

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

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information, and Other Information
For the Year Ended June 30, 2024

(With Independent Auditor's Report Thereon)

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



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

Basic Financial Statements, Required Supplementary Information,
Supplementary Information, and Other Information
Year Ended June 30, 2024

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Independent Auditor's Report

The Board of Directors
Alaska Energy Authority
Anchorage, AK

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of Alaska Energy Authority (a Component Unit of the State of Alaska) (the "Authority"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Authority as of June 30, 2024, 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.

We did not audit the financial statements of the Power Cost Equalization Endowment Fund (PCE Fund), which represents 92% and 59% respectively, of the assets and revenues of the Governmental Activities and Major Special Revenue Fund opinion units as of June 30, 2024, and the respective changes in financial position for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinions insofar as it relates to the amounts included for the PCE Fund are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the PCE fund were not audited in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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



Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information in schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in schedules 1 through 4 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises schedules 5 through 9, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024 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, P.C.

Anchorage, Alaska
October 31, 2024

Overview of the Financial Statements

The Alaska Energy Authority (AEA or Authority) is a public corporation of the State of Alaska (State) within the Department of Commerce, Community and Economic Development (DCCED), but with a separate and independent legal existence and a separate and self-balancing set of independently audited Financial Statements. The Authority's operations consist of governmental fund activities reported as a Special Revenue Fund and business-type activities reported as an Enterprise Fund. The financial information in this report is later reported as a component of the State and is discreetly presented in the State's Annual Comprehensive Financial Report (ACFR).

The Authority manages the following projects and programs: owned hydroelectric and intertie projects, rural energy programs, and energy development programs. The Authority's projects and programs are funded primarily by State appropriations, federal grants, investment income, and Southcentral (Railbelt) Alaska utility companies. Further information on the Authority's projects and programs can be found in Note 1 of the Notes to the Financial Statements (Notes).

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, 2024. This information is presented to help the reader focus on significant financial matters and provide additional information regarding the activities of the Authority. This information should be read in conjunction with the Independent Auditor's Report, the audited Financial Statements, and accompanying Notes and Schedules.

Government-Wide Financial Statements

The Government-wide Financial Statements report information about the overall finances of the Authority similar to a business-type enterprise. These statements combine and consolidate current near-term financial resources with capital assets and long-term obligations.

The Government-wide Financial Statements are divided into the following categories:

- **Governmental Activities** – These are functions of the Authority that are financed primarily by intergovernmental revenues. The Authority's governmental activities include the Power Cost Equalization (PCE) Program, the Renewable Energy Grant Fund (REF), the Trans-Alaska Pipeline Liability (TAPL) Fund, Rural Power System Upgrade Projects, Rural Energy Projects, and the 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. The Authority's business-type activities include the Bradley Lake Hydroelectric Project, the Alaska Intertie Project, the Susitna-Watana Hydroelectric Project, and the Power Project Fund. The Bradley Lake Hydroelectric Project includes the addition of Battle Creek diversion and the planning of Dixon Creek diversion which expands the hydroelectric project and the Sterling Substation to Quartz Creek Substation (SSQ Line) which transmits power to customers.

The Statement of Net Position presents financial information for all of the Authority's assets less liabilities, which results in the Authority's net position. This statement is designed to display the overall financial position of the Authority.

The Statement of Activities provides information, which shows how the Authority's net position changed as a result of the year's activities. The statement is presented in the accrual basis of accounting which utilizes the economic resources measurement focus. This is similar to the basis of accounting used by private-sector businesses. Revenues are recognized when they become available and measurable, and expenses are recognized in the period in which the fund liability is incurred, if measurable.

Fund Financial Statements

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

Governmental Funds – Special Revenue Fund

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, governmental fund financial statements focus on the near-term view of the Authority's operations. Because the financial statement reporting focus of governmental funds is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements.

Propriety Funds – Enterprise Fund

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

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

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

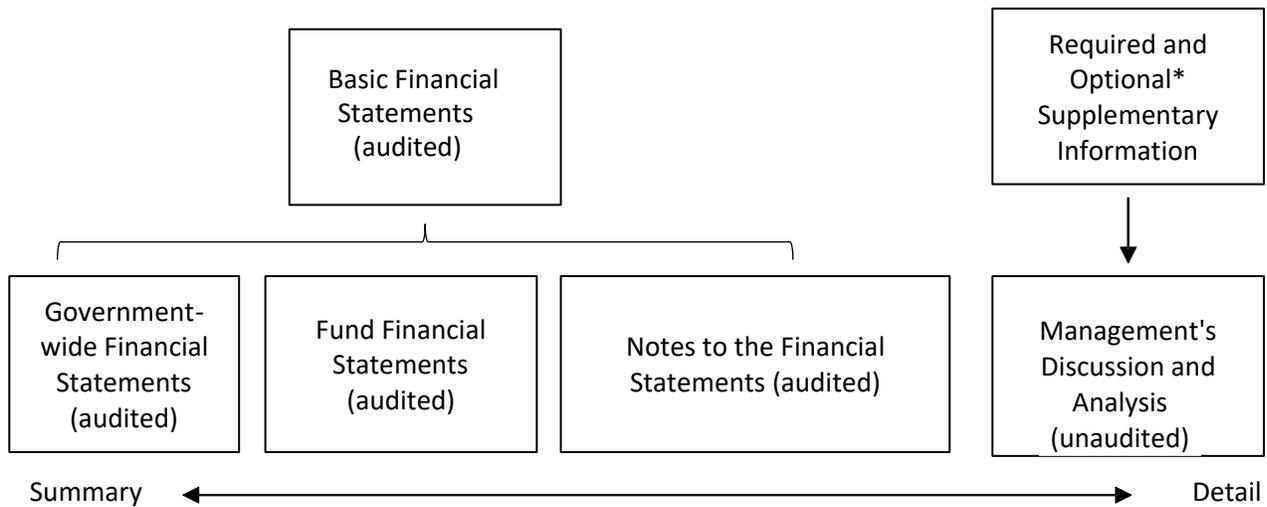
Notes to the Financial Statements

The Notes provide additional information that is essential to fully understand the amounts reported in the Government-wide and Fund Financial Statements.

Other Information

In addition to the Financial Statements and accompanying Notes, this report also presents certain supplementary information as Schedules, which provides additional information about the Authority’s projects and programs.

Required Components of the Financial Statements



***Optional Supplementary Information:**

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

Government-wide Statement of Net Position Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority as a whole, assets exceeded its liabilities by \$1.38 billion at June 30, 2023 and \$1.41 billion at June 30, 2024.

Of the total net position at June 30, 2024, \$325.6 million was invested in capital assets net of related debt, \$1.25 billion was restricted, and \$164.4 million was unrestricted (deficit). Of the total net position at June 30, 2023, \$347.2 million was invested in capital assets, net of related debt, \$1.21 billion was restricted, and \$176.5 million was unrestricted (deficit). In both years, invested in capital assets, net of related debt, is related to the Bradley Lake Hydroelectric Project, Alaska Intertie Project, and Susitna-Watana Hydroelectric Project. The remainder of net position is considered restricted for capital projects, debt service or restricted due to agreements with external parties, and legislation.

The following tables are provided to show the Authority's total assets, liabilities, and net position at June 30, 2024 and 2023:

	Governmental Activities			Business-Type Activities		
	2024	2023	Variance	2024	2023	Variance
Assets:						
Current and other noncurrent assets	\$ 1,116,221	\$ 1,031,535	\$ 84,686	\$ 250,018	\$ 229,782	\$ 20,236
Capital assets	-	-	-	369,244	375,794	(6,550)
Total assets	1,116,221	1,031,535	84,686	619,262	605,576	13,686
Total assets	1,116,221	1,031,535	84,686	619,262	605,576	13,686
Liabilities:						
Current liabilities	103,979	43,700	60,279	24,127	11,426	12,701
Noncurrent liabilities	-	-	-	195,915	200,051	(4,136)
Total liabilities	103,979	43,700	60,279	220,042	211,477	8,565
Net Position:						
Net investment in capital assets	-	-	-	325,656	347,199	(21,543)
Restricted	1,012,242	987,835	24,407	237,937	223,416	14,521
Unrestricted deficit	-	-	-	(164,373)	(176,516)	12,143
Total net position	1,012,242	987,835	24,407	399,220	394,099	5,121
Total liabilities and net position	\$ 1,116,221	\$ 1,031,535	\$ 84,686	\$ 619,262	\$ 605,576	\$ 13,686

Governmental Activities

Current and noncurrent assets

The following table is provided to show the details of the Authority’s current and noncurrent assets at June 30, 2024 and 2023:

	2024	2023	Variance
Restricted cash and cash equivalents	\$ 107,662	\$ 999,872	\$ (892,210)
Investments, restricted	955,512	23,990	931,522
Receivables for investments	5,515	-	5,515
Operating receivables	223	45	178
Prepaid expenses	217	194	23
Due from federal government	2,292	4,887	(2,595)
Due from State of Alaska	158	2,085	(1,927)
Due from proprietary funds/internal balances	597	462	135
Securities lending collateral	44,045	-	44,045
Current and noncurrent assets	\$ 1,116,221	\$ 1,031,535	\$ 84,686

Current and noncurrent assets in total are \$84.7 million higher in the current fiscal year. Restricted cash and cash equivalents held by the Authority decreased by \$892.2 million and is associated with PCE Endowment Fund cash and cash equivalents decreasing by \$879.5 million. On July 3, 2023, the Alaska Permanent Fund Corporation (APFC) per Senate Bill (SB) 98 became the managers and investors of the PCE Endowment Fund. As a result, the prior managers of the fund the Revenue Department, Treasury Division disinvested all long-term investments and held all investments in cash and cash equivalent short-term investments by June 30, 2023. This was done so these funds could be easily transferred to APFC from the Treasury Division at July 3, 2023. Overall the net increase for both cash and cash equivalents and investments was \$39.3 million, relating to investment earnings for the PCE Endowment Fund and Renewable Energy Fund (REF). Amounts due from the federal government decreased by \$4.4 million related to timing of reimbursement requests submitted and funds received from federal agencies for various federal awards. Due from the State of Alaska decreased by \$1.9 million. This balance will fluctuate annually. Due (to) from other funds, internal balances, will also fluctuate annually depending on timing of cash expended for the various program and project activities. The \$135.0 thousand increase is due to timing of fiscal year 2024 related billing and reimbursement requests. Securities lending collateral of \$44.0 million is related to the PCE Endowment Fund. State regulations at 15 AAC 137.510 and the APFC investment policy authorize the APFC to enter into securities lending transactions on behalf of the Fund. Through a contract with the Bank of New York Mellon (the Bank), the Fund lends marketable debt and equity securities to borrowers who are banks and broker-dealers. The loans are collateralized with cash or marketable securities guaranteed by the U.S. government or a U.S. government agency. At June 30, 2024 there were \$43.0 million fair value of securities on loan with required cash collateral of \$44.0 million.

Current and noncurrent liabilities

The following table is provided to show the details of the Authority's current and noncurrent liabilities at June 30, 2024 and 2023:

	2024	2023	Variance
Due to federal government	\$ 37	\$ 870	\$ (833)
Due to State of Alaska	25,622	23,243	2,379
Due to State of Alaska's component units	3,035	4,111	(1,076)
Due to local governments	8,498	615	7,883
Accounts payable	20,367	13,681	6,686
Unearned revenue - grant match from outside entities	877	1,180	(303)
Other liabilities	1,498	-	1,498
Securities lending collateral	44,045	-	44,045
Current and noncurrent liabilities	\$ 103,979	\$ 43,700	\$ 60,279

Current and noncurrent liabilities increased in this fiscal year by \$60.3 million. The increase in current liabilities is primarily due to the PCE Endowment Fund securities lending collateral liability of \$44.0 million, the due to local governments increase of \$7.9 million, and the accounts payable increase of \$6.7 million. The increase in the securities lending collateral liability, amounts due to local governments, and accounts payable is a result of the Authority's normal day-to-day operations.

Net Position

The following table is provided to show details of the Authority's net position at June 30, 2023 and 2024:

	2024	2023	Variance
Restricted by agreements with external parties	\$ -	\$ 596	\$ (596)
Restricted by legislation	1,012,242	987,239	25,003
Net Position	\$ 1,012,242	\$ 987,835	\$ 24,407

The Governmental Activities Net Position increased by \$24.4 million during the current fiscal year. Net Position restricted by agreements with external parties decreased by \$596.0 thousand compared to the June 30, 2023 balance due to the Trans-Alaska Pipeline Liability Fund being fully expended. The Trans-Alaska Pipeline Liability Fund was the only fund that had net position restricted by agreements with external parties. Net Position restricted by legislation increased by \$25.0 million primarily due to investment earnings of the PCE Endowment Fund.

Business-Type Activities

Business-type activities are functions of the Authority in which customer user fees and charges are used to help cover all or most of the cost of services they provide. The Authority's business-type activities include the Bradley Lake Hydroelectric Project, the Alaska Intertie Project, the Susitna-Watana Hydroelectric Project, the Power Project Fund, and the Power Development and Railbelt Energy Projects.

Current and other noncurrent assets

The following table is provided to show the details of the Authority's current and noncurrent assets, excluding capital assets at June 30, 2023 and 2024:

	<u>2024</u>	<u>2023</u>	<u>Variance</u>
Restricted cash and cash equivalents	\$ 218,317	\$ 202,928	\$ 15,389
Operating receivables	216	783	(567)
Loans receivable, net allowance	30,832	26,459	4,373
Due from federal government	513	-	513
Due from State of Alaska	575	-	575
Due from State of Alaska's component units	100	53	47
Accrued interest receivable	62	21	41
Current and noncurrent assets	<u>\$ 250,615</u>	<u>\$ 230,244</u>	<u>\$ 20,371</u>

Overall current and noncurrent assets increased by \$20.4 million in the current fiscal year. The increase in current and noncurrent restricted assets is primarily due to an increase in restricted cash and cash equivalents of \$15.8 million. This increase was primarily due from investments made in fiscal year 2024 from the bond proceeds of the Bradley Lake bond issue (Eleventh Series).

Operating receivables decreased by \$567.0 thousand, associated with timing of monthly billing. Loans receivable (net of allowance) increased by \$4.4 million due to a new loan being issued for \$4.9 million. Due from federal government increased \$513.0 thousand and due from State of Alaska increased \$575.0 thousand these balances will fluctuate year to year depending on the required funding of projects. Accrued interest receivable increased by \$41.0 thousand associated with interest rates on loans overall increase of \$4.4 million.

