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)

Basic Financial Statements and Schedules

June 30, 2020

(With Independent Auditors' Report Thereon)

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)

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Independent Auditor's Report

The Board of Directors
Alaska Energy Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Alaska Energy Authority (a Component Unit of the State of Alaska) (Authority), as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Authority as of June 30, 2020, and the respective changes in its 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The supplementary information in schedules 1, 2, 3, 4 and 5 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary information in schedules 6, 7, 8 and 9 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020 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.

BDO USA, LLP

Anchorage, Alaska
October 26, 2020

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2020

Overview of the Financial Statements

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

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

Management's Discussion and Analysis

This section presents management's discussion and analysis of the financial position and results of operations for the year ended June 30, 2020. 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 Auditors' Report, the audited financial statements, and the accompanying notes.

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds – Special Revenue Funds

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

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

Proprietary Funds – Enterprise Funds

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

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

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

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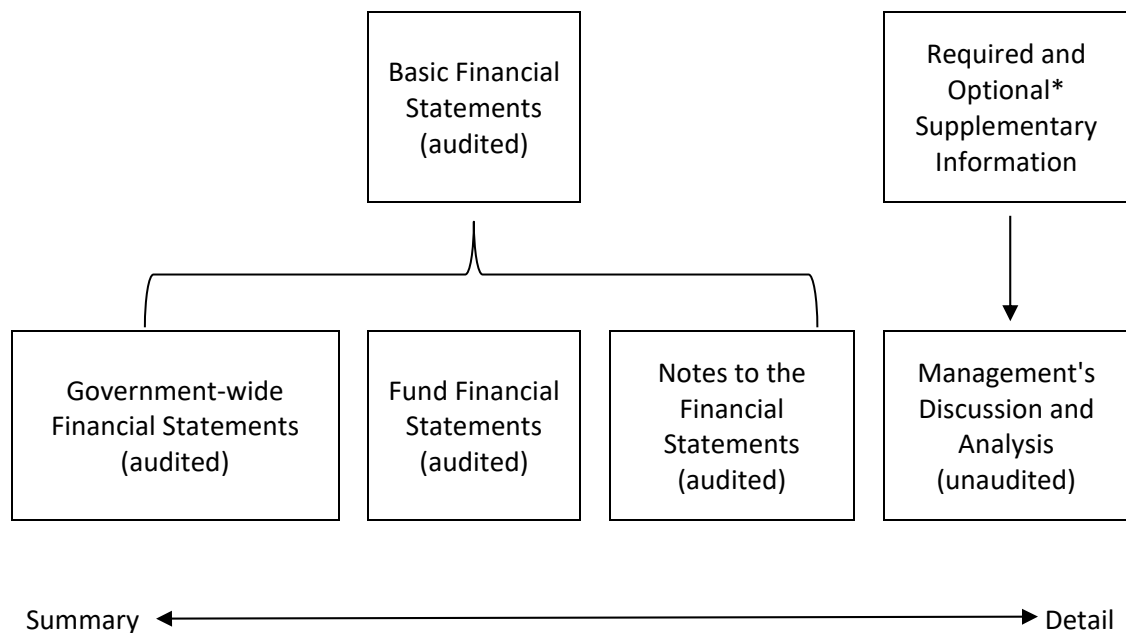
Notes to Basic Financial Statements

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

Other Information

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

Required Components of the Financial Report



***Optional Supplementary Information:**

- Schedule 1: Schedule of Bradley Lake Hydroelectric Project Trust Account Activities (audited);
- Schedule 2: Special Revenue Fund Schedule of Projects and Programs – Balance Sheet (audited);
- Schedule 3: Special Revenue Fund Schedule of Projects and Programs – Revenues, Expenses and Changes in Fund Balance (audited);

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case with AEA as a whole, assets and deferred outflows exceeded its liabilities and deferred inflows by \$438 million at June 30, 2020 and \$443 million at June 30, 2019. In FY20, the Renewable Energy Fund, Emerging Energy Technology Fund, and Trans Alaska Pipeline Liability Fund had reduced project activity in which program funds net of liabilities were expended reducing net asset balance overall.

Of the total net position at June 30, 2020, \$323 million was invested in capital assets, net of related debt, and \$115 million was restricted. Of the total net position at June 30, 2019, \$320.4 million was invested in capital assets, net of related debt and \$122.6 million was restricted. In both years, invested in capital assets, net of related debt is related to the Bradley Lake Hydroelectric Project, Alaska Intertie Project, and Susitna-Watana Hydroelectric Project. The remainder of net position is considered restricted for debt service, or restricted due to agreements with external parties, and legislation.

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Management's Discussion and Analysis
June 30, 2020

Government-Wide Financial Analysis, continued

The following tables are provided to show AEA's total assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2020 and 2019 (stated in thousands):

	Governmental Activities			Business-Type Activities		
	2020	2019	Variance	2020	2019	Variance
Assets:						
Current and other noncurrent assets	\$ 1,121,289	1,128,648	(7,359)	90,544	104,964	(14,420)
Capital assets	-	-	-	388,046	375,972	12,074
Total assets	<u>1,121,289</u>	<u>1,128,648</u>	<u>(7,359)</u>	<u>478,590</u>	<u>480,936</u>	<u>(2,346)</u>
Deferred outflows of Resources	-	-	-	3	6	(3)
Total assets and deferred outflows	<u>\$ 1,121,289</u>	<u>1,128,648</u>	<u>(7,359)</u>	<u>478,593</u>	<u>480,942</u>	<u>(2,349)</u>
Liabilities:						
Current liabilities	1,081,398	1,078,009	3,389	27,734	23,670	4,064
Noncurrent liabilities	-	2	(2)	52,584	64,879	(12,295)
Total liabilities	<u>\$ 1,081,398</u>	<u>1,078,011</u>	<u>3,387</u>	<u>80,318</u>	<u>88,549</u>	<u>(8,231)</u>
Net Position:						
Net investment in capital assets	-	-	-	323,645	320,387	3,258
Restricted	<u>39,891</u>	<u>50,637</u>	<u>(10,746)</u>	<u>74,630</u>	<u>72,006</u>	<u>2,624</u>
Total net position	<u>39,891</u>	<u>50,637</u>	<u>(10,746)</u>	<u>398,275</u>	<u>392,393</u>	<u>5,882</u>
Total liabilities and net position	<u>\$ 1,121,289</u>	<u>1,128,648</u>	<u>(7,359)</u>	<u>478,593</u>	<u>480,942</u>	<u>(2,349)</u>

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Government-Wide Financial Analysis, continued

Governmental Activities:

Current and other noncurrent assets

The following table is provided to show the details of AEA's current and other noncurrent assets at June 30, 2020 and 2019:

Governmental Activities-Current and other noncurrent assets (in thousands of dollars)			
	2020	2019	Variance
Restricted cash and cash equivalents	\$ 18,542	30,143	(11,601)
Restricted investments	1,100,867	1,096,193	4,674
Operating receivables	14	213	(199)
Due from Federal Government	1,304	2,197	(893)
Due from State of Alaska	356	156	200
Due (to) from other funds/internal balances	206	(254)	460
Current and other noncurrent assets	\$ 1,121,289	1,128,648	(7,359)

Current and other noncurrent assets in total are \$7.4 million lower in the current fiscal year. Restricted cash and cash equivalents held by AEA decreased \$11.6 million related to advances from state appropriations, which are drawn based on project need; therefore, these balances will fluctuate annually. Restricted investments increased by \$4.7 million, disbursements of \$31.2 million to AEA for PCE payments and expenses of \$13.9 million recorded directly to the PCE Endowment Fund from appropriations to other departments for operating expenses. These items net together to partially offset the total earnings. Operating receivables decreased \$198 thousand mainly due to a reduction of advances on Renewable Energy Grant Fund grants. Amounts due from the federal government decreased \$893 thousand related to timing of reimbursement requests received from federal agencies on federal awards. Due from the State of Alaska increased by \$200 thousand related to advances from state appropriations which are drawn based on project need; therefore, these balances will fluctuate annually. Due (to) from other funds/internal balances will fluctuate annually depending on program activities and cash needs.

Total current and noncurrent liabilities increased in the current fiscal year by \$3.4 million. The increase is primarily a result of the reversal of the prior fiscal year Sweep entry in the current fiscal year, combined with the Sweep entry into the CBR Fund on June 30, 2020. The PCE Endowment Fund became eligible for the Sweep in FY19.

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Government-Wide Financial Analysis, continued

Governmental Activities, continued:

Net Position

The following table is provided to show the details of AEA's net position at June 30, 2020 and 2019:

Governmental Activities-Net Position				
(in thousands of dollars)				
		2020	2019	Variance
Restricted by agreements with external parties	\$	1,182	1,173	9
Restricted by legislation		38,709	49,464	(10,755)
Net Position	\$	39,891	50,637	(10,746)

Net position decreased by \$10.7 million during the current fiscal year. Net position restricted by agreements with external parties increased by \$9 thousand compared to the June 30, 2019 balance. Net position restricted by legislation decreased substantially due to the \$1.06 billion sweep at June 30, 2020. AEA also returned \$6.2 million of REF advances to the investment fund managed by Treasury.

