

Alaska Energy Authority

2019 ANNUAL REPORT TO ALASKANS



ALASKA
ENERGY
AUTHORITY



Bradley Lake
Hydroelectric Project

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Annual Report Requirements:

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Cover Photo:

AEA Vice Chair Bernie Karl meets with children at Tuluksak School during a site visit to Tuluksak, Alaska in September 2019.

Who We Are

Created in 1976 by the Alaska Legislature, the Alaska Energy Authority (AEA) is a public corporation of the State of Alaska governed by a board of directors with the mission to “reduce the cost of energy in Alaska.” AEA is the state’s energy office and lead agency for statewide energy policy and program development.

What We Do



Owned Assets

AEA owns the Alaska Intertie and the Bradley Lake Hydroelectric Project. These assets benefit Railbelt consumers by reducing the cost of power.



Energy Technology Programs

AEA provides renewable energy and energy efficiency grants, analysis, and expertise. These include hydro, biomass, wind, solar, and others.



Power Cost Equalization

The Power Cost Equalization Program reduces the unit cost of electricity in rural Alaska for residential customers and community customers of eligible utilities.



Grants and Loans

AEA provides loans to qualified utilities, local governments, and independent power producers for the construction or upgrade of power generation and other energy facilities.



Rural Energy Assistance

AEA constructs bulk fuel tank farms, diesel powerhouses, and electrical distribution grids in rural villages. AEA supports the operation of these facilities through circuit rider and emergency response programs.



Energy Planning

In collaboration with local and regional partners, AEA provides critical economic and engineering analysis to plan the development of cost effective energy infrastructure.



Message from the Chair

Dana Pruhs

It is my pleasure to present AEA's 2019 Annual Report to Alaskans. This report highlights AEA's accomplishments during 2019. It also illustrates the ways AEA helps Alaskans use electricity and fuel more efficiently, and shows our progress in meeting the State's goal of generating more energy from renewable sources.

AEA was created in 1976 by the Alaska State Legislature to reduce the cost of energy in Alaska. To achieve this mission, AEA works to diversify Alaska's energy portfolio, engages on energy planning and policy, invests in Alaska's energy infrastructure, and provides rural Alaska with technical and community assistance.

Our role as an owner of significant generation and transmission assets in the Railbelt region of the state brings great benefits to all six Railbelt utilities and ratepayers. In 2019, however, there were great challenges resulting from the Swan Lake Fire, which in my view is a fire that should never have happened. As AEA worked with the utilities to promptly and responsibly address the fire's impact to the Railbelt, we recognized the vulnerability in the system and are actively looking at ways to improve its reliability.

Through management of the Power Cost Equalization (PCE) Program, AEA helps reduce power costs for rural residents to near the average cost of power in Anchorage, Fairbanks, and Juneau. If not for PCE, the cost of electricity in rural Alaska would be three to five times

higher than it is for customers in more urban areas of the state. AEA also manages the Renewable Energy Fund (REF). Since inception, the REF has funded 295 renewable energy projects. This has led to nearly 100 new operational renewable projects across the state, with about 20 new projects coming online in just the past two years. These projects have helped increase the percentage of renewable generation in the state from 24 percent in 2012 to 29 percent in 2017.

In addition to PCE and REF, AEA for decades has provided energy solutions that address the unique needs of Alaska's rural communities. Applying community-based project management, AEA develops and constructs modern and code-compliant bulk fuel tank farms, upgrades systems to high-efficiency generators in rural powerhouses, and integrates renewable energy projects.

On behalf of the Board and myself, I express appreciation for the confidence and trust you have in AEA. I also express my gratitude to AEA Management and staff for their expertise and dedication, which enables our success. Together, we look forward to our continued role in helping Alaska meet its energy needs.



Message from the Executive Director

Curtis W. Thayer

AEA promotes, develops, and advances the general prosperity and economic welfare of all Alaskans. We do this through ownership of our assets on the Railbelt, carrying out State energy policy, and providing programs that help reduce the cost of energy across the state.

In 2019, our focus has been not only on reducing the cost of energy, but also on solidifying the value of AEA to the state through prudent management of its assets and program activities.

The Alaska Intertie is owned by AEA and managed cooperatively with participating utilities. The Intertie provides significant savings to Railbelt ratepayers. In the Fairbanks region, ratepayers have saved approximately \$460 million over the last 10 years.

Power Cost Equalization (PCE) is one of many programs AEA manages for the benefit of rural Alaskans. PCE reduces the costs of electricity for 84,000 Alaskans in nearly 200 rural communities by an average of 45 percent for eligible customers. It is funded by earnings from the PCE Endowment Fund, currently valued at \$1.1 billion.