Current and noncurrent liabilities

The following table is provided to show the details of the Authority's total current and noncurrent liabilities at June 30, 2023 and 2024:

	<u>2024</u>	<u>2023</u>	<u>Variance</u>
Due to federal government	\$ 175	\$ 298	\$ (123)
Due to State of Alaska	3,104	925	2,179
Due to State of Alaska's component units	21	-	21
Due to governmental activities/internal balances	597	462	135
Accounts payable	8,478	4,900	3,578
Capital acquisition and construction accounts	1,304	405	899
Capital acquisition and construction accounts (due to federal government)	13	-	13
Capital acquisition and construction accounts (due to State of Alaska)	6	-	6
Bonds payable	201,253	204,032	(2,779)
Accrued interest payable	5,688	917	4,771
Current and noncurrent liabilities	<u>\$ 220,639</u>	<u>\$ 211,939</u>	<u>\$ 8,700</u>

Overall total current and noncurrent restricted liabilities increased in the current fiscal year by \$8.7 million. Due to the State of Alaska increased by \$2.2 million and is related to state appropriations drawn based on project need; therefore, these balances will fluctuate annually. Due to State of Alaska’s component units increased by \$21 thousand, these balances will fluctuate annually based on project need. Due to governmental funds/internal balances increased by \$135 thousand, these balances will fluctuate annually depending on program activities and cash needs. Accounts payable, to include capital acquisition and construction accounts increased by \$4.4 million due to invoicing accruals at year end. Accrued interest payable increased by \$4.8 million related to timing of debt service payments of Bradley Lake accrued interest on existing debt compared to prior year.

Net Position

The following table is provided to show the details of the Authority’s Net Position at June 30, 2023 and 2024:

	2024	2023	Variance
Net investment in capital assets	\$ 325,656	\$ 347,199	\$ (21,543)
Restricted for capital projects	170,596	158,062	12,534
Restricted for debt service	18,353	18,697	(344)
Restricted by agreements with external parties	37,025	44,936	(7,911)
Restricted by legislation	11,963	1,721	10,242
Unrestricted deficit	(164,373)	(176,516)	12,143
Total Net Position	\$ 399,220	\$ 394,099	\$ 5,121

Overall Net Position increased in the current fiscal year by \$5.1 million primarily due to the investment earnings of Bradley Lake. Net investment in capital assets decreased \$21.5 million due to the net effect of capital asset accumulated depreciation and reduction of debt related to those specific capital projects. Capital projects increased by \$12.5 million due to investment earnings incurred in reserve accounts restricted for capital projects and debt service decreased \$.3 million due to payments of debt service.

Restricted by agreements with external parties decreased by \$7.9 million due primarily to a new loan that was made in the current year from the Power Project Fund. Restricted by legislation increased by \$10.2 million due to the increase of advanced funds for projects and programs.

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis
June 30, 2024
(Tables are stated in thousands)

The following table is provided to show the Authority's revenues, expenses, and changes in net position at June 30, 2023 and 2024:

	Governmental Activities			Business-Type Activities		
	2024	2023	Variance	2024	2023	Variance
Revenues:						
Program revenues:						
Fees, fines and charges for services	\$ -	\$ -	\$ -	\$ 26,377	\$ 27,886	\$ (1,509)
Operating grants and contributions	40,704	34,536	6,168	2,186	1,105	1,081
General revenues:						
Investment income	71,172	89,707	(18,535)	9,846	4,573	5,273
Total revenues	111,876	124,243	(12,367)	38,409	33,564	4,845
Expenses:						
Grants and projects	36,772	71,162	(34,390)	-	-	-
Power cost equalization grants	44,931	42,332	2,599	-	-	-
General and administrative	5,192	5,070	122	1,695	1,637	58
Interest expense	-	-	-	11,413	7,705	3,708
Plant operations	-	-	-	8,678	10,146	(1,468)
Depreciation	-	-	-	12,076	11,698	378
Total expenses	86,895	118,564	(31,669)	33,862	31,186	2,676
Transfers:						
Transfers from (to) other funds	(574)	(110)	(464)	574	110	464
Change in net position	24,407	5,569	18,838	5,121	2,488	2,633
Net position, beginning of year	987,835	982,266	(186,996)	394,099	391,611	(8,807)
Net position, end of year	\$ 1,012,242	\$ 987,835	\$ 24,407	\$ 399,220	\$ 394,099	\$ 5,121

Governmental Activities

These are functions of the Authority that are financed primarily by intergovernmental revenues. The Authority's program revenues include the Power Cost Equalization (PCE) Program, the Renewable Energy Grant Fund (REF), the Trans-Alaska Pipeline Liability Fund (TAPL), the Rural Energy Projects, and the Volkswagen Diesel Settlement Fund.

Total Revenues for governmental activities decreased by \$12.4 million, based on the following:

- **Operating grants and appropriated contributions** are Federal grant awards and operating or capital appropriations from the primary government, the State of Alaska. The Authority recognizes revenue to the extent of expenditures or expenses. Overall operating grants and contributions increased by \$6.2 million. Renewable Energy Grant funding of \$2.8 million increased over the prior fiscal year. Rural Energy Grant funding of \$4.2 million increased over the prior fiscal year. Of this the State of Alaska appropriations reflect a variance increase by \$2.1 million and federal grants reflect a variance increase by \$2.1 million.
- **Investment income** was primarily from interest earned in the PCE Endowment Fund and the Renewable Energy Grant Fund (REF), which are managed by the APFC for the PCE Endowment and by the State Department of Revenue, Treasury Division for the REF. Market conditions varied for the current year with a decrease of \$18.5 million over the prior year's investment income. Investment income in the PCE Endowment Fund is \$69.3 million and for REF \$1.9 million.

Total Expenses for Governmental Activities decreased by \$31.7 million, based on the following:

- **Grants and projects expenses decreased** by \$34.4 million in the current fiscal year. The decrease was a combination of an overall decrease of PCE Endowment Fund appropriations to the General Fund of the State of Alaska by \$45.0 million in addition to an overall increase of \$10.3 million of expending supported by State of Alaska appropriations and federal grant funds for programs and projects.
- **PCE grants** increased by \$2.6 million due to increased appropriated funding for programs and projects from the PCE Endowment Fund.
- **General and administrative expenses** increased by \$122.0 thousand. The increase was directly related to an increase of general and administrative expenses associated with an increase in programs and projects.

Business-Type Activities

Revenues for business-type activities increased by \$4.8 million, based on the following:

- **Fees, fines, and charges for services** decreased by \$1.5 million. Charges for services include the amounts received from the utilities for plant operations and debt service obligations. These services are provided under various agreements and are based on project expenditures, operating cash requirements, and will fluctuate annually. This decrease was primarily due to decreased project costs in the current year.
- **Operating grants and contributions** are from State of Alaska operating and capital appropriations. Operating grants and contributions increased by \$1.1 million due to project expenses related to the capital appropriations.

Investment income increased by \$5.3 million, due to increased investment earnings.

Expenses for business-type activities increased by \$2.7 million, primarily based on the following:

- **Interest expense** represents the cost of interest on the Authority’s Power Revenue Bonds for the Bradley Lake Hydroelectric Project. Interest expense increased in the current fiscal year by \$3.7 million. The increase in interest expense is primarily due to increase in debt for the Bradley Lake Project purchase of a transmission line from a participating utility in fiscal year 2022 and issuance of new debt in fiscal year 2023.
- **Plant operations** for the Bradley Lake Hydroelectric Project and the Alaska Intertie Project decreased in the current fiscal year by \$1.5 million. Plant operations consist of various activities required to maintain operations of each project. The decrease from the prior year is primarily due to expenses incurred for operations being less in the current fiscal year over the prior fiscal year.

Fund Financial Analysis

Governmental Fund

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

The following table is provided to show the Authority’s total Fund Balance for sub-funds of the governmental fund at June 30, 2023 and 2024:

	2024	2023	Variance
Power Cost Equalization Program	\$ 979,066	\$ 956,887	\$ 22,179
Renewable Energy Grant Fund	31,925	28,892	3,033
Emerging Energy Technology Fund	979	979	-
Trans-Alaska Pipeline Liability Fund	-	597	(597)
Rural Energy Projects	-	208	(208)
Power Development Fund	272	272	-
Total Fund Balances	\$ 1,012,242	\$ 987,835	\$ 24,407

At the end of the current fiscal year, the Authority’s governmental fund reported an ending fund balance of \$1,012.2 million, which is an increase in comparison with the prior fiscal year. The Power Cost Equalization Program increases of \$22.2 million is primarily due to decreased distributions from the PCE Endowment Fund during the year. The increase in the Renewable Energy Grant Fund by \$3.0 million is a result of additional funding from appropriations for the Renewable Energy Fund. The Trans-Alaska Pipeline Liability Fund reduced by \$597.0 thousand, as a result of increased project activity. Rural Energy Projects decrease of \$208 thousand is a result of decrease projects and appropriations in fiscal year 2024.

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

Proprietary Fund

The Authority’s proprietary fund financial statements consist of an enterprise fund, which provides detailed information of the same type found in the business-type activities section of the government-wide financial statements.

The following table is provided to show the Authority’s total Net Position by project for the proprietary fund at June 30, 2023 and 2024:

	2024	2023	Variance
Bradley Lake Hydroelectric Project	\$ 160,821	\$ 155,866	\$ 4,955
Alaska Intertie Project	11,811	12,553	(742)
Susitna-Watana Hydroelectric Project	183,682	183,682	-
Power Project Fund	41,184	40,278	906
Power Development and Railbelt Energy Projects	1,722	1,720	2
Total Net Position	\$ 399,220	\$ 394,099	\$ 5,121

At the end of the current fiscal year, the Authority’s proprietary fund reported an ending Net Position of \$399.2 million, which is an increase of \$5.1 million in comparison with the prior fiscal year. The increase of \$5.0 million for the Bradley Lake Hydroelectric Project was due primarily to higher investment income. The decrease of \$742.0 thousand for the Alaska Intertie Project was due to lower operating revenues net of higher operating expenses. The Power Project Fund increased \$906 thousand due to increased legislative appropriations.

The following table is provided to show the proprietary fund Net Position by category at June 30, 2023 and 2024:

	2024	2023	Variance
Net investment in capital assets	\$ 325,656	\$ 347,199	\$ (21,543)
Restricted for capital projects	170,596	158,062	12,534
Restricted for debt service	18,353	18,697	(344)
Restricted by agreements with external parties	37,025	44,936	(7,911)
Restricted by legislation	11,963	1,721	10,242
Unrestricted deficit	(164,373)	(176,516)	12,143
Total Net Position	\$ 399,220	\$ 394,099	\$ 5,121

Total net position increased by \$5.1 million. Restricted for capital projects increased \$12.5 million primarily for increased investment income restricted for capital projects. Restricted for debt service decreased by \$.3 million due to the increase of debt service payments and timing of when debt service payments are due with cash reserves on hand. Restricted by agreements with external parties decreased by \$8.0 million due primarily to a new loan that was made in the current year from the Power Project Fund. Restricted by legislation increased by \$10.2 million due to the increase of advanced funds for projects and programs. The Net investment in capital assets decreased by \$21.5 million, which is the net effect of capital asset additions, retirements, accumulated depreciation net related debt.

Capital Assets and Long-Term Debt

Capital Assets

The Authority’s net investment in capital assets for its business-type activities as of June 30, 2024 amounts to \$369.2 million (net of accumulated depreciation), which is a decrease of \$6.5 million from the prior fiscal year. The investment in capital assets only occurs in the enterprise funds and includes land and rights of way, infrastructure, equipment, and construction in progress.

	Business-Type Activities		
	2024	2023	Variance
Land and Rights of Way	\$ 11,212	\$ 11,212	\$ -
Equipment	1,817	1,704	113
Infrastructure	164,941	177,980	(13,039)
Construction in Progress	191,274	184,898	6,376
Total	\$ 369,244	\$ 375,794	\$ (6,550)

Capital assets, net of accumulated depreciation decreased by \$6.5 million as a net result of additions, retirements and depreciation of capital assets for both Bradley Lake and Alaska Intertie. Further information on the Authority’s capital assets can be found in Note 3.

Long-Term Debt

At the end of the current fiscal year, the Authority had total long-term debt outstanding of \$201.3 million.

The following table is provided to show the outstanding debt at June 30, 2023 and 2024:

	Business-Type Activities		
	2024	2023	Variance
Power Revenue and Refunding Bonds			
Bradley Lake	\$ 158,547	\$ 159,713	\$ (1,166)
Bradley Lake-Battle Creek private placement	37,114	38,489	(1,375)
Sterling Substation to Quartz Creek (SSQ) private place	5,592	5,830	(238)
Total	\$ 201,253	\$ 204,032	\$ (2,779)

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

Outlook

In fiscal year 2025 and beyond the Authority anticipates receiving a substantial increase in federal funding, from the Infrastructure Investment and Jobs Act and from other grant sources. This increase required substantial new receipt authority and matching funds from the Legislature and other sources. In addition, additional personnel will be required to fulfill the Authority's mission with the new funding. Per the passage of House Bill 307 AEA has established a new board in fiscal year 2025, separate from AIDEA. More information about this new legislation and its impacts to AEA is in the subsequent event Note 11.

Various Rural Power System Upgrades and Bulk Fuel Upgrades projects are anticipated to continue through fiscal year 2025 with ongoing federal and state funding. The Authority and the Denali Commission are leveraging the use of available funding by shifting project focus to maintenance and improvement projects. The Authority will continue Bulk Fuel and Power Plant Operator training, Circuit Rider, Technical Assistance, and Electrical Emergency efforts across Alaska.

The Authority continues to manage the Renewable Energy Grant Fund (REF) active projects. The legislature approved funding for Round 16 to begin in fiscal year 2025.

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

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

Statement of Net Position
(in thousands)
June 30, 2024

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Restricted Assets			
Current Assets			
Cash and cash equivalents, restricted	\$ 107,662	\$ 218,317	\$ 325,979
Receivables for investments	5,515	-	5,515
Operating receivables	223	216	439
Prepaid expenses	217	-	217
Loans receivable	-	2,698	2,698
Due from federal government	2,292	513	2,805
Due from State of Alaska	158	575	733
Due from State of Alaska's component units	-	100	100
Due from (to) other funds/internal balances	597	(597)	-
Accrued interest receivable	-	62	62
Securities lending collateral	44,045	-	44,045
Total current assets	<u>160,709</u>	<u>221,884</u>	<u>382,593</u>
Noncurrent Assets			
Investments, restricted	955,512	-	955,512
Loans receivable, net of allowance	-	28,134	28,134
Capital assets, net of accumulated depreciation	-	369,244	369,244
Total noncurrent assets	<u>955,512</u>	<u>397,378</u>	<u>1,352,890</u>
Total Restricted Assets	<u><u>\$ 1,116,221</u></u>	<u><u>\$ 619,262</u></u>	<u><u>\$ 1,735,483</u></u>

See Notes to Financial Statements.