Business-Type Activities:

Current and other noncurrent assets

The following table is provided to show the details of AEA's current and other noncurrent assets, excluding capital assets and deferred outflows, at June 30, 2020 and 2019:

Business-Type Activities-Current and other noncurrent assets				
(in thousands of dollars)				
		2020	2019	Variance
Restricted cash and cash equivalents	\$	39,974	59,186	(19,212)
Restricted investments		21,502	19,110	2,392
Operating receivable		267	85	182
Prepaid expense		251	465	(214)
Loans receivable, net of allowance		27,032	24,742	2,290
Due from State of Alaska		1	-	1
Due from federal government		562	-	562
Accrued interest receivable		1,161	1,122	39
Due (to) from other funds/internal balances		(206)	254	(460)
Current and other noncurrent assets	\$	90,544	104,964	(14,420)

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Management's Discussion and Analysis
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Government-Wide Financial Analysis, continued

Business-Type Activities, continued:

Current and other noncurrent assets, continued

Current and other noncurrent assets decreased by \$14.4 million in the current fiscal year. The decrease in current and noncurrent assets is primarily due to a decrease in restricted cash and cash equivalents and restricted investments. The cash decrease was substantially due to the disbursements from debt proceeds for the construction of the West Fork Upper Battle Creek Diversion (Battle Creek) Project. Operating receivables and prepaid expenses decreased by \$32 thousand, which is related to a decrease in monthly billing rates and amortization of prepaid expenses on the Alaska Intertie Project at the end of FY20. Loans receivable (net of allowance) increased \$2.2 million related to disbursements on Power Project Fund loans. Due from the State of Alaska increased by \$1 thousand related to advances from state appropriations which are drawn based on project need; therefore, these balances will fluctuate annually. Due (to) from other funds/internal balances will fluctuate annually depending on program activities and cash needs.

Deferred outflows of resources decreased in the current fiscal year by \$3 thousand, due to the amortization of costs relating to long-term debt.

Total current and noncurrent liabilities

The following table is provided to show the details of AEA's total current and noncurrent liabilities at June 30, 2020 and 2019:

Business-Type Activities-Current and noncurrent liabilities			
(in thousands of dollars)			
	2020	2019	Variance
Advances from the State of Alaska	\$ 385	644	(259)
Accounts payable	13,360	9,686	3,674
Bonds payable	63,684	74,709	(11,025)
Other bond liabilities	1,052	1,269	(217)
Accrued interest payable	1,474	1,744	(270)
Other liabilities	363	497	(134)
Current and noncurrent liabilities	\$ 80,318	88,549	(8,231)

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Management's Discussion and Analysis
June 30, 2020

Government-Wide Financial Analysis, continued

Business-Type Activities, continued:

Total current and noncurrent liabilities, continued

Total current and noncurrent liabilities decreased in the current fiscal year by \$8.8 million. Advances from the State of Alaska decreased by \$259 thousand related to advances from state appropriations, which are drawn based on project need; therefore, these balances will fluctuate annually. Accounts payable increased due to billings for the construction of Battle Creek Project. Bonds payable decreased \$11.0 million related to debt service principal payments on the Bradley Lake Hydroelectric Project bonds. Other bond liabilities decreased \$217 thousand related to amortization of bond original issue premium and increase in estimated arbitrage liability. Accrued interest payable decreased by \$270 thousand related to original Bradley Lake debt. Other liabilities decreased \$134 thousand related to the estimated repurchase liability to AIDEA for the portion of the Power Project Fund loan portfolio, which AIDEA purchased from AEA in 2010.

Net position

The following table is provided to show the details of AEA's net position at June 30, 2020 and 2019:

Business-Type Activities – Net Position (in thousands of dollars)				
		2020	2019	Variance
Net investment in capital assets	\$	323,645	320,387	3,258
Restricted for capital projects		866	670	196
Restricted for debt service		26,796	26,431	365
Restricted by agreements with external parties		5,703	3,657	2,046
Restricted by legislation		41,265	41,248	17
Net Position	\$	398,275	392,393	5,882

Net position increased in the current fiscal year by \$5.8 million. Net investment in capital assets increased \$3.3 million due to the net effect of capital asset additions and reduction of debt related to capital projects. Restricted net position increased by \$3.2 million, substantially due to net income provided by operating activities.

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Management's Discussion and Analysis
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Government-Wide Financial Analysis, continued

The following table is provided to show AEA's revenues, expenses, and changes in net position at June 30, 2020 and 2019 (stated in thousands):

	Governmental Activities			Business-Type Activities		
	2020	2019	Variance	2020	2019	Variance
Revenues:						
Program revenues:						
Fees, Fines, and Charges for services	\$ -	-	-	21,889	21,426	463
Operating grants and contributions	13,184	24,529	(11,345)	898	215	683
Capital grants and contributions	-	-	-	-	1	(1)
General revenues:						
Investment Income	49,406	75,312	(25,906)	2,005	2,696	(691)
Total revenues	62,590	99,841	(37,251)	24,792	24,338	454
Expenses:						
Grants and projects	18,714	20,213	(1,499)	-	-	-
Power cost equalization grants	29,255	28,369	886	-	-	-
State of Alaska appropriations/transfers	21,288	1,097,628	(1,076,340)	66	67	(1)
General and administrative	4,079	4,046	33	1,663	1,626	37
Interest expense	-	-	-	827	1,746	(919)
Plant operations	-	-	-	5,376	5,350	26
Depreciation	-	-	-	10,917	10,862	55
Loss on disposal of asset	-	-	-	-	-	-
Provision for loan loss (recovery)	-	-	-	61	169	(108)
Total expenses	73,336	1,150,256	(1,076,920)	18,910	19,820	(910)
Capital contributions	-	-	-	-	-	-
Transfers in (out)	-	-	-	-	-	-
Change in net position	(10,746)	(1,050,415)	1,039,669	5,882	4,518	1,364
Net position, beginning	50,637	1,101,052	(1,050,415)	392,393	387,875	4,518
Net position, ending	\$ 39,891	50,637	(10,746)	398,275	392,393	5,882

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Management's Discussion and Analysis
June 30, 2020

Government-Wide Financial Analysis, continued

Governmental Activities:

Total Revenues for governmental activities decreased by \$37.2 million, based on the following:

- **Operating grants and contributions** are from State of Alaska operating and capital appropriations and Federal grant awards. Operating grants and contributions decreased by \$11.3 million in the current fiscal year as a result of reduced spending of State of Alaska appropriations for Rural Power System Upgrade (RPSU) and Bulk Fuel Upgrade (BFU) projects, in accordance with generally accepted accounting principles AEA recognizes revenue to the extent of expenditures; and
- **Investment income** is primarily from interest earned in the PCE Endowment Fund and the Renewable Energy Grant Fund, which are managed by the State Department of Revenue, Treasury Division. Investment income was \$19.3 million lower in the current fiscal year, due to market fluctuations and a lower overall balance in the PCE Endowment Fund, partially due to appropriations from the fund.

Expenses for governmental activities decreased by \$1.07 billion, based on the following:

- **Grants and project expenses** decreased by \$1.5 million in the current fiscal year as a result of reduced spending of State of Alaska appropriations for Rural Power System Upgrade (RPSU) and Bulk Fuel Upgrade (BFU) projects; and
- **PCE grants** increased by \$886 thousand. This increase is due to an increased rate per kWh reimbursed to some eligible rural electric utilities and also an increase in kWh reported from some eligible rural electric utilities. The Regulatory Commission of Alaska (RCA) determines eligibility and calculates the rate that the PCE program reimburses each eligible utility. The rate is based on average cost of power in Anchorage, Fairbanks, and Juneau;
- **State of Alaska appropriations/transfers** decreased by approximately \$1.07 billion in FY20. This is substantially the result of the FY20 sweep in the amount of \$1.06 billion; and
- **General and administrative** expenses increased by \$32 thousand compared to the prior year. Administrative costs shared between AIDEA and AEA for administrative support and the addition of administering the Volkswagen Settlement program contributed to this increase.

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Government-Wide Financial Analysis, continued

Business-Type Activities:

Total Revenues for business-type activities increased by \$456 thousand, based on the following:

- **Fees, Fines, and Charges for services** increased by \$465 thousand. Charges for services include the amounts received from the utilities for plant operations and debt service obligations. These services are provided under various agreements and are based on project expenditures, operating cash requirements, and will fluctuate annually. The current year increase is a reflection of an increase in maintenance projects performed in FY20 on the Alaska Intertie Project compared to the prior year;
- **Operating grants and contributions** are from State of Alaska operating and capital appropriations. Operating grants and contributions increased by \$683 thousand. The current year increase is a reflection of the State funded portion of the approved maintenance project on the Alaska Intertie Project;
- **Investment income** decreased by \$691 thousand due to decreased investment earnings on debt proceeds issued related to the Battle Creek project. FY19 was the first full year of investment earnings for the Battle Creek project, compared to only half a year when the debt proceeds began earning interest during the year ended June 30, 2018.

Expenses for business-type activities decreased by \$910 thousand, based on the following:

- **State of Alaska appropriation of funds and transfers** for business-type activities decreased by approximately \$1 thousand in FY20. In FY20, the Rural Electrification Revolving Loan Fund received final payments, which closed the remaining loans. The remaining bank balance at June 30, 2020 of \$66 thousand was remitted to the State General Fund in FY21, per Statute, and the program was closed;
- **General and administrative** expenses increased by \$37 thousand. The current year increase is a result of increased general and administrative support incurred during the construction of the Battle Creek Project;

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Government-Wide Financial Analysis, continued

Business-Type Activities, continued

- **Interest expense** represents the cost of interest on AEA's Power Revenue Bonds for the Bradley Lake Hydroelectric Project. Interest expense decreased in the current fiscal year by \$919 thousand. Outstanding bond balances of the Bradley Lake bonds relating to the original project decreased; therefore, interest accrued on those balances also decreased. Interest expense on the Battle Creek Diversion bonds is offset by federal subsidies causing interest expense to be minimal. The Battle Creek Diversion bonds qualified for two federal interest subsidy programs. In addition, consistent with generally accepted accounting principles, AEA capitalizes a portion of interest related to the construction of the Battle Creek Project;
- **Plant operations** for the Bradley Lake Hydroelectric project and the Alaska Intertie project increased in the current fiscal year by \$26 thousand. Plant operations consist of various activities required to maintain operations of each project;
- **Depreciation** expense increased in the current fiscal year by \$55 thousand. In FY20, AEA had no deletions in capital assets and had \$23.0 million in additions. The increase to additions increases the amount of depreciation for the fiscal year; and
- **Provision for loan loss (recovery)** decreased by \$106 thousand from the prior fiscal year. During FY20, AEA received final payments on the remaining loans related to the Rural Electrification Revolving Loan fund, which resulted in a reduced amount in the loan loss calculation, as this calculation only included loans from the Power Project fund.