In 2019, AEA supported the Alaska Congressional Delegation's work to enact the Alaska Remote Generator Reliability and Protection Act. This landmark legislation reduces the unnecessary regulatory burden placed on rural utilities and improves reliability and efficiency in rural powerhouses. The Environmental Protection

Agency estimates annual cost savings of \$8 million to Alaska utilities.

For Fiscal Year 2021, the Governor's proposed capital budget includes \$13.7 million in state funds and \$20 million in federal receipt authority for rural power system and bulk fuel upgrades, a Railbelt energy plan and electrical emergency response for rural Alaska. AEA's proposed Fiscal Year 2021 operating budget is \$38.4 million dollars. The Governor's budget includes a fully funded PCE program, provides support for rural energy assistance, and statewide energy programs.

2019 was not without its challenges. The Swan Lake Fire damaged a portion of the transmission line used to deliver low-cost energy from AEA's Bradley Lake Hydroelectric Project. This disruption to the state's most affordable source of power affected 80 percent of Alaskans. AEA continues to work with Railbelt utilities on future transmission system upgrades to maximize savings for Railbelt residents in decades to come.

I'm excited about AEA's future. I look forward to continuing our work with Alaska's energy stakeholders on programs and projects that reduce the cost of energy and promote economic development for the benefit of all Alaskans.



Owned Assets



Alaska Intertie

The Alaska Intertie transmission line is a 170-mile long, 345 kilovolt (kV) transmission line between Willow and Healy. The line is owned by AEA and operates at 138 kV. The Intertie connects Golden Valley Electric Association (GVEA), the utility that serves areas north of the Alaska Range, with Southcentral Alaska utilities. It was constructed in the mid-1980s with \$124 million of State appropriations and has no debt service. The Intertie provides significant cost savings through the transmission of economy energy to GVEA. It delivers to GVEA its power share of

Bradley Lake and enables the sharing of reserve generation capacity between the Anchorage and Fairbanks load centers. The operation of the Intertie is governed by the Alaska Intertie Agreement signed in 1985 and amended thereafter. The parties to the agreement are AEA, GVEA, Municipal Light & Power, Chugach Electric Association, and Matanuska Electric Association. Each of these entities has a seat on the Intertie Management Committee (IMC), which has responsibility for operating and managing the Intertie.

Through AEA's leadership as an IMC member and with its step-in rights on financial decisions regarding the intertie, AEA is uniquely positioned to ensure that ratepayers for the entire electrically interconnected Railbelt region are treated similarly in each utility's individual service territory.



AEA Chair Dana Pruhs and Governor Michael J. Dunleavy inspect a Kenai transmission intertie damaged by the Swan Lake Fire in August 2019.



\$40M

In 2018, GVEA ratepayers achieved savings of more than \$40 million as a result of power transmission over the Intertie.

Bradley Lake Hydroelectric Project

The Bradley Lake Hydroelectric Project is located 27 air miles northeast of Homer on the Kenai Peninsula and has 120 megawatt (MW) of installed capacity. The project consists of a 125-foot high, concrete faced, rock-filled dam structure; three diversion structures; a 3.5-mile long power tunnel and vertical shaft; generating plant; an interior substation; and an external substation 20 miles of transmission line. The power generation potential of Bradley Lake was first studied in 1955 by the United States Army Corps of Engineers. AEA, then the Alaska Power Authority, assumed responsibility for the project in 1982. The project began commercial operation on September 1, 1991 and has been producing power ever since. To date, the total project costs including the West Fork Upper Battle Creek (WFUBC) Diversion Project, is approximately \$400 million.

The project was funded through legislative appropriations and AEA revenue bonds that are being repaid by the participating utilities. Original bonds are expected to be retired in July 2021, after which the participating utilities will be obligated to pay AEA up to \$12.5 million annually for deposit into the Railbelt Energy Fund. The Bradley Lake Project Management Committee generally manages the project, subject to AEA's non-delegable rights, duties, and responsibilities.

In Fiscal Year 2018, financing was secured for and construction began on the WFUBC Diversion Project, which will increase the amount of clean, low cost energy from Bradley Lake by about 10 percent, or 37,00 megawatt-hour — enough to keep the lights on in a community the size of Homer for a year. In December 2017, financing was secured with low cost interest subsidies available only to a government entity.

The WFUBC Diversion Project was a competitively bid undertaking. The low bid amount is \$36 million. With the low cost financing, it is estimated that \$18 million will be saved in debt burden over the financing term. In April 2018, the contractor mobilized to Bradley Lake Hydroelectric Project and commenced construction activities for the WFUBC Diversion Project. In 2019, the contractor substantially completed the access road and significant work on the diversion dam. In 2020, the pipeline will be installed and the project completed.



5,000

The WFUBC Diversion Project will produce enough energy to power 5,000 homes.