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

Statement of Net Position, continued
(in thousands)
June 30, 2024

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Current Liabilities			
Due to federal government	\$ 37	\$ 175	\$ 212
Due to State of Alaska	25,622	3,104	28,726
Due to State of Alaska's component units	3,035	21	3,056
Due to local governments	8,498	-	8,498
Accounts payable	20,367	8,478	28,845
Capital acquisition and construction accounts	-	1,304	1,304
Capital acquisition and construction accounts (due to federal government)	-	13	13
Capital acquisition and construction accounts (due to State of Alaska)	-	6	6
Bonds payable - current portion	-	5,338	5,338
Unearned revenue - grant match from outside entities	877	-	877
Accrued interest payable	-	5,688	5,688
Other liabilities	1,498	-	1,498
Securities lending collateral	44,045	-	44,045
Total current liabilities	<u>103,979</u>	<u>24,127</u>	<u>128,106</u>
Noncurrent Liabilities			
Bonds payable - noncurrent portion	-	195,915	195,915
Total liabilities	<u>103,979</u>	<u>220,042</u>	<u>324,021</u>
Net Position			
Net investment in capital assets	-	325,656	325,656
Restricted for:			
Capital projects	-	170,596	170,596
Debt service	-	18,353	18,353
Agreements with external parties	-	37,025	37,025
Legislation	1,012,242	11,963	1,024,205
Unrestricted (deficit)	-	(164,373)	(164,373)
Total net position	<u>1,012,242</u>	<u>399,220</u>	<u>1,411,462</u>
Total Liabilities and Net Position	<u><u>\$ 1,116,221</u></u>	<u><u>\$ 619,262</u></u>	<u><u>\$ 1,735,483</u></u>

See Notes to Financial Statements.

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

Statement of Activities
(in thousands)
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Fees and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Power Cost Equalization Program	\$ 47,613	\$ -	\$ 5,251	\$ (42,362)	\$ -	\$ (42,362)
Renewable Energy Grant Fund	5,701	-	8,242	2,541	-	2,541
Trans Alaska Pipeline Liability Fund	618	-	-	(618)	-	(618)
Rural Energy projects	32,531	-	26,779	(5,752)	-	(5,752)
Volkswagen Diesel Settlement Fund	432	-	432	-	-	-
Total governmental activities	<u>86,895</u>	<u>-</u>	<u>40,704</u>	<u>(46,191)</u>	<u>-</u>	<u>(46,191)</u>
Business-Type Activities						
Bradley Lake Hydroelectric Project	30,086	23,292	2,005	-	(4,789)	(4,789)
Alaska Intertie Project	3,653	2,623	181	-	(849)	(849)
Power Project Fund	123	462	-	-	339	339
Total business-type activities	<u>33,862</u>	<u>26,377</u>	<u>2,186</u>	<u>-</u>	<u>(5,299)</u>	<u>(5,299)</u>
Total Activities	<u>\$ 120,757</u>	<u>\$ 26,377</u>	<u>\$ 42,890</u>	<u>(46,191)</u>	<u>(5,299)</u>	<u>(51,490)</u>
General Revenues						
Interest and investment income				71,172	9,846	81,018
Transfers				(574)	574	-
Change in Net Position				24,407	5,121	29,528
Net Position, Beginning of Year				987,835	394,099	1,381,934
Net Position, End of Year				<u>\$ 1,012,242</u>	<u>\$ 399,220</u>	<u>\$ 1,411,462</u>

See Notes to Financial Statements.

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

Balance Sheet – Governmental Fund
(in thousands)
June 30, 2024

	Major Special Revenue Fund	Statement of Net Position
Restricted Assets		
Current Restricted Assets		
Cash and cash equivalents	\$ 107,662	\$ 107,662
Receivables for investments	5,515	5,515
Operating receivables	223	223
Prepaid expenses	217	217
Due from federal government	2,292	2,292
Due from State of Alaska	158	158
Due from proprietary funds/internal balances	597	597
Securities lending collateral	44,045	44,045
Total restricted current assets	160,709	160,709
Noncurrent Restricted Assets		
Investments	955,512	955,512
Total restricted assets	\$ 1,116,221	\$ 1,116,221
Liabilities		
Current Liabilities		
Due to federal government	\$ 37	\$ 37
Due to State of Alaska	25,622	25,622
Due to State of Alaska's component units	3,035	3,035
Due to local governments	8,498	8,498
Accounts payable	20,367	20,367
Unearned revenue - grant match from outside entities	877	877
Other liabilities	1,498	1,498
Securities lending collateral	44,045	44,045
Total liabilities	103,979	103,979
Fund Balance		
Nonspendable	217	
Restricted for Legislation	1,012,025	
Total fund balance	1,012,242	
Total liabilities and fund balance	\$ 1,116,221	
Net Position		
Restricted for Legislation		1,012,242
Total liabilities and net position		\$ 1,116,221

See Notes to Financial Statements.

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

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Fund
(in thousands)
Year Ended June 30, 2024

	Major Special Revenue Fund	Statement of Activities
Operating Revenues		
Federal grants	\$ 12,298	\$ 12,298
State of Alaska appropriations	22,709	22,709
Other revenues	5,697	5,697
Total operating revenues	40,704	40,704
Operating Expenses		
Grants and projects	36,772	36,772
Power cost equalization grants	44,931	44,931
General and administrative	5,192	5,192
Total operating expenses	86,895	86,895
Nonoperating Revenues (Expenses)		
Investment income, net expenses	71,172	71,172
Transfers to other funds	(574)	(574)
Change in Fund Balance	24,407	
Change in Net Position		24,407
Fund Balance/Net Position, Beginning of Year	987,835	987,835
Fund Balance/Net Position, End of Year	\$ 1,012,242	\$ 1,012,242

See Notes to Financial Statements.

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Net Position – Enterprise Fund
(in thousands)
June 30, 2024

Restricted Assets	
Current Restricted Assets	
Cash and cash equivalents	\$ 218,317
Operating receivables	216
Loans receivable	2,698
Due from federal government	513
Due from State of Alaska	575
Due from State of Alaska's component units	100
Accrued interest receivable	62
	<hr/>
Total current restricted assets	222,481
Noncurrent Restricted Assets	
Loans receivable, net of allowance	28,134
Capital assets, net of accumulated depreciation	369,244
	<hr/>
Total noncurrent restricted assets	397,378
	<hr/>
Total Restricted Assets	<u>\$ 619,859</u>
Restricted Liabilities	
Current Liabilities	
Due to federal government	\$ 175
Due to State of Alaska	3,104
Due to State of Alaska's component units	21
Due to governmental funds/internal balances	597
Accounts payable	8,478
Capital acquisition and construction accounts	1,304
Capital acquisition and construction accounts (due to federal government)	13
Capital acquisition and construction accounts (due to State of Alaska)	6
	<hr/>
Bonds payable - current portion	5,338
Accrued interest payable	5,688
	<hr/>
Total current liabilities	24,724
Noncurrent Liabilities	
Bonds payable - noncurrent portion	195,915
	<hr/>
Total restricted liabilities	220,639
Net Position	
Net investment in capital assets	325,656
Restricted for:	
Capital projects	170,596
Debt service	18,353
Agreements with external parties	37,025
Legislation	11,963
Unrestricted (deficit)	(164,373)
	<hr/>
Total net position	399,220
	<hr/>
Total Liabilities and Net Position	<u>\$ 619,859</u>

See Notes to Financial Statements.

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

Statement of Revenues, Expenses, and Changes in Net Position – Enterprise Fund
(in thousands)

Year Ended June 30, 2024

Operating Revenues	
State of Alaska appropriations	\$ 1,172
Revenue from operating plants	25,802
Interest on loans	391
Other revenues	184
Total operating revenues	27,549
Operating Expenses	
Depreciation	12,076
General and administrative	1,695
Plant operations	8,677
Total operating expenses	22,448
Operating Income	5,101
Nonoperating Revenues (Expenses)	
Investment income, net expenses	9,846
Federal direct bond interest expense subsidy	1,014
Interest expense and other charges	(11,414)
Total nonoperating revenues (expenses) before transfers	(554)
Income before transfers	4,547
Transfers from other funds	574
Change in Net Position	5,121
Net Position, Beginning of Year	394,099
Net Position, End of Year	\$ 399,220

See Notes to Financial Statements.

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Statement of Cash Flows - Enterprise Fund
(in thousands)
Year Ended June 30, 2024

Operating Activities	
Receipts from customers and users	\$ 26,944
Payments from State of Alaska	2,797
Payments to suppliers	<u>(6,782)</u>
Net Cash from Operating Activities	<u>22,959</u>
Noncapital Financing Activities	
Receipts from short-term borrowings from AIDEA working capital	1,446
Payments to AIDEA for short-term borrowing working capital	<u>(1,493)</u>
Net Cash from Noncapital Financing Activities	<u>(47)</u>
Capital and Related Financing Activities	
Principal paid on bonds	(2,779)
Interest paid on bonds and other charges	(6,643)
Capital asset acquisitions	(4,034)
Federal direct bond interest expense subsidy	<u>501</u>
Net Cash used for Capital and Related Financing Activities	<u>(12,955)</u>
Investing Activities	
Interest received from investments	9,846
Net change in loans and accrued interest	<u>(4,414)</u>
Net Cash from Investing Activities	<u>5,432</u>
Net Change in Restricted Cash and Cash Equivalents	15,389
Restricted Cash and Cash Equivalents, Beginning of Year	<u>202,928</u>
Restricted Cash and Cash Equivalents, End of Year	<u><u>\$ 218,317</u></u>
Reconciliation of operating income to net cash from operating activities	
Operating income	\$ 5,101
Adjustments to reconcile operating income to net cash from (used for) operating activities	
Depreciation	12,076
Changes in assets and liabilities	
Operating receivables	567
Due to/from State of Alaska	1,604
Due to other funds	135
Due to federal government	(123)
Due to/from State of Alaska's component units	21
Operating accounts payable	<u>3,578</u>
Net Cash from Operating Activities	<u><u>\$ 22,959</u></u>

See Notes to Financial Statements.

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

(Dollars Presented in Thousands)

Notes to Financial Statements

June 30, 2024

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

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

Pursuant to legislation enacted in 1993, the Members of the Board of the Alaska Industrial Development and Export Authority (AIDEA) also serve as the Board of Directors of AEA. AIDEA provides personnel services for AEA (per statute, AEA has no employees) and has a Board approved borrowing agreement to borrow short-term, interest free, working capital funds from AIDEA up to a maximum of \$7,500. AIDEA and AEA have separate executive directors, both are employees of AIDEA. There is no commingling of funds, assets, or liabilities between AIDEA and AEA and there is no responsibility of one for the debts or the obligations of the other. Neither AIDEA's accounts nor activities are included in the accompanying financial statements.

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

Bradley Lake Hydroelectric Project

The Bradley Lake Hydroelectric Project (the Project or Bradley Lake Project or Bradley Lake) has 120 megawatts of installed capacity and transmits its power to the State's main power grid via two parallel 20-mile transmission lines. The project, which cost in excess of \$300,000, went into commercial operation in 1991. The Bradley Lake Project Management Committee (BPMC) oversees the activities of the Bradley Lake Hydroelectric Project. The BPMC consists of representatives from the following five utilities and AEA: Golden Valley Electric Association (GVEA), Chugach Electric Association (CEA), Matanuska Electric Association (MEA), Homer Electric Association (HEA), and the City of Seward (the Utilities). These five utilities are also known as the Railbelt utilities. The Bradley Lake Project is managed and operated by HEA under contract with AEA. Bradley Lake serves Alaska's Railbelt (the power-sharing area between Interior Alaska and Southcentral Alaska, connected by roads, generating facilities, and transmission lines) from the Kenai Peninsula to Fairbanks, as well as the Delta Junction area. The Utilities of the BPMC pay AEA for the costs of operations and maintenance of the Bradley Lake Project.

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

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

(Dollars Presented in Thousands)
Notes to Financial Statements

June 30, 2024

All the Purchasers of the Bradley Lake Project Management Committee (BPMC) have supported the development and completion of the Battle Creek Diversion (BCD) Project. In April 2022, Golden Valley Electric.

Association (GVEA), an initial Non-Purchaser, issued their Callback Notice and payment to participate in the Battle Creek Diversion Project. The BPMC accepted a GVEA Buy-In, re-allocated the shares and GVEA became a full participant in the Battle Creek Diversion Project effective May 1, 2022.

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

In December 2020, the Authority closed on the purchase of the Sterling Substation to Quartz Creek Substation (SSQ Line), which issued bonds in the amount of \$17,000. Purchase of the SSQ Line is in support of the Bradley Lake Project. In June 2022, the Railbelt utilities opted to make an early prepayment of \$10,900 on the SSQ Line debt using capital reserve funds that were released upon final payment on the original Bradley Lake Project bonds.

On November 30, 2022, the Authority in partnership with the Railbelt utilities, coordinated and acquired aggregate committed bond financing in the amount of \$166,013 for required project work to improve the efficiency and deliverable capacity of power from the Bradley Lake Hydroelectric Project. The financing will pay for transmission line upgrades and battery energy storage systems that will reduce existing constraints on the Railbelt grid by increasing transmission capacity to export Bradley Lake hydropower, while also allowing for the integration of future renewable energy generation.

Starting in fiscal year 2023, AEA started studies for the Dixon Diversion Project to optimize the energy potential of the Bradley Lake Hydroelectric Project. Like the West Fork Upper Battle Creek Diversion Project, the Dixon Diversion Project would divert water from Dixon Glacier in order to increase Bradley Lake's annual energy production by fifty percent. Dixon Diversion is located five miles from Bradley Lake and would utilize the existing powerhouse at Bradley Lake. Estimated annual energy if this project was completed, would be 100,000-200,000 MWh of additional energy. This would power between 24,000-30,000 homes each year. As well, it is estimated to offset 1.5-1.6 billion cubic feet of natural gas per year as part of the Railbelt power generation (equal to 7.5% of Alaska's unmet natural gas demand projected for 2030). Estimated completion for this project is 2030.