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ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis
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Fund Financial Analysis

Fund Balances

Governmental Fund:

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

The following table is provided to show AEA's total fund balances for the governmental funds at June 30, 2020 and 2019:

Governmental Fund – Fund Balances				
(in thousands of dollars)				
		2020	2019	Variance
Power Cost Equalization Program	\$	13,005	17,258	(4,253)
Renewable Energy Grant Fund		24,583	31,076	(6,493)
Emerging Energy Technology Fund		1,109	1,129	(20)
Trans-Alaska Pipeline Liability Fund		1,182	1,173	9
Rural Energy Projects		12	1	11
Total Fund Balances	\$	39,891	50,637	(10,746)

At the end of the current fiscal year, AEA's governmental funds reported combined ending fund balances of \$39.9 million, which is a decrease of \$10.7 million in comparison with the prior fiscal year. The decrease can be seen across all funds included in the Governmental Funds balance. The Renewable Energy Fund decreased by \$6.2 million as a result of AEA disbursements for the Renewable Energy Fund. The Power Cost Equalization Program reduced by \$4.3 million as a result of a reduction in community grant payments. The Emerging Energy Technology Fund reduced by \$20 thousand as a result of reduced project activity in FY20.

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

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ALASKA ENERGY AUTHORITY
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Management's Discussion and Analysis
June 30, 2020

Fund Financial Analysis, continued

Fund Balances, continued

Proprietary Fund:

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

The following table is provided to show AEA's total net position for the proprietary fund at June 30, 2020 and 2019:

Proprietary Fund – Net Position (in thousands of dollars)			
	2020	2019	Variance
Bradley Lake Hydroelectric Project	\$ 154,772	145,818	8,954
Alaska Intertie Project	18,556	21,645	(3,089)
Susitna-Watana Hydroelectric Project	183,682	183,682	-
Power Project Fund	39,271	39,190	81
Rural Electrification Revolving Loan Fund	-	64	(64)
Power Development and Railbelt Energy Projects	1,994	1,994	-
Total Net Position	\$ 398,275	392,393	5,882

At the end of the current fiscal year, AEA's proprietary fund reported combined ending net position of \$398.3 million, which is an increase of \$5.8 million in comparison with the prior fiscal year. The increase of \$8.9 million for the Bradley Lake Hydroelectric Project was due to operating revenues greater than operating expenses by \$7.7 million related to revenue collected for debt service payments, the additional increase is related to \$1.8 million in investment earnings. The decrease of \$3.1 million for the Alaska Intertie Project was due to operating revenues less than operating expenses as a result of depreciation expense. The Power Project Fund increased by \$81 thousand due to the addition of new loans. The Rural Electrification Revolving Loan Fund decreased by \$64 thousand due to the final payments and subsequent closure of the remaining loans in this fund.

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ALASKA ENERGY AUTHORITY
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Management's Discussion and Analysis
June 30, 2020

Fund Financial Analysis, continued

Fund Balances, continued

Proprietary Fund, continued:

The following table is provided to show the proprietary fund net position by category at June 30, 2020 and 2019:

Proprietary Fund – Net Position Categories
(in thousands of dollars)

		2020	2019	Variance
Net investment in capital assets	\$	323,645	320,387	3,258
Restricted for capital projects		866	670	196
Restricted for debt service		26,796	26,431	365
Restricted by agreements with external parties		5,703	3,657	2,046
Restricted by legislation		41,265	41,248	17
Total Net Position	\$	398,275	392,393	5,882

Net investment in capital assets increased by \$3.3 million, which is the net effect of capital asset additions and retirements and reduction of debt related to capital projects. Restricted net position increased by \$2.6 million, substantially due to net income provided by operating activities.

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ALASKA ENERGY AUTHORITY
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Capital Assets and Debt Administration

Capital Assets:

AEA's investment in capital assets for its business-type activities as of June 30, 2020 amounts to \$388 million (net of accumulated depreciation), which is an increase of \$12.1 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.

Capital Assets				
(net of depreciation, in thousands of dollars)				
		Business-Type Activities		
		2020	2019	Variance
Land and Rights of Way	\$	11,212	11,212	-
Infrastructure		140,575	150,324	(9,749)
Equipment		1,092	962	130
Construction in Progress		235,167	213,474	21,693
Total	\$	388,046	375,972	12,074

Capital assets, net of accumulated depreciation increased by \$12.1 million. The increase is a result of \$22.9 million in capital asset additions, which is offset by \$10.9 million in depreciation expense. Included in the capital asset additions is \$21.7 million of additions for the construction of the Battle Creek Project.

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ALASKA ENERGY AUTHORITY
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Capital Assets and Debt Administration, continued

Capital Assets, continued:

Capital Asset Additions (in thousands of dollars)	
Bradley Battle Creek Diversion	\$ 21,664
Bradley Lake Halon fire system upgrade	41
Bradley Lake generator repair and replacement	371
Bradley Lake air gap monitoring system upgrade	42
Bradley Lake fish water valve actuators	3
Bradley Lake tools and equipment	132
Bradley Lake transportation equipment (one vehicle)	41
Bradley Lake UPS replacement	66
Alaska Intertie Douglas substation upgrade	632
Total Capital Asset Additions	\$ 22,992

Major additions to capital assets during the current fiscal year include construction on the Battle Creek Project. The reduction in infrastructure is a reflection of current year depreciation. The increase in equipment is due to the purchase of forklift and truck for the Bradley Lake Hydroelectric project.

Long-Term Debt:

At the end of the current fiscal year, AEA had total long-term debt outstanding of \$63.7 million. AEA's total long-term debt decreased by \$11 million during the current fiscal year as a result of scheduled debt service payments reducing the principal balance.

Outstanding Debt (in thousands of dollars)			
	Business-Type Activities		
	2020	2019	Variance
Power Revenue and refunding Bonds:			
Bradley Lake	\$ 22,445	33,470	(11,025)
Bradley Lake-Battle Creek private placement	41,239	41,239	-
Total	\$ 63,684	74,709	(11,025)

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2020

Outlook

Operations and maintenance of AEA's Bradley Lake Hydroelectric Project and Alaska Intertie Project will continue as approved by the Bradley Lake Project Management Committee and Alaska Intertie Committee, respectively. The construction on the West Fork Upper Battle Creek Diversion Project is anticipated to be completed in FY21. The purchase of the SQ Line was approved and will be completed in FY21. This provide additional assets for the Bradley Lake Hydroelectric Project.

Various RPSU and BFU projects are anticipated to continue through FY21 with continued federal and state funding. AEA and the Denali Commission are leveraging the use of available funding by shifting project focus to more maintenance and improvement projects. AEA will continue Bulk Fuel and Power Plant Operator training, Circuit Rider, Technical Assistance, and Electrical Emergency efforts across Alaska.

AEA continues to manage the Renewable Energy Grant Fund (REF) active projects. In FY20, approximately 20% of the remaining REF projects were completed, including several construction projects. AEA began soliciting applications for the Renewable Energy Fund grant program in FY21.

Alaska is a beneficiary of \$8.125 million from the federal Volkswagen Settlement. AEA developed a Beneficiary Mitigation Plan through a public process that describes how the state proposes to distribute the funds amongst the eligible mitigation actions defined in the settlement. In FY21, projects include school bus replacement; public transit bus replacement; electric vehicle charging infrastructure, replacement of diesel engines used for prime power, and commercial marine vessel upgrade.

In FY19, AEA was awarded a grant from the Wells Fargo Foundation for \$1 million for outdoor lighting retrofits that will be granted to eligible applicants through the Village Energy Efficiency Program. AEA anticipates making about 50 awards through this program, continuing in FY21. Furthermore, AEA also received additional funding from the Denali Commission in FY21 to continue these projects.

Management is actively monitoring the global pandemic (COVID-19) and assessing its effect on the Authority's financial condition, liquidity, operations, and workforce. Given the daily evolution of the COVID-19 outbreak and the global response to curb its spread, management is not able to estimate the effects of the outbreak for FY21 or future periods.

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ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)
Statement of Net Position
June 30, 2020
(stated in thousands)

Assets and Deferred Outflows of Resources	Governmental Activities	Business-Type Activities	Total
Current assets:			
Restricted cash and cash equivalents (note 3)	\$ 18,542	\$ 39,974	\$ 58,516
Restricted investments (note 3)	1,062,521	—	1,062,521
Operating receivable	14	267	281
Prepaid expense	—	251	251
Due from Federal Government	1,304	562	1,866
Loans receivable, net of allowance (note 8)	—	554	554
Due from State of Alaska	344	1	345
Due from component units	12	—	12
Accrued interest receivable	—	1,161	1,161
Due (to) from other funds/internal balances	206	(206)	—
Total Current Assets	1,082,943	42,564	1,125,507
Noncurrent assets:			
Restricted investments (note 3)	38,346	21,502	59,848
Loans receivable, net of allowance (note 8)	—	26,478	26,478
Capital assets, net of accumulated depreciation (note 4)	—	388,046	388,046
Total Noncurrent Assets	38,346	436,026	474,372
Deferred outflows of resources:			
Deferred charge on bond refundings	—	3	3
Total Assets and Deferred Outflows of Resources	\$ 1,121,289	\$ 478,593	\$ 1,599,882
Liabilities and Net Position			
Current liabilities:			
Due to State of Alaska (note 6)	\$ 1,065,346	\$ 361	\$ 1,065,707
Due to component units	84	24	108
Due to Federal Government	—	217	217
Accounts payable	15,968	13,143	29,111
Bonds payable – current portion (note 7)	—	11,575	11,575
Other bond liabilities – current portion (note 7)	—	940	940
Accrued interest payable	—	1,474	1,474
Total Current Liabilities	1,081,398	27,734	1,109,132
Noncurrent liabilities:			
Bonds payable – noncurrent portion, net (note 7)	—	52,109	52,109
Other bond liabilities – noncurrent portion (note 7)	—	112	112
Other liabilities	—	363	363
Total Noncurrent Liabilities	—	52,584	52,584
Total Liabilities	1,081,398	80,318	1,161,716
Net Position:			
Net investment in capital assets	—	323,645	323,645
Restricted for capital projects	—	866	866
Restricted for debt service	—	26,796	26,796
Restricted by agreements with external parties	1,182	5,703	6,885
Restricted by legislation	38,709	41,265	79,974
Total Net Position	39,891	398,275	438,166
Total Liabilities and Net Position	\$ 1,121,289	\$ 478,593	\$ 1,599,882

Commitments and contingencies (note 12)

See accompanying notes to basic financial statements.