Power Cost Equalization

The Power Cost Equalization Program (PCE) makes payments that reduce the unit cost of power to residential and community customers of eligible utilities. The pre-PCE cost of electricity in rural communities can be three to five times higher than the electricity costs borne by customers in Alaska's areas.

PCE's purpose is to reduce power costs to near the average cost of power in Anchorage, Fairbanks, and Juneau. AEA calculates and issues monthly payments, and provides technical assistance to utility clerks who need help preparing PCE reports. Residential and community facility customers in nearly 200 communities are eligible for PCE credits.

The PCE program is funded by earnings of the PCE Endowment Fund. AS 42.45.085 provides that five percent of the PCE Endowment Fund's three-year monthly average market value may be appropriated to the PCE program. It has only been in recent years that the five-percent draw on the endowment has been sufficient to fully fund PCE payments. In Fiscal Year 2018, due to statutory changes made regarding how excess PCE earnings are used, the PCE Endowment

fully funded the program's administrative costs, contributed \$30 million to local governments through the state's community assistance program, and provided a combined total of \$25 million for the Renewable Energy Fund and to Rural Power System Upgrade projects.

AEA recently developed a new online portal to enable utilities to submit monthly reports electronically. The new portal allows for easier submissions of PCE reports, saving time and administrative cost, and resulting in a faster disbursement of payment. It will provide convenient access to historic Utility Monthly Reports in a digital form. The portal, currently being beta tested, is expected to launch later in Fiscal Year 2020.

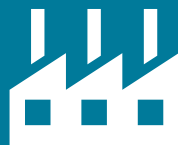


Port Heiden, Alaska



197

Rural Communities



91

Electric Utilities



83,000

Alaskans



Rural Energy Assistance

AEA provides comprehensive technical assistance to rural utilities with the primary objectives of ensuring infrastructure lasts its full economic life, preventing catastrophic electrical emergencies, and building community self-sufficiency.

Rural Power System Upgrade

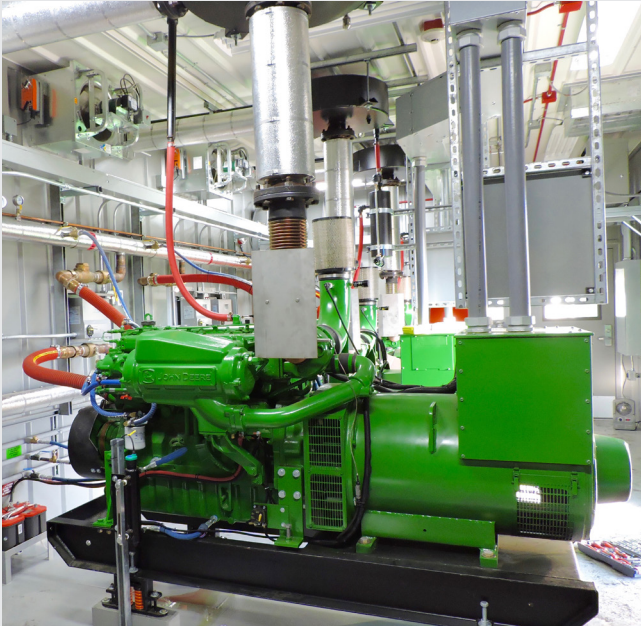
AEA's Rural Power Systems Upgrade (RPSU) program builds and retrofits facilities in communities of less than 2,000 people, providing stable and reliable power. The typical efficiency improvement in diesel generation is between 10 and 20 percent, with some improvements as high as 30 percent. Upgrades may include efficiency improvements, powerhouse upgrades or replacements, line assessments, demand-side enhancements, heat recovery and repairs to generation and distribution systems. The Denali Commission is AEA's

major federal funding partner, which requires a state match of 50 percent for non-distressed communities or 20 percent for distressed communities.

The RPSU program also manages the State's allocation through the Environmental Protection Agency's (EPA's) Diesel Emissions Reduction Act (DERA). Pending yearly funding from Congress, states can apply for DERA funds based on population. In addition to the state program, EPA also a tribal DERA program that awards funds competitively nationwide. AEA uses DERA funds exclusively to replace prime power diesel engines in rural Alaska. AEA selects communities for engine replacement



Sand Point, Alaska



through the DERA program based on current engine condition, redundancy, efficiency and engine eligibility.

In Calendar Year 2019, AEA completed two RPSU powerhouse replacement projects, in Clark's Point and Port Heiden. Additional RPSU design and construction work, including engine replacement with DERA funds, were completed in Chignik Lake (two engines), Circle (two engines), Takotna (two engines) and Tuluksak (one engine).

AEA has switched emphasis from full facility replacement to improving operations and maintenance to maximize the benefit to rural power systems. There are currently 24 active Maintenance and Improvement (M&I) projects, which target high return investment in eligible community power systems. Typical projects include replacing old switchgear and control systems, maximizing heat recovery, and updating engine controls to improve efficiency.