Alaska Intertie Project

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

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

(Dollars Presented in Thousands)
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Susitna-Watana Hydroelectric Project

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

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

Rural Energy Programs

The rural energy programs include Bulk Fuel Storage Upgrades, Rural Power System Upgrades, the Power Cost Equalization (PCE) Grant Program, Utility Training, Technical Assistance, one active loan program (the Power Project Fund), and one inactive loan program (Rural Electrification Revolving Loan Fund). During fiscal year 2022, the Authority established the Electric Utility Relief Fund and disbursed funds to Grantee's for verified eligible residential electric utility costs that arose due to COVID -19. The Program provided Grantees with funding to retire delinquent residential electric utility costs stemming from the pandemic. This Program was closed in 2022. Subject to appropriations, the PCE Endowment Fund provides the PCE Grant Program a long-term stable financing source. The driver of the PCE Grant Program is to reduce electricity costs for residential and community facility customers in otherwise high-cost rural service areas.

Energy Development Programs

The energy development programs include the Renewable Energy Grant Fund and Recommendation Program and the Alternative Energy and Energy Efficiency (AEEE) programs.

The purpose of the Renewable Energy Grant Fund and Recommendation Program is to finance renewable energy projects in Alaska. The AEEE programs support the development of alternative energy resources specific to Alaska.

Basis of Accounting

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

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

Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Authority. In general, the effect of inter-fund activity has been removed from these statements to minimize the double-counting of internal activities. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely primarily on fees and charges to external parties.

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

Separate Financial Statements are provided for the special revenue fund and the enterprise fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-Wide and Proprietary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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The Authority reports the following major governmental fund:

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

The Authority reports the following major proprietary fund:

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

Revenue Recognition

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

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

For purposes of proprietary fund presentation, the Authority considers its revenues and expenses, except investment income, the sale of program loans, certain appropriations with the State, and conveyance of capital assets, to be part of its principal ongoing operations and, therefore, classifies these revenues and expenses as operating in the Statement of Revenues, Expenses, and Changes in Net Position.

All other revenues and expenses are considered nonoperating.

Fair Value Measurement and Application

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

Cash and Cash Equivalents

All of AEA's cash and cash equivalents are restricted for a specific purpose. AEA has trust accounts defined by bond resolutions, agreements with external parties, and State legislation restricting the use of cash and investments.

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For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash, short-term commercial paper, and money market funds.

Investments

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

Loans and Related Interest Income

Loans are generally carried at amounts advanced less principal payments collected. Interest income is accrued as earned. Accrual of interest is discontinued whenever the payment of interest or principal is more than ninety days past due or when the loan terms are restructured. The Authority considers lending activities to be part of its principal operations and classifies it as operating in the Statement of Revenues, Expenses, and Changes in Net Position. For purposes of the Statement of Cash Flows, the loan program activities are treated as investing activities.

Allowance for Loan Losses

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

Capital Assets

Capital assets are stated at cost and depreciation is charged to operations by use of the straight-line method over their estimated useful lives. The Authority capitalizes all assets with a cost of at least \$5 thousand and a useful life greater than one year.

The estimated economic lives of the assets are as follows:

<u>Utility Plant</u>	<u>Life in Years</u>
Intangible	30-50
Production	30-50
Transmission	20-40
General	5-30

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

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

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

Fund Balance

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

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

All of the Authority's fund balance is restricted.

Net Position

Net position is displayed in three components, as follows:

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

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

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

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

Environmental Issues

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

Appropriations and Grants

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

Estimates

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

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

Note 2 – Cash and Investments

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

At June 30, 2024, the AEA’s bank and carrying amount of cash and cash equivalents (all of which were restricted for specific purposes) was \$325,950.

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The restricted cash and cash equivalents and investments were held in trust and restricted accounts for the following activities as of June 30, 2024:

	Governmental Activities	Business-Type Activities	Totals
Restricted Cash and Cash Equivalents			
Bradley Lake Hydroelectric Project	\$ -	\$ 199,133	\$ 199,133
Alaska Intertie Project	-	3,433	3,433
Power Project Fund	-	10,241	10,241
Power Development and Railbelt Energy Projects	31,457	5,510	36,967
Power Cost Equalization Program	61,100		61,100
Renewable Energy Grant Fund	11,747		11,747
Emerging Energy Technology Fund	983		983
VW Settlement	877		877
Community Contributions Fund	1,498		1,498
	<u>\$ 107,662</u>	<u>\$ 218,317</u>	<u>\$ 325,979</u>
Restricted Investments			
Power Cost Equalization Program	\$ 933,572	\$ -	\$ 933,572
Renewable Energy Grant Fund	21,940	-	21,940
	<u>\$ 955,512</u>	<u>\$ -</u>	<u>\$ 955,512</u>

Investment Holdings

Beginning July 1, 2023 the Power Cost Equalization Endowment Fund (PCE Fund), created under Alaska Statute (AS) 42.45.070 became under the fiduciary authority of the Alaska Permanent Fund Corporation (APFC). Previously the State Department of Revenue, Treasury Division (Treasury) had the fiduciary authority of the PCE Fund. The change became effective with the passage of Senate Bill 98 Fiscal Year 2023. AEA requests draws from this Fund as required to meet project and program cash flow needs.

The Renewable Energy Grant Fund (RE Fund), created under AS 42.45.045 is under the fiduciary authority of the Treasury. AEA requests draws from this Fund as required to meet project and program cash flow needs.

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

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

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Beginning July 1, 2023 the Power Cost Equalization Endowment Fund (PCE Fund), created under Alaska Statute (AS) 42.45.070 became under the fiduciary authority of the Alaska Permanent Fund Corporation (APFC). Previously the State Department of Revenue, Treasury Division (Treasury) had the fiduciary authority of the PCE Fund. The change became effective with the passage of Senate Bill 98 Fiscal Year 2023. AEA requests draws from this Fund as required to meet project and program cash flow needs.

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

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

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

Fair Value Measurement

AEA categorizes fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Following is a summary of the AEA’s cash and investments at the recurring fair value measurement at June 30, 2024:

	Governmental Activities	Business-Type Activities	Totals
Cash and cash Equivalents	\$ 107,662	\$ 218,317	\$ 325,979
Investments managed by APFC	933,572	-	933,572
Investments managed by Treasury	21,940	-	21,940
	\$ 1,063,174	\$ 218,317	\$ 1,281,491

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Interest Rate Risk

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

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

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

AEA Internally Managed Investments – AEA has no written policy for interest rate risk for internally managed investments; however, staff follow and believe 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 follow and believe to be in compliance with AIDEA's written policy for credit risk in regard to its internally managed portfolio. Since AEA only invests its internally managed portfolio in highly rated money markets, U.S. government and agency securities, and GSEs, the credit risk is minimal.

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

Custodial Credit Risk

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. Treasury's investment policy requires the State's depository banks to collateralize State deposits to the extent insurance coverage provided by the Federal Deposit Insurance Corporation (the FDIC provides \$250 thousand of coverage). In accordance with the Treasury policy they are required to retain collateral equal to 100 percent of uninsured deposits. At June 30, 2024, AEA's deposits managed by Treasury were collateralized under this same policy.

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With respect to AEA managed investments, amounts totaling approximately \$325,950 at June 30, 2024 are held in money market funds with the custodian, the trust department of a commercial bank; therefore, there is no custodial risk for these securities.

Renewable Energy Grant Fund (Treasury as the Fiduciary)

State Department of Revenue, Treasury Division (Treasury) has created a pooled environment by which it manages the investments for which its Commissioner has fiduciary responsibility. Actual investing is performed by investment officers within Treasury or by contracted external investment managers. Treasury manages and invests the Short-term Fixed Income Pool, Short-term Treasury Pool, Real Estate Investment Trust (REIT) Pool, and the Broad Market Fixed Income Pool. External investment managers manage and invest the Tactical Bond, Domestic Equity and the International Equity Pools. Treasury investment officers are also the oversight manager for all externally managed investments. The complete financial activity of the Fund is shown in the State's ACFR available from the State - Department of Administration, Division of Finance or is available at the Treasury's website: <https://treasury.dor.alaska.gov/home/investments>.

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

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

At June 30, 2024, the GeFONSI total for the Renewable Energy Grant Fund was \$21,940. The Authority's investment in the Renewable Energy Fund is measured at net asset value as of June 30, 2024. 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 (APFC as the Fiduciary)

Effective July 1, 2023 with the passage of Senate Bill No. 98 from the thirty-third State of Alaska Legislature an Act was created that required the APFC to manage the Power Cost Equalization Endowment Fund; requiring the APFC to publish certain reports relating to the Power Cost Equalization Endowment Fund; relating to the APFC's management and investment of the Power Cost Equalization Endowment Fund. Further per section Sec. 37.13.310 section (2) the APFC shall annually prepare financial statements in accordance with generally accepted accounting principles consistently applied, and an audit report prepared by a certified public accountant.

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	AEA (non APFC or Gefonsi)	GeFONSI	Alaska Permanent Fund Corporation	Total
Investment Type				
Cash and cash Equivalents	\$ 280,146	\$ -	\$ 45,833	\$ 325,979
Corporate bonds	-	-	86,011	86,011
Mortgage-backed securities	-	-	35,638	35,638
Commingled and exchange traded funds	-	-	1,933	1,933
Commercial mortgage / Asset-backed securities	-	-	10,856	10,856
Non-domestic government bonds	-	-	30,724	30,724
Non-domestic corporate bonds	-	-	15,365	15,365
Preferred and common stock	-	-	327,340	327,340
Real estate	-	-	114,515	114,515
Alternative Investments				
Absolute Return	-	-	57,675	57,675
Private Equity	-	-	146,874	146,874
Infrastructure	-	-	40,929	40,929
Distressed and mezzanine debt (Public-private credit)	-	-	35,025	35,025
U.S. Treasury Bills, Notes, Bonds, and TIPS	-	-	30,687	30,687
Pooled Investment managed by Department of Revenue	-	21,940	-	21,940
Net Cash and Investments	\$ 280,146	\$ 21,940	\$ 979,405	\$ 1,281,491

A. ENTITY

The Power Cost Equalization Endowment Fund (PCE, Fund) was created by the Alaska Legislature under AS 42.45.070. The PCE is established as a separate fund of the Alaska Energy Authority (AEA, Authority), a component unit of the State of Alaska. The purpose of the PCE is to provide for affordable electric utility costs in otherwise high-cost service areas of the state through subsidies and grants. By statute, effective July 1, 2023, the assets of the Fund are to be held and invested under the same investment authority as the Alaska Permanent Fund is managed. The APFC is a governmental instrumentality of the State and is administered by a board of trustees ("Trustees" or "Board"). By statute, net income from the Fund is distributed to the AEA and is not included in the computation of the Alaska Permanent Fund transfers to the General Fund. Annual draws are limited to five percent of the average ending market value of the Fund for the previous three closed fiscal years and include costs incurred by APFC to manage the Fund.

B. SIGNIFICANT ACCOUNTING POLICIES

The Fund owns unit shares of assets managed by the APFC. Values of assets and liabilities reported in the financial statements represent the Fund's proportional share of the total assets managed by the APFC and are not a direct interest held by the Fund in the assets.

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Cash and cash equivalents

The amounts shown on the Statements of Net Position as cash and equivalents include cash on deposit at the custodian bank, cash swept to overnight investment funds, cash collateral held at derivatives brokers, U.S. Treasury bills, commercial paper, and the net fair value of foreign exchange forward contracts. The APFC's asset allocation includes approximately two percent in cash. The APFC investment policy specifies that funds dedicated to this portion of the asset allocation will be invested in money market funds or fixed income securities with weighted average maturities of no greater than 24 months.

Deposits to investment fund

Contributions from the Authority, State appropriations, and other sources are recorded when they are received.

Forward exchange contracts

The APFC's investment managers enter into a variety of forward currency contracts in their trading activities and management of foreign currency exchange rate risk exposure. These contracts are typically intended to neutralize the effect of foreign currency fluctuations, and the contract amounts do not appear on the balance sheet. Realized gains and losses are included in the net increase/decrease in the fair value of investments at the time the contract is settled and determined based on the difference between the contract rate and the market rate at the time of maturity or closing. Unrealized gains and losses are also included in the net increase/decrease in the fair value of investments and are calculated based on the difference between the contract rate and a forward market rate determined as of the balance sheet date.

A portion of the investment in forward exchange contracts is intended to manage, rather than neutralize, foreign currency fluctuations. Certain managers seek to control the effect of fluctuations in foreign exchange rates within their overall portfolio strategy rather than on a security-by-security basis. They attempt to optimize their foreign currency exposure in a market rather than accept the natural geographical exposure to the market's currency.

Futures

Certain equity and fixed income managers for the Fund are permitted to buy and sell equity and interest rate index futures. The gross contract and fair value of futures do not appear in the balance sheets. The net unrealized gain or loss on open futures trades is included in investments on the balance sheets, based on the difference between the future's purchase price and the current value of such futures. Realized gains and losses on futures are included in the net increase/decrease in the fair value of investments at the time the futures contract expires. The net change in unrealized gains and losses is also included in the net increase/decrease in the fair value of investments.

Investment income

Earnings are allocated from the commingled invested assets monthly as a credit to the Fund on the basis of total unit shares outstanding at the end of the month. All earnings are subject to allocation, which includes interest, dividends, and realized and unrealized gains and losses on total investments managed by the APFC.

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Investments and related policies

The Fund's investments managed by the APFC have been commingled with the assets of the Alaska Permanent Fund and certain assets of the Alaska Mental Health Trust Authority for investment purposes. The investments have been credited with unit shares and fractions of unit shares, which represent an undivided beneficial interest in the commingled assets managed by the APFC equal to the proportion those shares bear to the total unit shares outstanding. The Fund has received unit shares and fractions of unit shares based directly upon the dollar amount per share of funds contributed. The Fund will be charged with unit shares and fractions of unit shares based directly upon the dollar amount per share of funds withdrawn.

Carrying value of investments

The investments managed by the APFC are reported at fair value in the Statement of Net Position. Investments without a readily determinable fair value are generally reported at the net asset value per share (or its equivalent) of the investment. Securities transactions are recorded on the trade date that securities are purchased or sold. Unrealized gains and losses are reported as components of net change in net position.