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)
Statement of Activities
Year ended June 30, 2020
(stated in thousands)

Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contri- butions	Capital Grants and Contri- butions	Govern- mental Activities	Business- Type Activities	Total
Governmental:							
Power Cost Equalization Program	\$ 51,467	\$ —	\$ —	\$ —	\$ (51,467)	\$ —	\$ (51,467)
Renewable Energy Grant Fund	5,151	—	—	—	(5,151)	—	(5,151)
Emerging Energy Technology Fund	47	—	27	—	(20)	—	(20)
Trans Alaska Pipeline Liability Fund	6	—	—	—	(6)	—	(6)
Rural Energy Projects	15,980	—	12,472	—	(3,508)	—	(3,508)
Volkswagen Diesel Settlement Fund	685	—	685	—	—	—	—
Total Governmental Activities	73,336	—	13,184	—	(60,152)	—	(60,152)
Business-type:							
Bradley Lake Hydroelectric Project	13,377	20,518	—	—	—	7,141	7,141
Alaska Intertie Project	4,949	946	898	—	—	(3,105)	(3,105)
Power Project Fund	519	424	—	—	—	(95)	(95)
Rural Electrification Revolving Loan Fund	65	1	—	—	—	(64)	(64)
Total Business-Type Activities	18,910	21,889	898	—	—	3,877	3,877
Total Activities	\$ 92,246	\$ 21,889	\$ 14,082	\$ —	\$ (60,152)	\$ 3,877	\$ (56,275)
General Revenues							
Interest and investment income					49,406	2,005	51,411
Total General Revenues					49,406	2,005	51,411
Change in Net Position					(10,746)	5,882	(4,864)
Net Position - Beginning					50,637	392,393	443,030
Net Position - Ending					\$ 39,891	\$ 398,275	\$ 438,166

See accompanying notes to basic financial statements.

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)

Governmental Fund

Balance Sheet/Statement of Net Position - Governmental Activities

June 30, 2020

(stated in thousands)

Assets	Major Special Revenue Fund	Statement of Net Position Total
Current assets:		
Restricted cash and cash equivalents (note 3)	\$ 18,542	\$ 18,542
Restricted investments (note 3)	1,062,521	1,062,521
Operating receivable	14	14
Due from Federal Government	1,304	1,304
Due from State of Alaska	344	344
Due from component units	12	12
Due (to) from other funds/internal balances	206	206
Total current assets	<u>1,082,943</u>	<u>1,082,943</u>
Noncurrent assets:		
Restricted investments (note 3)	38,346	38,346
Total assets	<u><u>\$ 1,121,289</u></u>	<u><u>\$ 1,121,289</u></u>
Liabilities and Fund Balance/Net Position		
Current liabilities:		
Due to State of Alaska (note 6)	\$ 1,065,346	\$ 1,065,346
Due to component units	84	84
Accounts payable	15,968	15,968
Total current liabilities	<u>1,081,398</u>	<u>1,081,398</u>
Noncurrent liabilities:		
Other noncurrent liabilities	—	—
Total noncurrent liabilities	<u>—</u>	<u>—</u>
Total liabilities	<u>1,081,398</u>	<u>1,081,398</u>
Fund balance:		
Restricted by agreements with external parties	1,182	
Restricted by legislation	38,709	
Total fund balance	<u>39,891</u>	
Total liabilities and fund balance	<u><u>\$ 1,121,289</u></u>	
Net Position:		
Restricted by agreements with external parties		1,182
Restricted by legislation		38,709
Total net position		<u>39,891</u>
Total liabilities and net position		<u><u>\$ 1,121,289</u></u>
Commitments and contingencies (note 12)		

See accompanying notes to basic financial statements.

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)

Governmental Fund

Statement of Revenues, Expenditures, and Changes in
Fund Balance/Statement of Activities - Governmental Activities
Year ended June 30, 2020
(stated in thousands)

	Major Special Revenue Fund	Statement of Activities
Operating Revenues:		
State of Alaska appropriations	\$ 3,821	\$ 3,821
Federal grants	7,845	7,845
Other revenues	1,518	1,518
Total operating revenues	13,184	13,184
Operating Expenditures/Expenses:		
Grants and projects	18,714	18,714
Power cost equalization grants	29,255	29,255
State of Alaska appropriations and transfers	—	21,288
General and administrative	4,079	4,079
Total operating expenditures/expenses	52,048	73,336
Nonoperating revenues (expenses) and other:		
Investment income, net	49,406	49,406
State of Alaska appropriations and transfers	(21,288)	—
Total nonoperating revenue (expense) and other	28,118	49,406
Net change in fund balance	(10,746)	
Change in net position		(10,746)
Fund balance/Net position – beginning	50,637	50,637
Fund balance/Net position – ending	\$ 39,891	\$ 39,891

See accompanying notes to basic financial statements.

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)
Enterprise Fund - Major Fund
Statement of Net Position
June 30, 2020
(stated in thousands)

Assets and Deferred Outflows of Resources

Current assets:	
Restricted cash and cash equivalents (note 3)	\$ 39,974
Operating receivable	267
Prepaid expense	251
Loans receivable, net of allowance (note 8)	554
Due from Federal Government	562
Accrued interest receivable	1,161
Due from the State of Alaska	1
Due (to) from other funds/internal balances	(206)
Total Current Assets	42,564
Noncurrent assets:	
Restricted investments (note 3)	21,502
Loans receivable, net of allowance (note 8)	26,478
Capital assets, net of accumulated depreciation (note 4)	388,046
Total Noncurrent Assets	436,026
Deferred outflows of resources:	
Deferred charge on bond refundings	3
Total Assets and Deferred Outflows of Resources	\$ 478,593

Liabilities and Net Position

Current liabilities:	
Due to State of Alaska	\$ 361
Due to component units	24
Due to Federal Government	217
Accounts payable	13,143
Bonds payable – current portion (note 7)	11,575
Other bond liabilities – current portion (note 7)	940
Accrued interest payable	1,474
Total Current Liabilities	27,734
Noncurrent liabilities:	
Bonds payable – noncurrent portion, net (note 7)	52,109
Other bond liabilities – noncurrent portion (note 7)	112
Other liabilities	363
Total Noncurrent Liabilities	52,584
Total Liabilities	80,318
Net position:	
Net investment in capital assets	323,645
Restricted for capital projects	866
Restricted for debt service	26,796
Restricted by agreements with external parties	5,703
Restricted by legislation	41,265
Total Net Position	398,275
Total Liabilities and Net Position	\$ 478,593

Commitments and contingencies (note 12)

See accompanying notes to basic financial statements.

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)

Enterprise Fund - Major Fund

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2020

(stated in thousands)

Operating revenues:	
State of Alaska appropriations	\$ 898
Revenue from operating plants	21,361
Interest on loans	362
Other revenues	166
Total Operating Revenues	22,787
Operating expenses:	
Depreciation (note 4)	10,917
General and administrative	1,663
Interest expense	827
Plant operations	5,376
Provision for loan loss (note 8)	61
Total Operating Expenses	18,844
Operating Income	3,943
Nonoperating revenues (expenses) and other:	
Investment income, net	2,005
State of Alaska reappropriations and transfers	(66)
Total Nonoperating Revenues (Expenses) and Other	1,939
Increase in Net Position	5,882
Net Position – Beginning	392,393
Net Position – Ending	\$ 398,275

See accompanying notes to basic financial statements.

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)
Enterprise Fund - Major Fund
Statement of Cash Flows
Year ended June 30, 2020
(stated in thousands)

Cash flows from operating activities:	
Receipts from customers and users	\$ 22,230
Payments from State of Alaska	898
Payments to suppliers	(5,572)
Net cash provided by operating activities	<u>17,556</u>
Cash flows from noncapital and related financing activities:	
Net decrease in short-term borrowings from AIDEA for working capital	<u>(65)</u>
Cash flows from capital and related financing activities:	
Principal paid on bonds	(11,025)
Payments for other liabilities	(217)
Interest paid on bonds	(2,660)
Investment in capital assets	(19,977)
State of Alaska reappropriations and transfers	(66)
Net cash used by capital and related financing activities	<u>(33,945)</u>
Cash flows from investing activities:	
Purchase of investments	(14,588)
Proceeds from sales and maturities of investments	12,177
Interest received from investments	2,005
Principal collected on loans	441
Loans originated	(2,793)
Net cash used for investing activities	<u>(2,758)</u>
Net decrease in cash and cash equivalents	(19,212)
Cash and cash equivalents at beginning of year	<u>59,186</u>
Cash and cash equivalents at end of year	<u><u>\$ 39,974</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,943
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	10,917
Amortization of bond deferred charges	3
Provision for loan loss	61
Bond interest expense	824
Changes in assets and liabilities that provided (used) cash:	
Decrease in operating receivables	(182)
Increase in due to from other funds	460
Decrease in accrued interest receivable	(39)
Decrease in prepaid assets	214
Decrease in due to from State of Alaska	(284)
Increase in due to from component units	24
Increase in due to from Federal Government	217
Increase in operating accounts payable	1,398
Net cash provided by operating activities	<u><u>\$ 17,556</u></u>
Noncash capital and related financing and investing activities:	
Change in ending balance of capital assets accounts payable	<u><u>\$ 2,124</u></u>
See accompanying notes to basic financial statements.	