State investment regulations

In accordance with Alaska Statute 37.13.120(a), the Trustees have adopted regulations designating the types of eligible investments. The regulations follow the prudent investor rule, requiring the exercise of judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the assets over time while maximizing the expected total return from both income and the appreciation of capital.

Investment policy – Asset allocation

The Trustees have established a long-term goal of achieving a five percent real rate of return over time on the investment portfolio. To help achieve this goal, the Trustees allocate the investments among various asset classes. At June 30, 2024, the APFC's strategic asset allocation targets were as follows:

Asset class	Asset class target
Public equities	34%
Fixed income	20%
Private equity	16%
Real estate	10%
Private income	9%
Absolute return	7%
Tactical opportunities	2%
Cash	2%

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To allow for market fluctuations and to minimize transaction costs, the Trustees have adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each asset class, the APFC's Chief Investment Officer has discretionary authority to permit target deviations within one specified range (referred to as the "green zone" in the investment policy), the APFC's Executive Director can approve target deviations for up to 90 days within a broader range (the "yellow zone"), and the Board can approve operating for longer than 30 days within a third range (the "red zone"). For example, the target dollar allocation for the public equities class is 34 percent, with the green zone range set at plus or minus five percent, the yellow zone range set at zero to five percent beyond the green zone, and red zone range set at greater than five percent beyond the green zone. In a similar manner, the APFC investment policy also requires the APFC to monitor relative risk (the expected investment portfolio's risk and return relative to the risk benchmark using standard industry risk measures), active budget risk (risk due to active management decisions made by managers), and limits on private investments and future commitments.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributable to holding investments from a single issuer. The APFC manages the Fund's concentration of credit risk by following its strategic asset allocation policy, diversifying investments among managers with varying investment styles and mandates, and monitoring tracking error. Tracking error is a measure of how closely a portfolio follows the index to which it is benchmarked. The APFC's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with the APFC investment policy and investment manager contracts. There is no single-issuer exposure within the APFC portfolio that comprises five percent or more of the overall portfolio. Therefore, no concentration of credit risk is reported in the notes to the financial statements.

Credit risk

Credit risk is the risk that an issuer or other counterparty to a marketable debt investment will not fulfill its obligations. The APFC requires that its investment grade fixed income managers invest in domestic and nondomestic bonds that have an explicit or implied investment grade rating. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within seven months. Certain high yield investment managers are allowed to invest a specified amount of funds in bonds rated below investment grade.

Custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure the Fund's deposits may not be returned. The APFC generally requires that all investment securities at custodian banks be held in the name of the Alaska Permanent Fund or the APFC (on behalf of the Alaska Permanent Fund). For nondomestic securities held by most sub-custodians, the APFC's primary custodian provides contractual indemnities against sub-custodial credit risk. Excess cash in custodial accounts is swept daily to a money market fund. Late deposits of cash which miss the money market sweep deadline are deposited to an interest-bearing account at the custodian. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, balances in individual accounts exceed this limit.

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Foreign currency risk

Foreign currency risk is the risk of loss from adverse changes in foreign currency exchange rates. Foreign currency risk is managed through foreign currency forward contracts and by diversifying assets into various countries and currencies.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The APFC manages the Fund's exposure to interest rate risk in part through tracking error guidelines set forth in the APFC investment policy.

Duration is an indicator of a portfolio's market sensitivity to changes in interest rates. In general, the major factors affecting duration are, in order of importance, maturity, prepayment frequency, level of market interest rates, size of coupon, and frequency of coupon payments. Rising interest rates generally translate into the value of fixed income investments declining, while falling interest rates are generally associated with increasing value. Effective duration attempts to account for the price sensitivity of a bond to changes in prevailing interest rates, including the effect of embedded options. As an example, for a bond portfolio with a duration of five years, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of five percent.

The Fund held fixed income investments with floating, step, variable, and zero interest rates, valued at \$11.9 million at June 30, 2024. The current annual interest rates range from 0 to 9.6 percent.

Unit shares

Unit shares represent an undivided beneficial interest in the commingled assets managed by the APFC and are computed on the next calendar day following the valuation date.

Valuation date

The last calendar day of each month is designated as the valuation date.

Withdrawals from investment fund

Distributions to the Authority, and to the State on behalf of the Authority, are made by liquidation of unit shares. Liquidation of the Fund's unit shares are made at the net asset value of those shares.

C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents managed by APFC, which includes the market values of foreign currency (FX) and FX forward exchange contracts, are summarized as follows at June 30:

	2024
Cash	\$ 2,492
Pooled Funds	17,240
U.S. Treasury Bills	26,071
FX forward exchange contracts	30
Total cash and cash equivalents	\$ 45,833

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Uninvested cash was held at the custodian, sub-custodian, or derivatives broker banks, primarily in interest-bearing accounts. All pooled funds were invested in a money market fund. U.S. Treasury bills are explicitly guaranteed by the U.S. government. Late deposits of cash which miss the money market sweep deadline and foreign currency are deposited in an interest-bearing account at the custodian. The Fund's portion of deposit amounts that exceeded the FDIC insurance limit was \$1.7 million on June 30, 2024.

D. MARKETABLE DEBT SECURITIES

Marketable debt securities categorized by debt instrument type at June 30 are summarized as follows:

2024	Cost	Fair Value	Unrealized gains (losses)
Mortgage-backed securities	\$ 35,559	35,012	(547)
U.S. Treasury and government notes/bonds	29,822	30,687	865
U.S. corporate bonds	87,453	86,011	(1,442)
U.S. commercial mortgage and asset-backed securities	10,771	10,856	85
U.S. exchange traded funds	1,449	1,562	113
Non-U.S. government bonds	30,867	30,724	(143)
Non-U.S. corporate bonds	15,005	15,365	360
Non-U.S. commercial mortgage and asset-backed secur	613	626	13
Non-U.S. exchange traded funds	352	371	19
Total marketable debt securities	\$ 211,891	211,214	(677)

E. MARKETABLE DEBT CREDIT RATINGS

To manage credit risk for marketable debt securities, the APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate, issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Minimum standards are a Standard & Poor's Corporation rating of BBB or better, or Moody's Investors Service, Inc. rating of Baa or better, or a comparable rating by another Nationally Recognized Statistical Rating Organization (NRSRO) or by a recognized rating service in the jurisdiction of the issuer. Accounts with high yield mandates are allowed to hold positions in assets with below investment grade ratings (high yield bonds). For purposes of this note, if credit ratings differ among the NRSROs used, the rating with the highest degree of risk (the lowest rating) is reported. At June 30, 2024, the Fund's credit ratings for its marketable debt securities are as follows:

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NRSRO quality ratings	Domestic	Non-domestic	Total fair value	Percentage of holdings
AAA	\$ 7,840	3,534	11,374	5.39%
AA	5,608	7,896	13,504	6.39%
A	26,787	5,989	32,776	15.52%
BBB	39,826	9,691	49,517	23.44%
BB	12,972	3,130	16,102	7.62%
B	3,803	1,230	5,033	2.38%
CCC	-	-	-	0.00%
CC	-	-	-	0.00%
C	-	-	-	0.00%
D	-	2,150	2,150	1.02%
Total fair value rated debt securities	\$ 96,836	33,620	130,456	61.76%
Exchange traded funds	1,562	371	1,933	0.92%
Not rated	297	13,095	13,392	6.34%
U.S. government explicitly backed by the U.S. government	38,763	-	38,763	18.35%
U.S. government implicitly backed by the U.S. government	26,670	-	26,670	12.63%
Total fair value debt securities	\$ 164,128	47,086	211,214	100.00%

F. MARKETABLE DEBT DURATION

To manage its interest rate risk on marketable debt securities, the APFC monitors fair values daily and routinely reviews portfolio duration in comparison to established benchmarks. At June 30, 2024, the effective duration by investment type, based on fair value, is as follows:

	Percentage of holdings	Duration
Domestic bonds		
Mortgage-backed securities	21.33%	6.15
Treasury and government notes/ bonds	18.70%	6.16
Corporate bonds	52.41%	6.48
Commercial mortgage and asset-backed securities	6.61%	1.32
Exchange traded funds	0.95%	-
Total domestic bonds	100.00%	5.95
Non-domestic bonds		
Treasury and government notes/bonds	65.25%	7.62
Corporate bonds	32.63%	6.92
Commercial mortgage and asset-backed securities	1.33%	1.27
Exchange traded funds	0.79%	-
Total non-domestic bonds	100.00%	7.24

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G. PREFERRED AND COMMON STOCK

Direct investments in preferred and common stock are held by the APFC’s custodian bank on behalf of the Fund. The Fund also invests in commingled stock funds, which are held by the custodian bank of the fund manager on behalf of fund investors, and equity index futures, which are held at the prime broker.

Preferred and common stocks and commingled stock funds at June 30 are summarized as follows, which include the net fair value of equity index futures of \$(1,000) at June 30, 2024:

2024	Cost	Fair Value	Unrealized gains (losses)
Direct investments			
U.S. Treasury and government notes/bonds	\$ 166,489	181,493	15,004
U.S. corporate bonds	152,943	143,314	(9,629)
Commingled funds	2,555	2,533	(22)
Total preferred and common stock	\$ 321,987	327,340	5,353

H. FOREIGN CURRENCY EXPOSURE

Foreign currency risk arises when a loss could result from adverse changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets into various countries and currencies.

At June 30, 2024, the Fund’s cash holdings, foreign currency forward contracts, nondomestic public and private equity, and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent at fair value and based on the currency in which the securities are held and traded):

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Foreign currency	Cash and cash equivalents	Foreign exchange forward contracts	Equity, private debt, real estate, infrastructure	Marketable debt	Total Foreign currency exposure
Australian Dollar	\$ 27	(715)	3,942	457	3,711
Brazil Real	12	4	1,435	-	1,451
Canadian Dollar	17	(700)	6,875	607	6,799
Chilean Peso	3	-	78	-	81
Chinese Yuan Renminbi	23	(3,177)	3,704	3,091	3,641
Colombian Peso	1	-	25	-	26
Czech Koruna	1	(69)	12	66	10
Danish Krone	4	-	2,114	-	2,118
Egyptian Pound	1	-	16	-	17
Euro Currency	713	(9,765)	43,735	8,232	42,915
Hong Kong Dollar	49	(152)	8,768	-	8,665
Hungarian Forint	2	-	120	-	122
Indian Rupee	18	(3)	5,306	-	5,321
Indonesian Rupiah	6	(278)	772	271	771
Israeli Shekel	17	(192)	342	190	357
Japanese Yen	91	(5,803)	15,000	5,785	15,073
Kuwaiti Dinar	-	-	71	-	71
Malaysian Ringgit	6	(253)	443	250	446
Mexican Peso	15	(222)	772	217	782
New Taiwan Dollar	16	(8)	6,647	-	6,655
New Zealand Dollar	2	(88)	93	87	94
Norwegian Krone	3	(161)	944	161	947
Pakistan Rupee	-	-	31	-	31
Peruvian Sol	-	(152)	-	147	(5)
Philippines Peso	1	-	96	-	97
Polish Zloty	(2)	(77)	783	83	787
Pound Sterling	214	(2,867)	14,950	1,902	14,199
Qatari Riyal	4	-	178	-	182
Romanian Leu	-	(68)	-	64	(4)
Russian Ruble	-	-	2	-	2
Saudi Arabia Riyal	12	-	1,180	-	1,192
Singapore Dollar	8	(118)	1,297	115	1,302
South African Rand	2	-	856	-	858
South Korean Won	21	(672)	4,979	665	4,993
Swedish Krona	3	(2)	1,770	-	1,771
Swiss Franc	13	(266)	4,125	104	3,976
Thailand Baht	-	(189)	402	189	402
Turkish Lira	13	-	410	-	423
UAE Dirham	2	-	350	-	352
Total foreign currency exposure	\$ 1,318	(25,993)	132,623	22,683	130,631

Cash amounts in the table include receivables, payables, and cash balances in each related currency. If payables exceed receivables and cash balances in a currency, then the total cash balance for that currency will appear as a negative value. The remaining Fund assets are denominated in U.S. dollars and are not included in the table above.

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I. SECURITIES LENDING

State regulations at 15 AAC 137.510 and the APFC investment policy authorize the APFC to enter into securities lending transactions on behalf of the Fund. Through a contract with the Bank of New York Mellon (the Bank), the Fund lends marketable debt and equity securities to borrowers who are banks and broker-dealers. The loans are collateralized with cash or marketable securities guaranteed by the U.S. government or a U.S. government agency. Under the APFC's contract with the Bank, the Bank must mark the loaned securities and collateral to the market daily, and the loan agreements require the borrowers to maintain the collateral at not less than 102 percent of the fair value of domestic loaned securities (and nondomestic loaned securities denominated in U.S. dollars) and not less than 105 percent of the fair value for other nondomestic loaned securities. The APFC can sell securities that are on loan. If a borrower fails to return the loaned securities (borrower default), the Bank can use cash collateral (and the proceeds on the sale of any noncash collateral) to purchase replacement securities. Generally, the Fund is protected from credit risk associated with the lending transactions through indemnification by the Bank against losses resulting from counterparty failure, reinvestment of cash collateral, default on collateral investments, or a borrower's failure to return loaned securities.

Cash collateral received for loaned securities is reported on the Fund's Statement of Net Position and invested by the Bank on behalf of the Fund. As of June 30, 2024, such investments were in overnight repurchase agreements that had a weighted average maturity of one day. The average term of the loans was also one day. At June 30, the value of securities on loan and collateral invested are as follows:

	2024
Fair value of securities on loan, secured by cash collateral	\$ 43,015
Cash collateral	44,045
Fair value of securities on loan, secured by noncash collateral	70,702
Noncash collateral	77,975

The Fund receives 80 percent of earnings derived from securities lending transactions and the Bank retains 20 percent. During the year ended June 30, 2024, the Fund incurred no losses from securities lending transactions. The Fund received \$271 in earnings from securities lending for the year ended June 30, 2024, which is included in the real estate and other income line item on the Statement of Changes in Net Position.

J. FOREIGN EXCHANGE CONTRACTS, FUTURES, AND OFF-BALANCE SHEET RISK

Certain external investment managers enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell specified amounts of foreign currencies at specified rates and future dates for the purpose of managing or optimizing foreign currency exposure. The maturity periods for outstanding contracts at June 30, 2024 ranged between two and 101 days.