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)

Notes to Basic Financial Statements

June 30, 2020

(1) Organization and Operations

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

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

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

(a) *Bradley Lake Hydroelectric Project*

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

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

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ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)

Notes to Basic Financial Statements

June 30, 2020

(b) *Alaska Intertie Project*

The Alaska Intertie is a 170-mile transmission line designed for 345 kilovolts and operating at 138 kilovolts. 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, MEA, and ML&P (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.

(c) *Susitna-Watana Hydroelectric Project*

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

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

(d) *Rural Energy Programs*

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

(e) *Energy Development Programs*

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

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

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting*

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

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

(b) *Government-Wide and Fund Financial Statements*

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

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

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

(c) *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.

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

(d) *The Authority reports the following major funds:*

Major governmental funds:

AEA uses a special revenue fund to account for its governmental activities. This fund does not have a legally adopted budget, and hence the budget to actual is not presented in the financial statements.

Major proprietary funds:

The enterprise fund accounts for all financial activities primarily related to fees and charges to external parties.

(e) *Revenue Recognition*

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

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

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

(f) *Fair Value Measurement and Application*

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

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(g) *Cash and Cash Equivalents*

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

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

(h) *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.

(i) *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.

(j) *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.

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(k) 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 estimated economic lives of the assets are as follows:

<u>Utility plant</u>	<u>Life in years</u>
Intangible	30–50
Production	30–50
Transmission	20–40
General	5–30

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

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

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

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

(l) Fund Balance

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

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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.

(m) Net Position

Net position is displayed in three components, as follows:

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

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

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

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

(n) Environmental Issues

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

(o) Income Taxes

The Internal Revenue Code provides that gross income for tax purposes does not include income accruing to a state or territory or any political subdivision thereof which is derived from the exercise of any essential governmental function or from any public utility. AEA is a public corporation of the State performing an essential governmental function and is therefore exempt from State and federal income taxes.

(p) Appropriations and Grants

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

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(q) 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.

(r) Deferred Outflows of Resources

In addition to assets, the statements of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. AEA only has one item that qualifies for reporting in this category. It is the deferred charge on debt refunding reported in the Statement of Net Position. A deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

(s) Recently Issued Accounting Pronouncements

GASB Statement No. 84, *Fiduciary activities* (Statement 84) was issued by the GASB in January 2017. The objective of Statement 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be recorded. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions of this Statement are required to be implemented for the reporting periods beginning after December 15, 2018. The Authority has not implemented Statement 84 and will evaluate the impact on future financial statements.

GASB Statement No. 87, *Leases* (Statement 87) was issued by GASB in June 2017. The objective of Statement 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this Statement are required to be implemented for the reporting periods beginning after December 15, 2019. We have not implemented Statement 87 and are currently evaluating the impact on future financial statements.

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GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (Statement 89) was released in June of 2018. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates in the financial statements prepared using the current financial resources measurement focus that interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Authority has not implemented Statement 89 and will evaluate the impact on future financial statements.

GASB Statement No. 90, *Majority Equity Interests* (Statement 90) was issued August 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those

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provisions should be applied on a prospective basis. The Authority has not implemented Statement 90 and will evaluate the impact on future financial statements.

GASB Statement No. 91, *Conduit Debt Obligations* (Statement 91) was issued May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Authority has not implemented Statement 91 and will evaluate the impact on future financial statements.

GASB Statement No. 92, *Omnibus 2020 – Provisions of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance* (Statement 92). This Statement addresses a variety of topics such as leases, the applicability of Statement No. 73 and Statement No. 74 for reporting assets accumulated for postemployment benefits, the applicability of Statement No. 84 to postemployment benefit arrangements, the measurements of liabilities and assets related to asset retirement obligations in a government acquisition, reporting of public entity risk pools, referencing to nonrecurring fair value measurements, and terminology used to refer to derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. . The Authority has not implemented Statement 92 and will evaluate the impact on future financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* (Statement 93). The provisions of this Statement, except for paragraph 11b, are required to be implemented for year-end June 30, 2022. The requirements in paragraph 11b are required to be implemented for year-end June 30, 2023. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The Authority has not implemented Statement 93 and will evaluate the impact on future financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement 94. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APA). The requirements of this Statement are effective for reporting periods beginning after June 15,

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2022. The Authority has not implemented Statement 94 and will evaluate the impact on future financial statements.

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

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

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

(3) 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.

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At June 30, 2020, the Authority's carrying amount of cash and cash equivalents (all of which were restricted or designated for specific purposes) was \$58,516,000. The total of all bank balances on the same date amounted to \$59,414,000.

The restricted cash and cash equivalents and investments were held in trust and restricted accounts for the following activities as of June 30, 2020:

Restricted Cash and Cash Equivalents
(in thousands of dollars)

	Governmental Activities	Business- Type Activities	Totals
Bradley Lake Hydroelectric Project	\$ -	25,484	25,484
Alaska Intertie Project	-	1,541	1,541
Power Project Fund	-	12,549	12,549
Power Development and Railbelt Energy Projects	-	334	334
Rural Energy Projects	4,556	-	4,556
Power Cost Equalization Program	2,907	-	2,907
Renewable Energy Grant Fund	3,064	-	3,064
Emerging Energy Technology Fund	1,125	-	1,125
Trans-Alaska Pipeline Liability Fund	1,184	-	1,184
Rural Electrification Revolving Loan Fund	-	66	66
VW Settlement	5,706	-	5,706
Total restricted cash and cash equivalents	\$ 18,542	39,974	58,516

Restricted Investments
(in thousands of dollars)

	Governmental Activities	Business- Type Activities	Totals
Bradley Lake Hydroelectric Project	\$ -	21,502	21,502
Power Cost Equalization Program	1,078,153	-	1,078,153
Renewable Energy Grant Fund	22,714	-	22,714
Total restricted investments	\$ 1,100,867	21,502	1,122,369

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Investment Holdings

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

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

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

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

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

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Fair Value Measurement

AEA categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Following is a summary of the AEA's cash and investments at the recurring fair value measurement at June 30, 2020 (in thousands):

Fair Value of Cash and Investments
(in thousands of dollars)

	Governmental Activities	Business-Type Activities	Totals
Deposits	\$ -	-	-
Money market funds	18,542	39,974	58,516
Investment agreements	-	21,502	21,502
Investments managed by Treasury	1,100,867	-	1,100,867
Total invested assets	\$ 1,119,409	61,476	1,180,885

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

Interest Rate Risk

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

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

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

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

Credit Risk

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

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

Custodial Credit Risk

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. Treasury’s policy with regard to custodial credit risk is to collateralize State deposits to the extent possible. At June 30, 2020, AEA’s deposits managed by Treasury were uncollateralized and uninsured.

With respect to AEA managed investments, amounts totaling approximately \$58,516,000 at June 30, 2020 are held in money market funds with the custodian, the trust department of a commercial bank; therefore, no custodial risk exists for these securities. Investment agreements in the amount of \$21,502,000 are held with the custodian institution and are collateralized.

Renewable Energy Grant Fund

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

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

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

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At June 30, 2020, the GeFONSI total for the Renewable Energy Grant Fund was \$22,714,000. For additional information on interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk see the separately issued report on the Invested Assets of the Commissioner of Revenue at: <http://treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx>.

Power Cost Equalization Endowment Fund Investment Holdings

Treasury has created a pooled environment by which it manages the investments for which the Commissioner has fiduciary responsibility. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Fund invests in the State's internally managed Short-term Fixed Income Pool, the Broad Market Fixed Income Pool, as well as the State's internally managed Domestic Equity and International Equity Pools. The complete financial activity of the Fund is shown in the Comprehensive Annual Financial Report (CAFR) 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, 2020, the Fund's share of pool investments was as follows:

Power Cost Equalization Endowment Fund	
Investment Pools	
(in thousands of dollars)	
	FY20
Cash and cash equivalents	
Short-term fixed income pool	\$ 4
Fixed income – broad market pool	386,618
Equity	
Domestic equity pool	443,291
International equity pools	248,244
Net Invested Assets	\$ 1,078,157
Less: Cash and cash equivalents	(4)
Restricted Investments – Power Cost Equalization Program	\$ 1,078,153

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>.

ALASKA ENERGY AUTHORITY
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Notes to Basic Financial Statements

June 30, 2020

(4) Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows (stated in thousands):

Business-Type Activities	Balance at July 1, 2019	Additions	Deletion s	Balance at June 30, 2020
Capital assets not being depreciated:				
Land and Rights of Way	\$ 11,212	-	-	11,212
Construction in progress:				
Intangibles	189,151	-	-	189,151
Other	24,323	21,692	-	46,015
Total capital assets not being depreciated	224,686	21,692	-	246,378
Depreciable capital assets:				
Equipment	6,416	217	-	6,633
Infrastructure	442,060	1,082	-	443,142
Total depreciable capital assets	448,476	1,299	-	449,775
Less accumulated depreciation:				
Equipment	(5,454)	(87)	-	(5,541)
Infrastructure	(291,736)	(10,830)	-	(302,566)
Total accumulated depreciation	(297,190)	(10,917)	-	(308,107)
Capital assets, net	\$ 375,972	12,074	-	388,046

For the year ended June 30, 2020 total interest costs on long-term borrowings for construction projects was \$1,749,000, of that amount \$890,000 was capitalized as a part of construction in progress-other.