The counterparties to the FX forward contracts consisted of a diversified group of financial institutions. The Fund is exposed to credit risk to the extent of nonperformance by these counterparties. The Fund's market risk as of June 30, 2024 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

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FX forward contracts during the year ended June 30 are summarized as follows:

	2024
Fair value of FX forward contracts, beginning of year	\$ -
Net change in fair value of FX forward contracts	30
Fair value of FX forward contracts, end of year	\$ 30
Notional amount of FX forward contracts, end of year	\$ 6,557

Certain equity and fixed income investment managers are permitted to trade equity and U.S. Treasury index futures. Equity index futures are traded in both domestic and nondomestic markets based on an underlying stock exchange value. Index futures are settled with cash for the net difference between the trade price and the settle price.

Futures in equity accounts during the years ended June 30 are summarized as follows:

	2024
Fair value of equity index futures, beginning of year	\$ -
Net change in fair value of equity index futures	1
Fair value of equity index futures, end of year	\$ 1
Notional amount of equity index futures, end of year	\$ 25

Futures in fixed income accounts during the years ended June 30 are summarized as follows:

	2024
Fair value of U.S. Treasury index futures, beginning of year	\$ -
Net change in fair value of U.S. Treasury index futures	-
Fair value of U.S. Treasury index futures, end of year	\$ -
Notional amount of U.S. Treasury index futures, end of year	\$ 126

K. REAL ESTATE

The APFC invests Fund assets in a variety of real estate interests, including directly owned real estate, real estate investment trusts, private real estate funds, and other entities in which the assets consist primarily of real property. The APFC also holds a portfolio of real estate loans collateralized by income-producing, institutional real estate in the United States that are administered by an external institutional real estate management firm. In recent years, the APFC expanded its real estate portfolio strategy with a “Build-to-Core” investment program, creating high-quality properties.

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The APFC invests Fund assets in real estate directly through ownership of interests in corporations, limited liability companies, and partnerships that hold title to the real estate. External institutional real estate management firms administer the majority of the Fund's directly owned real estate investments. The APFC initiated an internal real estate management program during FY2021, and two existing direct holdings were moved into this program.

Real estate investments at June 30 are summarized as follows:

2024	Cost	Fair Value	Unrealized gains (losses)
Real estate investment trusts	\$ 9,801	9,072	(729)
Real estate funds and notes	42,860	39,111	(3,749)
American Homes 4 Rent II	1,147	1,421	274
Directly owned real estate			
Retail	13,027	18,723	5,696
Office	26,921	21,245	(5,676)
Hotel	844	784	(60)
Industrial	5,212	11,395	6,183
Multifamily	4,905	5,634	729
Development	8,161	7,130	(1,031)
Total directly owned real estate	59,070	64,911	5,841
Total real estate	\$ 112,878	114,515	1,637

As of June 30, 2024, the APFC, on behalf of the Fund, had outstanding future funding commitments of \$4.6 million for real estate fund investments.

L. ALTERNATIVE INVESTMENTS

Alternative investments include the Fund's investments in absolute return strategies, private credit, private equity, and infrastructure.

Absolute return strategies are investments in specialized funds that seek to deliver returns that are largely uncorrelated with traditional market driven asset classes. The Fund is invested in two existing limited partnerships, in which the Fund is the only limited partner ("fund of one"); both are currently in liquidation. The Fund also holds direct hedge fund investments, in which the Fund is one of many limited partners. External investment management services are provided by institutional investment managers who have acknowledged their status as fiduciaries to the Fund. Because of the off-exchange and private nature of many absolute return strategies, investments may have no readily determinable fair value, and the estimated fair values could differ significantly from values that would be obtained in a market transaction for the assets. Each manager provides the APFC with fair value estimates of partnership interests and undergoes an annual independent audit.

The Fund invests in private credit through limited partnerships that invest either directly in distressed or mezzanine debt, or in commingled limited liability funds with a distressed debt or credit opportunity focus. These investments are funded over time as opportunities arise. The limited partnerships and funds undergo annual independent audits. Private credit investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

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Marketable debt securities and preferred and common stock classified as level 1 are valued using prices quoted in active markets for those securities. Marketable debt securities classified as level 2 are valued using matrix pricing and those at level 3 are term loans. Commingled funds reported at NAV use the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date.

Publicly traded real estate investment trusts are valued using prices quoted in active markets and are reported as level 1. Directly held real estate, private real estate funds, and real estate debt investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date. Directly owned real estate investments are subject to annual appraisals and audits

The Fund holds private equity through investments in limited liability companies and limited partnerships that typically invest in unlisted, illiquid common and preferred stock and, to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. The APFC has hired external advisors to assist in the selection of private equity holdings diversified by geography and strategy. Private equity is funded slowly over time as opportunities are identified by the APFC staff, the external advisors, and the underlying fund managers. The underlying private equity funds provide the APFC with fair value estimates of the investments utilizing the most current information available. In addition, the external advisors review the fair value estimates, and the underlying private equity funds undergo annual independent audits. Private equity investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

Infrastructure investments involve ownership or operating agreements in essential long-term service assets with high barriers to entry. Examples of infrastructure assets include toll roads, airports, deep water ports, communication towers, and energy generation, storage and transmission facilities. Investments in this asset class are expected to have inflation protection attributes and exhibit low correlations with other major asset classes in the APFC's investment strategy. The Fund holds infrastructure investments through commingled funds organized as limited partnerships whose investment managers provide periodic fair value estimates and undergo annual independent audits. Infrastructure investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

Alternative investments at June 30 are summarized as follows:

2024	Cost	Fair Value	Unrealized gains (losses)
Absolute return	\$ 55,814	57,675	1,861
Private credit	34,621	35,025	404
Private equity	141,523	146,874	5,351
Infrastructure	39,647	40,929	1,282
Total alternative investments	\$ 271,605	280,503	8,898

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As of June 30, 2024, the APFC, on behalf of the Fund, had outstanding future funding commitments of \$455,000 for absolute return, \$17.9 million for private credit, \$41.4 million for private equity, and \$13.4 million for infrastructure investments. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

M. FAIR VALUE MEASUREMENT

Various inputs are used in valuing the investments held by the Fund. U.S. Generally Accepted Accounting Principles (GAAP) establishes a hierarchy of inputs used to value investments emphasizing observable inputs and minimizing unobservable inputs. These input levels are summarized as follows:

Level 1 – Quoted prices for identical assets in an active market.

Level 2 – Inputs, other than quoted prices, which are observable for the asset, either directly or indirectly.

Level 3 – Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

Investments measured using Net Asset Value (NAV) per share as a practical expedient to fair value are not categorized into input levels. The input levels used to measure Fund's investments at June 30 are summarized as follows:

2024 Fair Value Measurement	Measured using input levels			Measured Using	Total
	Level 1	Level 2	Level 3	NAV	
Marketable debt securities					
Mortgage-backed securities	\$ -	35,012	-	-	35,012
U.S. Treasury and government notes/bonds	30,553	134	-	-	30,687
U.S. corporate bonds	44	85,967	-	-	86,011
U.S. commercial mortgage and asset-backed securities	-	10,856	-	-	10,856
U.S. exchange traded funds	1,562	-	-	-	1,562
Non-U.S. government bonds	-	30,724	-	-	30,724
Non-U.S. corporate bonds	-	15,358	7	-	15,365
Non-U.S. commercial mortgage and asset-backed securities	-	626	-	-	626
Non-U.S. exchange traded funds	371	-	-	-	371
Total marketable debt securities	\$ 32,530	178,677	7	-	211,214
Preferred and common stock					
Domestic stock	181,481	12	-	-	181,493
Non-domestic stock	143,314	-	-	-	143,314
Commingled funds	979	-	-	1,554	2,533
Total preferred and common stock	\$ 325,774	12	-	1,554	327,340
Real estate					
Real estate investment trusts	9,072	-	-	-	9,072
Real estate funds and notes	-	-	-	39,111	39,111
American Homes 4 Rent II	-	-	-	1,421	1,421
Directly owned real estate	-	-	-	64,911	64,911
Total real estate	\$ 9,072	-	-	105,443	114,515
Absolute return	-	-	-	57,675	57,675
Private credit	-	-	-	35,025	35,025
Private equity	-	-	-	146,874	146,874
Infrastructure	-	-	-	40,929	40,929
Total investments	\$ 367,376	178,689	7	387,500	933,572

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Absolute return investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date. Absolute return investments undergo annual independent financial statement audits. The redemption notice period is from 1-91 days and the frequency of redemption is daily to quarterly.

Absolute return investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date. Absolute return investments undergo annual independent financial statement audits. The redemption notice period is from 1-91 days and the frequency of redemption is daily to quarterly.

Private credit investments are reported at NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date. Private credit investments undergo annual independent financial statement audits. Redemptions are not allowed, and the usual life of these investments is 5-7 years.

Private equity investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date. Private equity investments undergo annual independent financial statement audits. Redemptions are not allowed, and the usual life of these investments is 10-12 years.

Infrastructure investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date. Infrastructure investments undergo annual independent financial statement audits. Redemptions are not allowed, and the usual life of these investments is 10-12 years.

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Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

Business-Type Activities	Balance at July 1, 2023	Additions	Deletions	Reclass ¹	Balance at June 30, 2024
Note 3					
Capital assets not being depreciated					
Land and rights of way	\$ 11,212	\$ -	\$ -	\$ -	\$ 11,212
Construction in progress					
Intangibles	183,682	-	-	-	183,682
Other	1,216	5,120	(1,216)	2,472	7,592
Total capital assets not being depreciated	196,110	5,120	(1,216)	2,472	202,486
Capital assets being depreciated					
Equipment	7,744	289	(11)	-	8,022
Infrastructure	516,274	1,334	-	(2,472)	515,136
Total capital assets being depreciated	524,018	1,623	(11)	(2,472)	523,158
Less accumulated depreciation					
Equipment	(6,040)	(175)	10	-	(6,205)
Infrastructure	(338,294)	(11,901)	-	-	(350,195)
Total accumulated depreciation	(344,334)	(12,076)	10	-	(356,400)
Total capital assets, being depreciated, net	179,684	(10,453)	(1)	(2,472)	166,758
Capital assets, net	\$ 375,794	\$ (5,333)	\$ (1,217)	\$ -	\$ 369,244

¹In 2024, the Alaska Energy Authority enterprise funds reclassified to Construction in progress - Other \$2,472 of construction work in progress previously presented as Capital assets being depreciated - Infrastructure.

Depreciation expense was charged to the functions as follows for the year ended June 30, 2024:

Business-Type Activities	
Bradley Lake Hydroelectric Project	\$ 11,278
Alaska Intertie Project	798
	<u>\$ 12,076</u>

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances typically result from short-term operating or capital advances. Transfers typically result from operating activities.

A schedule of interfund balances as of and for the year ended June 30, 2024 follows:

Due from other funds	
Due to Special Revenue Fund from Enterprise Fund	<u>\$ 597</u>

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

From Governmental Funds to:	
Enterprise Funds for Capital	<u>\$ 574</u>

Note 5 - Long-Term Debt

Long-term debt activity for the year ended June 30, 2024 was as follows:

Business-Type Activities	Balance at July 1, 2023	Additional Borrowings	Repayments	Balance at June 30, 2024	Due within one year
Power Revenue Bonds					
Bradley Lake					
Eleventh Series	\$ 159,713	\$ -	\$ (1,166)	\$ 158,547	\$ 3,717
Transmission Line					
Tenth Series	5,830	-	(238)	5,592	246
Bradley Lake - Battle Creek Diversion - Private Placement					
Seventh Series	37,334	-	(1,333)	36,001	1,333
Eighth Series	<u>1,155</u>	<u>-</u>	<u>(42)</u>	<u>1,113</u>	<u>42</u>
Total bonds payable	<u>\$ 204,032</u>	<u>\$ -</u>	<u>\$ (2,779)</u>	<u>\$ 201,253</u>	<u>\$ 5,338</u>

AEA has issued Power Revenue Bonds in support of the Bradley Lake Project. The Power Revenue Bonds are direct and general obligation bonds. The full faith and credit of AEA are pledged to pay principal and interest on the bonds. Payment of the bonds is secured by a pledge of revenues of the Bradley Lake Project, including all payments to be made by the Utilities. Each Utility has two established legal documents with AEA one called the Agreement for the Sale and Purchase of Electric Power and the other called the Power Sales Agreement. As a part of these legal documents the Utilities are obligated to make payments to AEA in an aggregate amount sufficient to pay annual project costs to include debt service on all outstanding bonds. The bonds are payable solely from Bradley project net revenues and are payable through 2051. Total principal and interest remaining to be paid on the bonds is \$388,091. Principal and interest paid for the current year and total customer revenues from the Bradley Project were \$9,422 and \$23,293, respectively.

The bond covenant terms provide additional security for repayment of the bonds. One of the terms of the bond covenants is that a capital reserve fund must be established for each bond issue in an amount equal to the capital reserve fund requirement. Further, the capital reserve fund is supported by the moral obligation of the State of Alaska. As well, in the event it becomes necessary to draw from the capital reserve fund to pay debt service AEA is then required to certify (through the Chair of the AEA board) in writing to the Governor and the State Legislature the sum required to restore the capital reserve fund to the capital reserve requirement. The State Legislature may, but is not obligated to, appropriate to AEA that certified amount which is necessary to restore the capital reserve fund to the capital reserve fund requirement.

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As of June 30, 2024, AEA reported total outstanding Power Revenue Bonds of \$201,253. Total incurred interest expense for fiscal year 2024 was \$11,414. The details of each of these bond series are as follows:

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

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

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

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

Only the Seventh and Eighth Series have amounts outstanding as of June 30, 2024. The bonds have a fixed interest rate of 4.24%. The outstanding bonds require payment annually each July 1 starting in 2021 through the year 2050.

The Seventh and Eighth Series qualified 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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All of the Bradley Lake Project bonds described above were issued under an Alaska Energy Authority Power Revenue Bond Resolution (Bond Resolution). Events of default under the Bond Resolution include:

- Late payment or nonpayment of principal or redemption price (as defined in the Bond Resolution). This is whether at maturity or upon call for redemption.
- Late payment or nonpayment of interest or on the unsatisfied balance of any sinking fund installment.
- Nonperformance or nonobservance of any of the other covenants, agreements, or conditions in the Bond Resolution or in the bonds, and such default continues for 60 days after written notice to AEA by the Trustee or to AEA and the Trustee by the Holders of not less than 25% in the principal amount of the outstanding bonds.
- Dissolution or liquidation of AEA or filing by AEA of a voluntary petition in bankruptcy, or the commission by AEA of any act of bankruptcy, or adjudication of AEA as bankrupt, or assignment by AEA for the benefit of its creditors, or the entry by the creditors, or the approval by a court of competent jurisdiction of a petition applicable to AEA in any proceedings for its reorganization.

As instituted under the provisions of the federal bankruptcy act, as amended, or under any similar act in any jurisdiction effective now or in the future.

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

In the event of default, AEA shall pay over or cause to be paid over to the Trustee (i) all moneys, securities and funds then held by AEA in any fund or account under the Bond Resolution, and (ii) all revenues (as defined in the Bond Resolution) as promptly as practicable after receipt. During the continuance of an event of default, per the Bond Resolution the Trustee shall apply funds in the following order:

- Expenses of fiduciaries
- Operating expenses
- Principal, redemption, and interest payments

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Arbitrage interest payable is due to the U.S. Treasury for the excess of investment income on the proceeds of each series of AEA’s tax exempt and tax advantaged Bradley Lake bonds over the related interest expense computed in accordance with Section 148 of the Internal Revenue Code of 1986, as amended. The accumulated arbitrage interest payable amount is computed each fiscal year. If a specific bond series is calculated to have arbitrage interest payable, the payable amount would be transferred to a separate investment account by the Trustee. The arbitrage interest payable amount for each series is first due after the end of the fifth bond year and every five years thereafter. As of June 30, 2024, the amount of arbitrage interest payable is \$0.

The minimum payments related to all bonds, for the years subsequent to June 30, 2024 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 5,338	\$ 16,038	\$ 21,376
2026	4,299	11,012	15,311
2027	4,472	10,781	15,253
2028	4,655	10,538	15,193
2029	4,850	10,286	15,136
2030-2034	27,606	47,194	74,800
2035-2039	34,567	38,771	73,338
2040-2044	43,969	27,938	71,907
2045-2049	56,837	13,619	70,456
2050-2051	14,660	661	15,321
	<u>\$ 201,253</u>	<u>\$ 186,838</u>	<u>\$ 388,091</u>

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Note 6 - Loans Receivable

The Authority administers the Power Project Fund loan program. At year-end, loans outstanding are classified as follows:

	Number of Loans	Amount
Power Project Fund Loan Programs	15	\$ 31,287
Less allowance for loan loss		(455)
		\$ 30,832
Balance at beginning of year	\$ 469	
Provision for loan loss (recovery)	(14)	
Balance at end of year	\$ 455	

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

On September 30, 2010, the Authority sold a portion of its Power Project Fund loan portfolio to AIDEA. Under the agreement, upon AIDEA's request, AEA is required to repurchase any loan upon a payment default. At year-end, the outstanding principal balance of the loans sold was \$2,142 for which AEA has allowed \$42 for loan loss.

Note 7 Fund Balance

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

	Restricted by Legislation
Power Cost Equalization Program	\$ 979,066
Renewable Energy Grant Fund	31,925
Emerging Energy Technology Fund	979
Power Development Fund	272
	\$ 1,012,242

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Note 8 - Risk Management

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

Note 9 - Related Parties

Alaska Industrial Development and Export Authority

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

For the year ended 30, 2024, AEA recognized expenses for services from AIDEA in the amount of \$7,707. In addition, as of June 30, 2024, AEA had \$2,790 payable to AIDEA for services and borrowings, which are included in accounts payable. Payments to AIDEA for personnel services supporting AEA activities comprise over half of AIDEA's personnel costs.

Alaska Intertie Management Committee

AEA is party to agreement with GVEA, MEA, and CEA (the Utilities) using the Alaska Intertie for wheeling of electrical power. Pursuant to the Intertie Agreement, the IMC was established to manage the system. The IMC is comprised of a representative from AEA and each of the Utilities. AEA is reimbursed for operation and maintenance costs on a monthly basis with an annual settlement to adjust the payments to actual costs. AEA received \$186 during fiscal year 2024 for administrative services.

Bradley Lake Project Management Committee

HEA, and City of Seward) purchasing electric power produced by the Bradley Lake Hydroelectric Project. In 1988, legislation was passed which made the PSA effective. Pursuant to the PSA, the Bradley Lake Hydroelectric Project Management Committee (BPMC) was formed to manage the project. The BPMC is comprised of a representative from AEA and each of the Utilities. The participating Utilities make monthly payments directly to the bond trustee based on their respective percentage share of the estimated annual project costs. AEA has an agreement with the BPMC to provide administrative services to the Bradley Lake Project, Battle Creek, and the SSQ Line and received \$683 for these services during fiscal year 2024.

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Note 10 - Commitments and Contingencies

In the normal course of business, AEA also has various commitments, such as commitments for the extension of credit and award of grants. At June 30, 2024, AEA had Power Project Fund loan commitments of \$490.

At June 30, 2024, AEA had cumulative prior year commitments from grant awards that are funded by State appropriations and federal awards; the amounts committed were \$63,040.

Note 11 – Subsequent Events

On July 31, 2024, House Bill (HB) 307 was signed by Governor Mike Dunleavy. The Bill helps to prioritize the reliability, stability, and cost to consumers for power along the interconnected Railbelt Utilities and eliminates wheeling rates along the Railbelt. Governor Mike Dunleavy further bolstered the importance of the passage of this Bill by stating “energy is the lynchpin of modern society”. As well, AEA’s Executive Director (ED) Curtis Thayer said, “House Bill 307 is one of the most important pieces of legislation affecting energy policy for the Railbelt in over 30 years”. This enacted legislation was very significant to AEA. Some of the significant impactful elements of the Bill to AEA was it fundamentally changed how AEA operated and it directed the establishment of a Railbelt Transmission Organization (RTO) as a division of AEA. As of July 1, 2024 AEA will operate with a separately established board from AIDEA and have separate employees from AIDEA. Previously, AEA had shared board members with AIDEA and all employees were of AIDEA. The first board meeting for the newly formed AEA Board took place September 10, 2024 and Resolution 2024-05 was approved amending the AEA Bylaws.

On April 3, 2024, AEA for the first time established an indirect cost negotiation agreement with the AEA cognizant agent the United States Department of Interior. This indirect cost rate is for use with grants, contracts, and other agreements with the Federal Government to which 2 CFR Part 200 applies subject to the limitations in Section II.A. of the agreement. When allocating indirect costs to federal grants AEA continued to utilize the de minimis rate of 10% for fiscal year 2024. Starting in fiscal year 2025 for all new or renegotiated federal grant awards AEA will utilize the negotiated rate.

Per approved AEA Board Resolution 2024-06 on September 10, 2024, a two year banking services contract with First National Bank Alaska (FNBA) was approved. The contract also has provisions that include three consecutive two year extension options at the sole discretion of AEA. This contract will remove banking services currently being provided under KeyBank for checking and custodial accounts to FNBA. All new bank accounts were established in fiscal year 2025.

On September 10, 2024, the AEA board passed Resolution 2024-07 in regard to federal grant awards. This Resolution allows the ED of AEA to accept grants at or below \$10 million. Over the past decade AEA has significantly grown its number of programs, projects, and budget. To maintain agility, responsiveness, operational efficiency and to address keeping pace with the nature of funding opportunities as a nimble approach this Resolution was put forward and approved.

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The AEA Board on September 10, 2024 accepted a round one Grid Resilience Innovation Program (GRIP) grant with U.S. Department of Energy for \$206.5 million with a recipient cost share of \$206.5 million. The grant will fund a subsea high-voltage direct current (HVDC) transmission line and two battery energy storage systems. Additional participants of this grant as partnering organizations is the Railbelt Utilities. The project dates are September 01, 2024 through August 31, 2032.

The AEA Board on September 10, 2024 accepted a Solar for All grant with the U.S. Environmental Protection Agency as part of the Greenhouse Gas Reduction Fund for \$64.4 million. The grant will fund residential-serving community solar and residential rooftop solar projects. Additional participants of this grant as partnering organizations is the Alaska Housing Finance Corporation. The project dates are May 01, 2024 through April 30, 2029.

Note 12 – New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new accounting standards with upcoming implementation dates. The following new accounting standards were implemented by the Authority for 2024 reporting:

GASB Statement No. 99 – Omnibus 2022 – Provisions of this Statement address requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, classification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63, which are effective upon issuance. The effective date for the provisions of this Statement related to leases, PPPs, and SBITAs are to be implemented for year-end June 30, 2023.

The effective date for the provisions of this Statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53, are to be implemented for year-end June 30, 2024. The Authority adopted the statement in 2024 and determined that the statement had no material impact on the Authority’s financial reporting.

GASB Statement No. 100 – Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62 – Effective for year-end June 30, 2024. Earlier application is encouraged. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Authority adopted the statement in 2024 and determined that the statement had no material impact on the Authority’s financial reporting.

The GASB has issued new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, and actual impacts have not yet been determined. The statements are as follows:

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GASB Statement No. 101 – Compensated Absences – Effective for year-end June 30, 2025. Earlier application is encouraged. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

GASB Statement No. 102 – Certain Risk Disclosures – Effective for year-end June 30, 2025. Earlier application is encouraged. The objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

GASB Statement No. 103 – Financial Reporting Model Improvements – Effective for year-end June 30, 2026. Earlier application is encouraged. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues.

GASB Statement No. 104 – Disclosure of Certain Capital Assets – Effective for year-end June 30, 2026. Earlier application is encouraged. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The Statement will enable users to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments.

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Schedule 1 – Special Revenue Fund – Projects and Programs – Balance Sheet
(in thousands)
Year Ended June 30, 2024

	Power Cost Equalization Program	Renewable Energy Grant Fund	Emerging Energy Technology Fund	Rural Energy Projects	Volkswagon Diesel Settlement Fund	Power Development Fund	Community Contributions Fund	Reclass for Financial Statement Presentation	Totals
Assets									
Restricted Current assets									
Cash and cash equivalents	\$ 61,100	\$ 11,747	\$ 983	\$ -	\$ 877	\$ 31,457	\$ 1,498	\$ -	\$ 107,662
Receivables for investments	5,515	-	-	-	-	-	-	-	5,515
Operating receivable	-	3	-	-	51	-	169	-	223
Prepaid expenses	193	-	-	24	-	-	-	-	217
Due from Federal Government	-	-	-	2,292	-	-	-	-	2,292
Due from State of Alaska	-	296	-	6,530	-	-	-	(6,668)	158
Due from State of Alaska's component units	36	-	-	-	-	-	-	(36)	-
Due from other funds/internal balances	-	-	-	2,186	-	775	-	(2,364)	597
Securities lending collateral	44,045	-	-	-	-	-	-	-	44,045
Total current restricted assets	110,889	12,046	983	11,032	928	32,232	1,667	(9,068)	160,709
Restricted Noncurrent assets									
Investments, restricted	933,572	21,940	-	-	-	-	-	-	955,512
Total assets	\$ 1,044,461	\$ 33,986	\$ 983	\$ 11,032	\$ 928	\$ 32,232	\$ 1,667	\$ (9,068)	\$ 1,116,221
Liabilities and Fund Balance									
Current liabilities									
Due to Federal Government	\$ -	\$ -	\$ -	\$ 36	\$ -	\$ 1	\$ -	\$ -	\$ 37
Due to the State of Alaska	765	-	4	58	-	31,463	-	(6,668)	25,622
Due to State of Alaska's component units	-	-	-	3,071	-	-	-	(36)	3,035
Due to local governments	6,627	1,364	-	507	-	-	-	-	8,498
Due to other funds/internal balances	293	147	-	1,708	47	-	169	(2,364)	-
Accounts payable	13,665	550	-	5,652	4	496	-	-	20,367
Other liabilities	-	-	-	-	-	-	1,498	-	1,498
Unearned revenue - grant match from outside entities	-	-	-	-	877	-	-	-	877
Securities lending collateral	44,045	-	-	-	-	-	-	-	44,045
Total liabilities	65,395	2,061	4	11,032	928	31,960	1,667	(9,068)	103,979
Fund Balance									
Nonspendable	193	-	-	24	-	-	-	-	217
Restricted by legislation	978,873	31,925	979	(24)	-	272	-	-	1,012,025
Total fund balance	979,066	31,925	979	-	-	272	-	-	1,012,242
Total Liabilities and Fund Balance	\$ 1,044,461	\$ 33,986	\$ 983	\$ 11,032	\$ 928	\$ 32,232	\$ 1,667	\$ (9,068)	\$ 1,116,221

See Independent Auditor's Report.

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Schedule 2 – Special Revenue Fund – Projects and Programs – Statement of Revenues, Expenditures, and Changes in Fund Balance
(in thousands)
Year Ended June 30, 2024

	Power Cost Equalization Program	Renewable Energy Grant Fund	Emerging Energy Technology Fund	Trans Alaska Pipeline Liability Fund	Rural Energy Projects	Volkswagen Diesel Settlement Fund	Power Development Fund	Community Contributions Fund	Totals
Operating revenues									
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ 12,298	\$ -	\$ -	\$ -	\$ 12,298
State of Alaska appropriations	-	8,242	-	-	14,467	-	-	-	22,709
Other revenues	5,251	-	-	-	14	432	-	-	5,697
Total operating revenues	5,251	8,242	-	-	26,779	432	-	-	40,704
Operating expenditures									
Grants and projects	-	4,918	-	530	30,911	413	-	-	36,772
Power cost equalization grants	44,931	-	-	-	-	-	-	-	44,931
General and administrative	2,683	783	-	87	1,620	19	-	-	5,192
Total operating expenditures	47,614	5,701	-	617	32,531	432	-	-	86,895
Nonoperating revenues (expenses) and other									
Investment income, net expenses	69,285	1,857	-	21	9	-	-	-	71,172
Interfund capital grants and contributions	(4,744)	(791)	-	-	5,535	-	-	-	-
Total nonoperating revenues (expenses) before transfers	64,541	1,066	-	21	5,544	-	-	-	71,172
Transfers to other funds	-	(574)	-	-	-	-	-	-	(574)
Change in Fund Balance	22,178	3,033	-	(596)	(208)	-	-	-	24,407
Fund Balance, Beginning of Year	956,888	28,892	979	596	208	-	272	-	987,835
Fund Balance, End of Year	\$ 979,066	\$ 31,925	\$ 979	\$ -	\$ -	\$ -	\$ 272	\$ -	\$ 1,012,242

See Independent Auditor's Report.