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Notes to Basic Financial Statements

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Depreciation expense was charged to the functions as follows for the year ended June 30, 2020 (stated in thousands):

Business-Type Activities	
Bradley Lake Hydroelectric Project	\$ 7,196
Alaska Intertie Project	3,721
Total depreciation expense – business type activities	\$ 10,917

(5) 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, 2020 follows (stated in thousands):

Due from other funds

Due to Special Revenue Fund from Enterprise Fund	\$ <u>206</u>
--	---------------

(6) Due to the State of Alaska

Article 9, sec 17(d) of the Alaska Constitution requires that money in the general fund available for appropriation at the end of each fiscal year be deposited into the Constitutional Budget Reserve Fund (CBR) to repay amounts withdrawn from the CBR. This is referred to as the “sweep” into the CBR. The State of Alaska Department of Law (DOL) reviewed whether this requirement applies to the unobligated balance of the Power Cost Equalization Endowment Fund (PCE Endowment Fund). In 2019 DOL determined the PCE Endowment Fund is available for appropriation and has all the essential attributes of general fund money and is therefore subject to the sweep. The balance in the PCE Endowment Fund is subject to the sweep to the general fund and then to the CBR. As of June 30, 2020, the Authority recorded a liability in the amount of \$1.06 billion related to the sweep. Legislation approved the reversal of the sweep to be effective July 1, 2020, which returns the swept funds back to the PCE Endowment Fund. The PCE Endowment Fund balances are therefore re-established with the reversal of the sweep.

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ALASKA ENERGY AUTHORITY
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Notes to Basic Financial Statements

June 30, 2020

(7) Long-Term Debt

Long-term debt activity for the year ended June 30, 2020 was as follows (stated in thousands):

Business-Type Activities	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020	Due within one year
Power Revenue Bonds					
Bradley Lake:					
First Series	\$ 75	-	(25)	50	25
Refunding, Fourth Series	12,455	-	(3,915)	8,540	4,145
Refunding, Sixth Series	20,940	-	(7,085)	13,855	7,405
Bradley Lake – Battle Creek:					
Diversion – Private Placement					
Seventh Series	40,000	-	-	40,000	-
Eighth Series	1,239	-	-	1,239	-
Total bonds payable	74,709	-	(11,025)	63,684	11,575
Arbitrage interest payable (c)	1,110	243	(346)	1,007	895
Bond original issue premium	159	-	(114)	45	45
Total other bond liabilities	1,269	243	(460)	1,052	940
Total long-term debt	\$ 75,978	243	(11,485)	64,736	12,515

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Notes to Basic Financial Statements

June 30, 2020

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

- First and Second Series in September 1989 and August 1990, respectively, for the long-term financing of the construction costs of the Bradley Lake Hydroelectric Project and refunded AEA's Variable Rate Demand Bonds which were issued in November 1985 to provide interim financing for the Project.
- Third and Fifth Series Power Revenue Refunding Bonds in April 1999 to refund a portion of the First Series Bonds and pay costs of issuance. The First Series refunded bonds were called on July 1, 1999.
- Fourth Series Power Revenue Refunding Bonds in April 2000 to refund a portion of the Second Series Bonds and to provide costs of issuance. The Second Series refunded bonds were called on July 1, 2000.
- Sixth Series Power Revenue Refunding Bonds in July 2010 in the amount of \$28,800,000 to refund and defease \$30,640,000 aggregate outstanding principal amount of the Authority's Power Revenue Refunding Bonds, Fifth Series, and to pay costs of issuing the bonds. The refunded bonds were called on August 2, 2010.

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

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

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

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

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June 30, 2020

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

Under the terms of the Bond Resolution, as additional security for repayment of the bonds, a capital reserve fund has been established in an amount equal to the capital reserve fund requirement. The capital reserve fund is supported by the moral obligation of the State of Alaska. In the event amounts are drawn from the capital reserve fund to pay debt service on the bonds the Authority is to certify in writing to the Governor and the State Legislature the sum required to restore the capital reserve fund to the capital reserve requirement. The State Legislature may, but is not obligated to, appropriate to the Authority the sum certified by the Chair of the board of the Authority necessary to restore the capital reserve fund to the capital reserve fund requirement.

The Fourth Series Bonds are further secured by bond insurance.

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

- Late payment or non-payment of principal or Redemption Price (as defined in the Bond Resolution) whether at maturity or upon call for redemption.
- Late payment or non-payment of interest or on the unsatisfied balance of any sinking fund installment.
- Non-performance or non-observance of any of the other covenants, agreements or conditions in the Bond Resolution or in the Bonds, and such default continues for 60 days after written notice to the Authority by the Trustee or to the Authority and the Trustee by the Holders of not less than 25% in the principal amount of the outstanding bonds.
- Dissolution or liquidation of the Authority or filing by the Authority of a voluntary petition in bankruptcy, or the commission by the Authority of any act of bankruptcy, or adjudication of the Authority as bankrupt, or assignment by the Authority for the benefit of its creditors, or the entry by the creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Authority in any proceedings for its reorganization instituted under the provisions of the federal bankruptcy act, as amended, or under any similar act in any jurisdiction effective now or in the future.

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- If an order or decree is entered with the consent or acquiescence of the Authority, appointing a receiver(s) of the Bradley Lake Project, in whole or part, or of the Bradley Lake Project rents, fees, charges or other Revenues therefrom (as defined in the Bond Resolution). If the order or decree is entered without the consent or acquiescence of the Authority and is not vacated or discharged or stayed within 90 days after the entry.
- If a judgment for the payment of money shall be rendered against the Authority resulting from the construction, improvement, ownership, control or operation of the Bradley Lake Project, and the judgment is not discharged within 90 days, or an appeal or decree to set aside or stay the execution or levy of the judgment is not filed in such manner as to set aside or stay the execution of or levy under such judgment, or order, decree or process or the enforcement thereof.

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

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

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

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

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Notes to Basic Financial Statements

June 30, 2020

The minimum payments related to all bonds, for the years subsequent to June 30, 2020, are as follows:

Business-Type Activities (in thousands of dollars)				
		Principal	Interest	Total
Fiscal Year Ending June 30:				
2021	\$	11,575	2,647	14,222
2022		12,245	2,011	14,256
2023		1,375	1,661	3,036
2024		1,375	1,603	2,978
2025		1,375	1,545	2,920
2026-2030		6,873	6,848	13,721
2031-2035		6,873	5,391	12,264
2036-2040		6,873	3,934	10,807
2041-2045		6,873	2,477	9,350
2046-2050		6,873	1,020	7,893
2051		1,374	29	1,403
Total	\$	63,684	29,166	92,850

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ALASKA ENERGY AUTHORITY
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Notes to Basic Financial Statements

June 30, 2020

(8) Loans Receivable

The Authority administers the Power Project Fund Loan Program and the Rural Electrification Revolving Loan Program. Loans outstanding at June 30, 2020 are classified as follows (stated in thousands):

Business-Type Activities
(in thousands of dollars)

	No. of Loans	Amount
Power Project Fund Loan Programs	16	\$ 27,559
Less: Allowance for Loan Loss		<u>(527)</u>
Balance, at end of year		<u>\$ 27,032</u>

Loans more than 90 days past due are not included in the accrual of interest. At June 30, 2020, there were no loans more than 90 days past due.

An analysis of changes in the allowance for loan losses for the years ended June 30, 2020 follows (stated in thousands):

Balance at beginning of year	\$ 466
Provision for loan loss	<u>61</u>
Balance at end of year	<u>\$ 527</u>

On September 30, 2010, the Authority sold a portion of its Power Project Fund loan portfolio to AIDEA. Under the agreement, upon AIDEA's request, AEA is required to repurchase any loan upon a payment default. On June 30, 2020, the outstanding principal balance of the loans sold was \$12,091,000 for which AEA has recognized an estimated liability for potential repurchase of \$363,000.

ALASKA ENERGY AUTHORITY
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Notes to Basic Financial Statements

June 30, 2020

(9) Fund Balance

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

	Restricted by External Parties	Restricted by Legislation
Power Cost Equalization Program	\$ -	13,005
Renewable Energy Grant Fund	-	24,583
Emerging Energy Technology Fund	-	1,109
Trans-Alaska Pipeline Liability Fund	1,182	-
Rural Energy Projects	-	12
Total fund balance	\$ 1,182	38,709

(10) Risk Management

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

(11) Related Parties

(a) Alaska Industrial Development and Export Authority

Pursuant to understandings and agreements between AIDEA and AEA, AIDEA provides administrative, personnel, data processing, communications, and other services to AEA. AEA has a Board approved borrowing agreement with AIDEA to provide short-term working capital funds up to a maximum of \$7.5 million.

At June 30, 2020, AEA recognized expenses for services from AIDEA in the amount of \$5.19 million. AEA administers the Bradley Lake Hydroelectric Project and Battle Creek Project for which it reimburses AIDEA \$200,000 and \$105,000, respectively, for project management and shared services cost. In addition, AEA had \$3.39 million payable to AIDEA for services and borrowings, which are included in accounts payable.

ALASKA ENERGY AUTHORITY
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Notes to Basic Financial Statements

June 30, 2020

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

(b) Alaska Intertie Management Committee

AEA is party to agreement with utilities (GVEA, MEA, CEA, and ML&P) using the Alaska Intertie for wheeling of electrical power. Pursuant to the Intertie Agreement, the IMC was established to manage the system. The IMC is comprised of a representative from AEA and each of the utilities. AEA is reimbursed for operation and maintenance costs on a monthly basis with an annual settlement to adjust the payments to actual costs. AEA received \$101,058 during fiscal year 2020 for administrative services.