Alaska Energy Authority
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Schedule 3 – Business-Type Activities – Enterprise Fund – Projects and Programs – Statement of Net Position
(in thousands)
Year Ended June 30, 2024

	Bradley Lake Hydroelectric Project	Alaska Intertie Project	Susitna- Watana Hydroelectric Project	Power Project Fund	Power Development and Railbelt Energy Projects	Reclass for Financial Statement Presentation	Totals
Restricted Assets							
Current restricted assets							
Cash and cash equivalents	199,133	3,433	-	10,241	5,510	-	\$ 218,317
Operating receivable	-	216	-	-	-	-	216
Loans receivable	-	-	-	2,698	-	-	2,698
Due from federal government	513	-	-	-	-	-	513
Due from State of Alaska	1,264	181	-	-	-	(870)	575
Due from State of Alaska's component units	-	-	-	100	-	-	100
Accrued interest receivable	-	-	-	62	-	-	62
Due from other funds/internal balances	-	-	-	-	185	(782)	(597)
Total current assets	<u>200,910</u>	<u>3,830</u>	<u>-</u>	<u>13,101</u>	<u>5,695</u>	<u>(1,652)</u>	<u>221,884</u>
Noncurrent restricted assets							
Loans receivable, net of allowance	-	-	-	28,134	-	-	28,134
Capital assets, net of accumulated depreciation	173,774	11,788	183,682	-	-	-	369,244
Total noncurrent restricted assets	<u>173,774</u>	<u>11,788</u>	<u>183,682</u>	<u>28,134</u>	<u>-</u>	<u>-</u>	<u>397,378</u>
Total Restricted Assets	<u>\$ 374,684</u>	<u>\$ 15,618</u>	<u>\$ 183,682</u>	<u>\$ 41,235</u>	<u>\$ 5,695</u>	<u>\$ (1,652)</u>	<u>619,262</u>

See Independent Auditor's Report.

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Schedule 3 – Business-Type Activities – Enterprise Fund – Projects and Programs – Statement of Net Position, continued
(in thousands)
Year Ended June 30, 2024

	Bradley Lake Hydroelectric Project	Alaska Intertie Project	Susitna- Watana Hydroelectric Project	Power Project Fund	Power Development and Railbelt Energy Projects	Reclass for Financial Statement Presentation	Totals
Restricted Liabilities and Net Position							
Restricted Liabilities							
Current restricted liabilities							
Due to the federal government	\$ 175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175
Due to the State of Alaska	1	-	-	-	3,973	(870)	3,104
Due to State of Alaska's component units	21	-	-	-	-	-	21
Due to other funds/internal balances	716	57	-	9	-	(782)	-
Accounts payable	4,726	3,710	-	42	-	-	8,478
Capital acquisition and construction accounts	1,264	40	-	-	-	-	1,304
Capital acquisition and construction accounts (due to federal government)	13	-	-	-	-	-	13
Capital acquisition and construction accounts (due to State of Alaska)	6	-	-	-	-	-	6
Bonds payable – current portion	5,338	-	-	-	-	-	5,338
Accrued interest payable	5,688	-	-	-	-	-	5,688
Total restricted current liabilities	17,948	3,807	-	51	3,973	(1,652)	24,127
Noncurrent restricted liabilities							
Bonds payable – noncurrent portion, net	195,915	-	-	-	-	-	195,915
Total restricted liabilities	213,863	3,807	-	51	3,973	(1,652)	220,042
Net Position							
Net investment in capital assets	130,226	11,748	183,682	-	-	-	325,656
Restricted for capital projects	170,596	-	-	-	-	-	170,596
Restricted for debt service	18,353	-	-	-	-	-	18,353
Restricted by agreements with external parties	6,019	63	-	30,943	-	-	37,025
Restricted by legislation	-	-	-	10,241	1,722	-	11,963
Deficit	(164,373)	-	-	-	-	-	(164,373)
Total net position	160,821	11,811	183,682	41,184	1,722	-	399,220
Total Restricted Liabilities and Net Position	\$ 374,684	\$ 15,618	\$ 183,682	\$ 41,235	\$ 5,695	\$ (1,652)	619,262

See Independent Auditor's Report.

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

Schedule 4 – Business-Type Activities – Enterprise Fund – Projects and Programs – Statement of Revenues, Expenses, and Changes in Net Position
(in thousands)
Year Ended June 30, 2024

	Bradley Lake Hydroelectric Project	Alaska Intertie Project	Susitna-Watana Hydroelectric Project	Power Project Fund	Power Development and Railbelt Energy Projects	Totals
Operating revenues						
State of Alaska appropriations	\$ 991	\$ 181	\$ -	\$ -	\$ -	\$ 1,172
Revenue from operating plants	23,293	2,509	-	-	-	25,802
Interest on loans	-	-	-	391	-	391
Other revenues	-	114	-	70	-	184
Total operating revenues	24,284	2,804	-	461	-	27,549
Operating expenses						
Depreciation	11,278	798	-	-	-	12,076
General and administrative	1,192	380	-	123	-	1,695
Plant operating	6,203	2,474	-	-	-	8,677
Total operating expenses	18,673	3,652	-	123	-	22,448
Operating Income (Loss)	5,611	(848)	-	338	-	5,101
Nonoperating revenues (expenses) and other						
Investment income, net expenses	9,170	106	-	568	2	9,846
Federal direct bond interest expense subsidy	1,014	-	-	-	-	1,014
Interest expense and other charges	(11,414)	-	-	-	-	(11,414)
Total nonoperating revenues (expenses) before capital contributions	(1,230)	106	-	568	2	(554)
Income (Loss) before Capital Contributions	4,381	(742)	-	906	2	4,547
Capital Contributions	574	-	-	-	-	574
Change in Net Position	4,955	(742)	-	906	2	5,121
Net Position, Beginning of Year	155,866	12,553	183,682	40,278	1,720	394,099
Net Position, End of Year	160,821	11,811	183,682	41,184	1,722	399,220

See Independent Auditor's Report.

Alaska Energy Authority
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Schedule 5 – Bradley Lake Hydroelectric Project Trust Account Activities (Unaudited)
(in thousands)
Year Ended June 30, 2024

	Construction Fund	Debt Service Fund	Capital Reserve Fund	Revenue Fund	Operating Fund	Operating Reserve Account	Revenue and Operating Fund	Renewal and Contingency Reserve Fund	Operating Reserve Account	Total
Balance at July 1, 2023	\$ 158,063	\$ 2,529	\$ 16,166	\$ 615	\$ 339	\$ 160	\$ 2,842	\$ 3,359	\$ 1,471	\$ 185,544
Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Cost of issuance	-	-	-	-	-	-	-	-	-	-
Interest received	7,687	53	770	63	26	8	235	246	77	9,165
Bond principal paid	-	(2,779)	-	-	-	-	-	-	-	(2,779)
Bond interest paid	-	(6,642)	-	-	-	-	-	-	-	(6,642)
Operating budget surplus paid	-	-	-	233	-	-	(998)	(989)	-	(1,754)
Capital expenditures	(2,005)	-	-	-	-	-	-	-	-	(2,005)
Operating revenue received	-	-	-	4,451	-	-	22,533	-	-	26,984
Operating expenses paid	-	-	-	(733)	(913)	-	(7,305)	(999)	-	(9,950)
Transfers between funds	515	9,348	(779)	1,605	750	22	(14,550)	3,661	(2)	570
Balance at June 30, 2024	\$ 164,260	\$ 2,509	\$ 16,157	\$ 6,234	\$ 202	\$ 190	\$ 2,757	\$ 5,278	\$ 1,546	\$ 199,133

See Independent Auditor's Report.

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

Schedule 6 – Capital Assets Presented under Federal Energy Commission Requirements (Unaudited)
(in thousands)
Year Ended June 30, 2024

	Balance at July 1, 2023	Additions	Deletions	Balance at June 30, 2024
Capital assets				
Intangible	\$ 183,696	\$ -	\$ -	\$ 183,696
Production	323,942	3,477	(1,206)	326,213
Transmission	206,250	2,320	-	208,570
General	6,240	946	(21)	7,165
Total capital assets	<u>720,128</u>	<u>6,743</u>	<u>(1,227)</u>	<u>725,644</u>
Less accumulated depreciation				
Intangible	(8)	(1)	-	(9)
Production	(173,312)	(8,873)	-	(182,185)
Transmission	(165,417)	(3,113)	-	(168,530)
General	(5,597)	(89)	10	(5,676)
Total accumulated depreciation	<u>(344,334)</u>	<u>(12,076)</u>	<u>10</u>	<u>(356,400)</u>
Capital assets, net	<u>\$ 375,794</u>	<u>\$ (5,333)</u>	<u>\$ (1,217)</u>	<u>\$ 369,244</u>

See Independent Auditor's Report.

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

Schedule 7 – Bradley Lake Historical Annual Project Cost (Unaudited)
(in thousands)
Year Ended June 30, 2024

Operating Data	As of June 30, 2023	As of June 30, 2024	Variance
Project costs			
Operations and maintenance	\$ 4,339	\$ 4,356	\$ (17)
Repairs	1,263	45	1,218
General and administrative	1,979	1,681	298
Insurance	986	1,270	(284)
Capital purchases	525	333	192
Contributions to/(from) capital reserve fund	96	(58)	154
Contributions to renewal and contingency fund and operating reserve account	<u>2,731</u>	<u>2,131</u>	<u>600</u>
	<u>11,919</u>	<u>9,758</u>	<u>2,161</u>
Debt service	15,436	15,386	50
Less Federal interest subsidy	(1,052)	(1,020)	(32)
Less investment income	<u>(577)</u>	<u>(881)</u>	<u>304</u>
Total cost of power	<u>\$ 25,726</u>	<u>\$ 23,243</u>	<u>\$ 2,483</u>

See Independent Auditor's Report.

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

Schedule 8 – PCE Endowment Fund Historical Analysis (Unaudited)
Externally Managed Fund (Alaska Division of Finance through Fiscal Year 2023 and APFC Fiscal Year 2024 forward)
(in thousands)
Year Ended June 30, 2024

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Beginning cash and investment balance	\$ 977,867	\$ 969,389	\$ 946,939	\$ 1,023,566	\$ 1,073,378	\$ 1,072,825	\$ 1,078,157	\$ 1,149,165	\$ 967,416	\$ 946,597
Inflows										
Annual investment earnings	33,192	8,912	112,331	76,602	74,142	48,303	150,299	(143,842)	88,405	69,285
Transfer from AEA interest earnings and prior years appropriations	-	-	-	-	-	-	-	-	-	11,712
Total inflows	33,192	8,912	112,331	76,602	74,142	48,303	150,299	(143,842)	88,405	80,997
Outflows										
Transfers to AEA for PCE payments (1)	(41,002)	(30,622)	(34,956)	(25,595)	(29,719)	(27,000)	(28,237)	(24,000)	(54,139)	(45,505)
Transfers to Other Funds	-	-	-	-	(44,000)	(14,867)	(49,164)	(12,140)	(53,775)	-
Program administration - AEA	(248)	(255)	(243)	(624)	(444)	(575)	(737)	(602)	(214)	(616)
Administrative fee - Regulatory Commission	(107)	(100)	(112)	(113)	(102)	(108)	(123)	(135)	(126)	(167)
Management fee - Department of Revenue	(313)	(385)	(393)	(458)	(430)	(421)	(1,030)	(1,030)	(970)	(1,901)
Total outflows	(41,670)	(31,362)	(35,704)	(26,790)	(74,695)	(42,971)	(79,291)	(37,907)	(109,224)	(48,189)
Ending cash and investment balance	\$ 969,389	\$ 946,939	\$ 1,023,566	\$ 1,073,378	\$ 1,072,825	\$ 1,078,157	\$ 1,149,165	\$ 967,416	\$ 946,597	\$ 979,405

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

See Independent Auditor's Report.

Schedule 9 – Supplementary Organization and Project Information (Unaudited)

June 30, 2024

Organization and Operations

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

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

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

The Alaska Legislature empowered AEA to acquire a Susitna River power project under AS 44.83.080 (18), effective July 1, 1999. Effective July 14, 2011, the legislature empowered AEA to acquire, construct, own, and operate a hydroelectric project located on the Susitna River. Under this legislative authorization, AEA worked on planning, designing, and Federal Energy Regulatory Commission (FERC) licensing of the Susitna-Watana Hydroelectric Project. On February 21, 2019, pursuant to Administrative Order No. 271, AEA advanced the licensing process through FERC. FERC required an updated Study Plan Determination which included additional environmental impact studies. In 2019 FERC ruled that AEA would not need to repeat any of the Integrated Licensing Process.

Bradley Lake Hydroelectric Project

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

Schedule 9 – Supplementary Organization and Project Information (Unaudited)

June 30, 2024

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

In December 2020, the Authority closed on the purchase of the Soldotna to Quartz Creek (SSQ) Transmission Line, which issued bonds in the amount of \$17,000,000. Purchase of the SSQ Line is in support of the Bradley Lake Hydroelectric Project. In June 2022, the Authority applied \$10.9 million as an early prepayment to pay down the debt service.

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

Starting in fiscal year 2023 AEA started studies for the Dixon Diversion Project to optimize the energy potential of the Bradley Lake Hydroelectric Project. Like the West Fork Upper Battle Creek Diversion Project, the Dixon Diversion Project would divert water from Dixon Glacier in order to increase Bradley Lake's annual energy production by fifty percent. Dixon Diversion is located five miles from Bradley Lake and would utilize the existing powerhouse at Bradley Lake. Estimated annual energy if this project was completed would be 100,000-200,000 MWh of additional energy. This would power between 24,000-30,000 homes each year. As well, it is estimated to offset 1.5-1.6 billion cubic feet of natural gas per year as part of the Railbelt power generation (equal to 7.5% of Alaska's unmet natural gas demand projected for 2030). Estimated completion for this project is 2030.

Alaska Intertie Project

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

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

Schedule 9 – Supplementary Organization and Project Information (Unaudited)

June 30, 2024

Susitna-Watana Hydroelectric Project

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

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

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

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

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

Schedule 9 – Supplementary Organization and Project Information (Unaudited)

June 30, 2024

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

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

The licensing project that was in abeyance (FY14) had been rescinded in FY19 (AO 271). Looking ahead and to the extent the project proposal does not change, and the data gathered remains representative of current conditions, FERC ruled that AEA would not need to repeat the already completed Integrated Licensing Process (ILP) steps. As of June 30, 2024 the project is still viable and AEA continues to engage discussions with the Congressional Delegation and current presidential administration in order to maintain federal support of the project.