(c) Bradley Lake Project Management Committee

On December 7, 1987, AEA entered into a Power Sales Agreement (PSA) with utilities (GVEA, MEA, CEA, ML&P, HEA, and City of Seward) purchasing electric power produced by the Bradley Lake Hydroelectric Project. In 1988, legislation was passed which made the PSA effective. Pursuant to the PSA, a Project Management Committee (PMC) was formed to manage the project. The PMC is comprised of a representative from AEA and each of the utilities. The participating utilities make monthly payments directly to the bond trustee based on their respective percentage share of the estimated annual project costs. AEA has an agreement with the PMC to provide administrative services to the Bradley Lake Project and received \$305,000 for these services.

(12) 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, 2020, AEA had Power Project Fund loan commitments of \$5,587,000.

At June 30, 2020, AEA had cumulative prior year commitments from grant awards that are funded by State appropriations and federal awards; the amounts committed were \$26,325,000.

(13) Risks and Uncertainties

In late January 2020, the World Health Organization ("WHO") announced a global health emergency regarding a new strain of virus called coronavirus (COVID-19). This virus originated from within China and spread globally, including Alaska. Further, in March 2020, the WHO classified the coronavirus as a pandemic. On March 12, 2020, the Mayor of Anchorage declared a state of emergency to protect and preserve public health and safety, and subsequently closed all civic, cultural, and recreational facilities in the Municipality. The Governor of Alaska declared a public health disaster as did the President of the United States. The Governor instituted a number of public health measures that affected intrastate and interstate travel and the movement of goods and services.

ALASKA ENERGY AUTHORITY
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Notes to Basic Financial Statements

June 30, 2020

Management is actively monitoring the global situation and assessing its effect on the Authority's financial condition, liquidity, operations, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or cash flows for FY21; however, the Authority may experience a short term reduction in cash flows relating to our loan portfolio during the economic slowdown that appears to be resulting from the health emergency. In addition, our investment portfolio might experience periods of high volatility and temporary or permanent decline. This might affect amounts available for future PCE reimbursements. Long term impacts are unknown.

On March 27, 2020 President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, appropriated funds for the Coronavirus Relief Fund to be used to make payments for specified uses to States and certain local governments. The Authority will continue to examine the impact that the Cares Act may have. Currently, the Authority has not received any funds and is unable to determine the full impact that the CARES Act will have on the Authority financial condition, results of operations or liquidity.

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)
Schedule of Bradley Lake Hydroelectric Project Trust Account Activities
Year ended June 30, 2020
(stated in thousands)

	Construction Fund	Debt Service Fund	Capital Reserve Fund	Renewal and Contingency Reserve Fund	Excess Investment Earnings Fund	Revenue Fund	Operating Fund	Operating Reserve Account	Total
Balance at July 1, 2019	\$ 24,375	12,769	15,575	2,434	941	2,585	1,158	1,005	60,842
Interest received	197	266	985	175	63	302	70	75	2,133
Bond principal paid	—	(11,025)	—	—	—	—	—	—	(11,025)
Bond interest paid	—	(3,228)	—	—	—	—	—	—	(3,228)
Arbitrage paid	—	—	—	—	(457)	—	—	—	(457)
IRS interest subsidy received	—	—	—	—	—	567	—	—	567
Operating budget surplus paid	—	—	—	(88)	—	(965)	(783)	—	(1,836)
Capital expenditures	(16,022)	—	—	(720)	—	(912)	—	(150)	(17,804)
Operating revenue received	—	—	—	—	—	22,074	—	—	22,074
Operating expenses paid	—	—	—	—	—	—	(4,280)	—	(4,280)
Transfers between funds	—	14,267	(985)	2,121	106	(21,441)	5,713	219	—
Balance at June 30, 2020	\$ 8,550	13,049	15,575	3,922	653	2,210	1,878	1,149	46,986

See accompanying independent auditors' report.

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)
Special Revenue Fund
Schedule of Projects and Programs – Balance Sheet
June 30, 2020
(stated in thousands)

Assets	Power Cost Equalization Program	Renewable Energy Grant Fund	Emerging Energy Technology Fund	Trans Alaska Pipeline Liability Fund	Rural Energy Projects	Volkswagen Diesel Settlement Fund	Eliminations	Totals
Current assets:								
Restricted cash and cash equivalents	\$ 2,907	3,064	1,125	1,184	4,556	5,706	—	18,542
Restricted investments	1,062,521	—	—	—	—	—	—	1,062,521
Operating receivable	—	12	—	—	2	—	—	14
Due from Federal Government	—	—	22	—	1,282	—	—	1,304
Due from State of Alaska	—	—	—	—	344	—	—	344
Due from component units	—	—	—	—	12	—	—	12
Due (to) from other funds/internal balances	—	—	—	—	3,278	—	(3,072)	206
Total Current Assets	1,065,428	3,076	1,147	1,184	9,474	5,706	(3,072)	1,082,943
Noncurrent assets:								
Restricted investments	15,632	22,714	—	—	—	—	—	38,346
Total Assets	\$ 1,081,060	25,790	1,147	1,184	9,474	5,706	(3,072)	1,121,289
Liabilities and Fund Balance								
Current liabilities:								
Due to State of Alaska	\$ 1,062,537	—	—	—	2,809	—	—	1,065,346
Due to component units	—	—	—	—	84	—	—	84
Due to Federal Government	—	—	—	—	—	—	—	—
Accounts payable	4,429	534	38	—	5,342	5,625	—	15,968
Due to (from) other funds/internal balances	1,089	673	—	2	1,227	81	(3,072)	—
Total Current Liabilities	1,068,055	1,207	38	2	9,462	5,706	(3,072)	1,081,398
Other liabilities-noncurrent	—	—	—	—	—	—	—	—
Total Noncurrent Liabilities	—	—	—	—	—	—	—	—
Total Liabilities	1,068,055	1,207	38	2	9,462	5,706	(3,072)	1,081,398
Fund Balance:								
Restricted by agreements with external parties	—	—	—	1,182	—	—	—	1,182
Restricted by legislation	13,005	24,583	1,109	—	12	—	—	38,709
Total Fund Balance	13,005	24,583	1,109	1,182	12	—	—	39,891
Total Liabilities and Fund Balance	\$ 1,081,060	25,790	1,147	1,184	9,474	5,706	(3,072)	1,121,289

See accompanying independent auditors' report.

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)
Special Revenue Fund

Schedule of Projects and Programs – Revenues, Expenses, and Changes in Fund Balance
Year ended June 30, 2020
(stated in thousands)

	Power Cost Equalization Program	Renewable Energy Grant Fund	Emerging Energy Technology Fund	Trans Alaska Pipeline Liability Fund	Rural Energy Projects	Volkswagen Diesel Settlement Fund	Totals
Operating revenues:							
State of Alaska appropriations	\$ —	—	—	—	3,821	—	3,821
Federal grants	—	—	27	—	7,818	—	7,845
Other revenues	—	—	—	—	833	685	1,518
Total Operating Revenues	<u>—</u>	<u>—</u>	<u>27</u>	<u>—</u>	<u>12,472</u>	<u>685</u>	<u>13,184</u>
Operating expenditures:							
Grants and projects	—	4,255	47	4	13,899	509	18,714
Power cost equalization grants	29,255	—	—	—	—	—	29,255
General and administrative	924	896	—	2	2,081	176	4,079
Total Operating Expenditures	<u>30,179</u>	<u>5,151</u>	<u>47</u>	<u>6</u>	<u>15,980</u>	<u>685</u>	<u>52,048</u>
Nonoperating revenues (expenses) and other:							
Investment income, net	48,808	572	—	15	11	—	49,406
Interfund capital grants and contributions	(1,594)	(1,914)	—	—	3,508	—	—
State of Alaska appropriations and transfers	(21,288)	—	—	—	—	—	(21,288)
Total nonoperating revenues (expenses) and other:	<u>25,926</u>	<u>(1,342)</u>	<u>—</u>	<u>15</u>	<u>3,519</u>	<u>—</u>	<u>28,118</u>
Increase (Decrease) in Fund Balance	<u>(4,253)</u>	<u>(6,493)</u>	<u>(20)</u>	<u>9</u>	<u>11</u>	<u>—</u>	<u>(10,746)</u>
Fund Balance – Beginning	<u>17,258</u>	<u>31,076</u>	<u>1,129</u>	<u>1,173</u>	<u>1</u>	<u>—</u>	<u>50,637</u>
Fund Balance – Ending	<u>\$ 13,005</u>	<u>24,583</u>	<u>1,109</u>	<u>1,182</u>	<u>12</u>	<u>—</u>	<u>39,891</u>

See accompanying independent auditors' report.

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)
Business-Type Activities - Enterprise Fund
Schedule of Projects and Programs – Statement of Net Position
June 30, 2020
(stated in thousands)

	Bradley Lake Hydroelectric Project	Alaska Intertie Project	Susitna- Watana Hydroelectric Project	Power Project Fund	Rural Electrification Revolving Loan Fund	Power Develop- ment and Railbelt Energy Projects	Eliminations	Totals
Assets and Deferred Outflows of Resources								
Current assets:								
Restricted cash and cash equivalents	\$ 25,484	1,541	—	12,549	66	334	—	39,974
Operating receivable	—	173	—	86	—	8	—	267
Prepaid expense	—	251	—	—	—	—	—	251
Loans receivable	—	—	—	554	—	—	—	554
Due from Federal Government	562	—	—	—	—	—	—	562
Accrued interest receivable	1,100	—	—	61	—	—	—	1,161
Due from the State of Alaska	—	1	—	—	—	—	—	1
Due (to) from other funds/internal balances	—	—	—	(94)	—	1,738	(1,850)	(206)
Total Current Assets	27,146	1,966	—	13,156	66	2,080	(1,850)	42,564
Noncurrent assets:								
Restricted investments	21,502	—	—	—	—	—	—	21,502
Loans receivable, net of allowance	—	—	—	26,478	—	—	—	26,478
Capital assets, net of accumulated depreciation	185,824	18,540	183,682	—	—	—	—	388,046
Total Noncurrent Assets	207,326	18,540	183,682	26,478	—	—	—	436,026
Deferred outflows of resources:								
Deferred charge on bond refundings	3	—	—	—	—	—	—	3
Total Assets and Deferred Outflows of Resources	\$ 234,475	20,506	183,682	39,634	66	2,080	(1,850)	478,593
Liabilities and Net Position								
Current liabilities:								
Due to the State of Alaska	—	212	—	—	66	83	—	361
Due to component units	24	—	—	—	—	—	—	24
Due to Federal Governments	\$ 217	—	—	—	—	—	—	217
Accounts payable	11,493	1,647	—	—	—	3	—	13,143
Bonds payable – current portion	11,575	—	—	—	—	—	—	11,575
Other bond liabilities – current portion	940	—	—	—	—	—	—	940
Accrued interest payable	1,474	—	—	—	—	—	—	1,474
Due to (from) other funds/internal balances	1,759	91	—	—	—	—	(1,850)	—
Total Current Liabilities	27,482	1,950	—	—	66	86	(1,850)	27,734
Noncurrent liabilities:								
Bonds payable – noncurrent portion, net	52,109	—	—	—	—	—	—	52,109
Other bond liabilities – noncurrent portion	112	—	—	—	—	—	—	112
Other liabilities	—	—	—	363	—	—	—	363
Total Noncurrent Liabilities	52,221	—	—	363	—	—	—	52,584
Total Liabilities	79,703	1,950	—	363	66	86	(1,850)	80,318
Net position:								
Net investment in capital assets	121,423	18,540	183,682	—	—	—	—	323,645
Restricted for capital projects	866	—	—	—	—	—	—	866
Restricted for debt service	26,796	—	—	—	—	—	—	26,796
Restricted by agreements with external parties	5,687	16	—	—	—	—	—	5,703
Restricted by legislation	—	—	—	39,271	—	1,994	—	41,265
Total Net Position	154,772	18,556	183,682	39,271	—	1,994	—	398,275
Total Liabilities and Net Position	\$ 234,475	20,506	183,682	39,634	66	2,080	(1,850)	478,593

See accompanying independent auditors' report.

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)
Business-Type Activities - Enterprise Fund

Schedule of Projects and Programs – Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2020

(stated in thousands)

	Bradley Lake Hydroelectric Project	Alaska Intertie Project	Susitna-Watana Hydroelectric Project	Power Project Fund	Rural Electrification Revolving Loan Fund	Power Develop- ment and Railbelt Energy Projects	Totals
Operating revenues:							
State of Alaska appropriations	\$ —	898	—	—	—	—	898
Revenue from operating plants	20,415	946	—	—	—	—	21,361
Interest on loans	—	—	—	361	1	—	362
Other revenues	103	—	—	63	—	—	166
Total Operating Revenues	20,518	1,844	—	424	1	—	22,787
Operating expenses:							
Depreciation	7,196	3,721	—	—	—	—	10,917
General and administrative	1,043	163	—	457	—	—	1,663
Interest expense	827	—	—	—	—	—	827
Plant operating	4,311	1,065	—	—	—	—	5,376
Provision for loan loss (recovery)	—	—	—	62	(1)	—	61
Total Operating Expenses	13,377	4,949	—	519	(1)	—	18,844
Operating Income (Loss)	7,141	(3,105)	—	(95)	2	—	3,943
Nonoperating revenues (expenses) and other:							
Investment income, net	1,813	16	—	176	—	—	2,005
State of Alaska transfers	—	—	—	—	(66)	—	(66)
Total nonoperating revenues (expenses) and other	1,813	16	—	176	(66)	—	1,939
Increase (Decrease) in Net Position	8,954	(3,089)	—	81	(64)	—	5,882
Net Position – Beginning	145,818	21,645	183,682	39,190	64	1,994	392,393
Net Position – Ending	\$ 154,772	18,556	183,682	39,271	—	1,994	398,275

See accompanying independent auditors' report.

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)

Schedule of Capital Assets Presented under Federal Energy Regulatory Commission Requirements

June 30, 2020

(stated in thousands)

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Capital assets:				
Intangible	\$ 183,696	—	—	183,696
Production	292,121	22,318	—	314,439
Transmission	191,610	603	—	192,213
General	5,735	70	—	5,805
Total capital assets	<u>673,162</u>	<u>22,991</u>	<u>—</u>	<u>696,153</u>
Less accumulated depreciation:				
Intangible	(6)	—	—	(6)
Production	(143,983)	(5,549)	—	(149,532)
Transmission	(147,822)	(5,343)	—	(153,165)
General	(5,379)	(25)	—	(5,404)
Total accumulated depreciation	<u>(297,190)</u>	<u>(10,917)</u>	<u>—</u>	<u>(308,107)</u>
Capital assets, net	<u>\$ 375,972</u>	<u>12,074</u>	<u>—</u>	<u>388,046</u>

Unaudited - See accompanying independent auditors' report.

Schedule 7

ALASKA ENERGY AUTHORITY
 (A Component Unit of the State of Alaska)
 Bradley Lake Historical Annual Project Cost
 Year ended June 30, 2020
 (stated in thousands)

Operating Data	2020
Project costs:	
Operations and maintenance	\$ 3,400
Repairs	173
General and administrative	1,301
Insurance	653
Capital purchases	933
Contributions to renewal and contingency fund and operating reserve account	2,422
Subtotal	<u>8,882</u>
Debt service	14,532
Less Federal interest subsidy	(567)
Less investment income	(1,766)
Total cost of power	<u>\$ 21,081</u>
Energy delivered (MWh)	499,183
Total unit cost of power (cents per kWh)	4.22

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

Unaudited - See accompanying independent auditors' report.

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)
PCE Endowment Fund Historical Analysis
June 30, 2020
(stated in thousands)

	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>
Beginning cash and investment balance	\$ 320,714	364,529	751,780	840,215	977,867	969,389	946,939	1,023,566	1,073,378	1,072,825
Inflows:										
Annual investment earnings	67,651	10,948	111,488	171,112	33,192	8,912	112,331	76,602	74,142	48,303
Capital fund transfers in	—	400,000	—	—	—	—	—	—	—	—
Total inflows	<u>67,651</u>	<u>410,948</u>	<u>111,488</u>	<u>171,112</u>	<u>33,192</u>	<u>8,912</u>	<u>112,331</u>	<u>76,602</u>	<u>74,142</u>	<u>48,303</u>
Outflows:										
Transfers to AEA for PCE payments (1)	(23,458)	(23,154)	(22,527)	(32,773)	(41,002)	(30,622)	(34,956)	(25,595)	(29,719)	(27,000)
Transfers and appropriations to Other Funds	—	—	—	—	—	—	—	—	(44,000)	(14,867)
Program administration - AEA	(174)	(211)	(198)	(241)	(248)	(255)	(243)	(624)	(444)	(575)
Administrative fee - Regulatory Commission	(78)	(129)	(90)	(110)	(107)	(100)	(112)	(113)	(102)	(108)
Management fee - Department of Revenue	(126)	(203)	(238)	(336)	(313)	(385)	(393)	(458)	(430)	(421)
Total outflows	<u>(23,836)</u>	<u>(23,697)</u>	<u>(23,053)</u>	<u>(33,460)</u>	<u>(41,670)</u>	<u>(31,362)</u>	<u>(35,704)</u>	<u>(26,790)</u>	<u>(74,695)</u>	<u>(42,971)</u>
Ending cash and investment balance	\$ <u><u>364,529</u></u>	<u><u>751,780</u></u>	<u><u>840,215</u></u>	<u><u>977,867</u></u>	<u><u>969,389</u></u>	<u><u>946,939</u></u>	<u><u>1,023,566</u></u>	<u><u>1,073,378</u></u>	<u><u>1,072,825</u></u>	<u><u>1,078,157</u></u>

(1) Transfers to AEA for PCE Endowment grant payments at June 30, 2020 were \$27,000,000. Subsequent transfers were \$2,600,000 based on estimated PCE costs paid in FY21.

Unaudited - See accompanying independent auditors' report.

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)

Supplementary Organization and Project Information

June 30, 2020

Organization and Operations

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

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

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

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

Bradley Lake Hydroelectric Project

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

ALASKA ENERGY AUTHORITY
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June 30, 2020

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

Alaska Intertie Project

The Alaska Intertie is a 170-mile transmission line designed for 345 kV and operated at 138 kV. It runs between Willow and Healy and interconnects the power systems in the Southcentral and Fairbanks areas. 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 Alaska Intertie allows GVEA to purchase economy power to lower the costs to rate paying consumers. It also allows Southcentral Alaska utilities to purchase power from Fairbanks during power shortages. 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), Matanuska Electric Association (MEA), and the Municipality of Anchorage, d/b/a Municipal Light and Power (ML&P). The Alaska Intertie also enables GVEA to receive power generated by the Bradley Lake Project, which is some of the lowest priced power in the Railbelt region. It also allows Southcentral Alaska utilities to purchase power from Fairbanks during power shortages.

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

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

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

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)
Supplementary Organization and Project Information
June 30, 2020

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

Susitna-Watana Hydroelectric Project

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

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

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

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

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

ALASKA ENERGY AUTHORITY
(A Component Unit of the State of Alaska)
Supplementary Organization and Project Information
June 30, 2020

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

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