98

RPSU projects
completed since 2000



56

Active RPSU projects*
(*Represents a shift to
non-full replacement
projects)



\$104M

Federal dollars
leveraged since 2001



15%

Average efficiency
improvement



Nunam Iqua, Alaska

Rural Bulk Fuel Upgrades

Rural Alaska is energized primarily by liquid fuels, diesel for power generation and heating, and gasoline for transportation. Most rural villages are located either along rivers or on the coast, so fuel is delivered primarily by barge. Delivery is seasonal and limited by sea or river ice, water levels, or ice road availability. Villages of a few hundred people must store enough fuel well in advance of freeze up in order to meet their annual energy needs without incurring the extraordinary expense of flying fuel in during the winter months.

Many of rural Alaska's bulk fuel facilities were built in the 1950-60s. They were not built to national standards or in compliance with current regulations, and some of them are at the end of their useful lives. Yet they continue in service until upgraded or replaced, in some cases posing risks to personal safety and the environment.

AEA's Bulk Fuel Upgrade (BFU) program replaces and repairs or upgrades code-compliant fuel storage facilities in communities with fewer than 2,000 residents. These facilities help decrease the per-unit cost of fuel by allowing the community to purchase fuel in bulk quantities. AEA has performed 131 bulk fuel upgrades, and another eight are currently in design or construction.

AEA has switched emphasis from full bulk fuel facility replacement to focusing on M&I projects to maximize the benefit to rural bulk fuel facilities. There are currently 16 planned M&I projects which target high return investment in eligible community power systems.

In Calendar Year 2019, AEA completed one full facility Bulk Fuel Upgrade (BFU) project in Kipnuk. Additional BFU design and construction work was done in Kasaan, Holy Cross, Mertarvik, and Tatitlek.

Circuit Rider and Technical Assistance

AEA's Circuit Rider program assisted 109 eligible utilities in Calendar Year 2019 by providing remote monitoring, training, technical consultation, on-site assistance, and minor repairs to power systems. The Circuit Rider and Technical Assistance programs provide essential preventative assistance in an effort to reduce the number of emergency responses that are needed when there are power outages in rural communities.

Electrical Emergency Assistance

AEA provides power-related electrical emergency assistance to rural communities. Electrical emergency assistance encompasses risk to life or property damages due to power failure, and other service matters. Thankfully this assistance is rarely needed. In Calendar Year 2019, AEA provided electrical emergency assistance to four communities — Arctic Village, Stony River, Tenakee Springs, and Tuluksak (two).

Rural Training Program

AEA's Rural Training Program trains community operators with the skills to operate their energy infrastructure and help utilities keep their facilities code compliant and operational. In Calendar Year 2019, 36 operators from 33 communities completed training in Bulk Fuel Operations, Power Plant Operations, and Advanced Power Plant Operations in AEA's training courses at the Alaska Vocational Technical Center. An additional 35 students from five communities received on-site training in bulk fuel operations.



109

Communities received
Circuit Rider and/or
Technical Assistance



36

Operators from
33 communities
received training



5

Communities received
electrical emergency
assistance



Energy Technology Programs

Alternative energy and energy efficiency programs have increased statewide knowledge and capacity around installation and operation of cost-effective energy efficiency projects and renewable systems by providing technical workshops, hands-on and online training, and technical assistance. AEA is helping to build the renewable energy and energy efficiency markets through strategic program development, stakeholder engagement, and policy analysis.

Energy Efficiency

Energy efficiency is an energy solution that saves cost and is quick and easy. It is available in every community in Alaska.

In 2019, AEA's Energy Efficiency program leveraged federal State Energy Program funds and bank grants from Wells Fargo to meet our mission. Through a unique public partnership, AEA's Village Energy Efficiency Program received a \$1 million grant from Wells Fargo and additional funds from the State of Alaska to provide 47 communities with outdoor lighting retrofits. Local match totaled \$397,000, for a total investment of nearly \$1.5 million in energy efficient outdoor lighting.

Efficiency program staff work to increase the access to financing markets and develop mechanisms to attain private dollars for energy efficiency

retrofits with the Alaska C-PACE Program. In January 2019, AEA was awarded \$300,000 from the Department of Energy to stand up a Commercial Property Assessed Clean Energy (C-PACE) program. AEA is matching 20 percent — total project \$360,000. In summer 2019, AEA contracted with various entities for technical and coordination assistance, and for the procurement of a market study on commercial properties across the state. By 2022, the goal is to have Alaska C-PACE enabled in three municipalities in Alaska.

AEA provides a leadership and coordination role for state agencies, non-profits, and local governments through participation in the Alaska Energy Efficiency Partnership. In 2019, more than 200 people from 40 organizations attended quarterly AEA coordination meetings.



Biomass

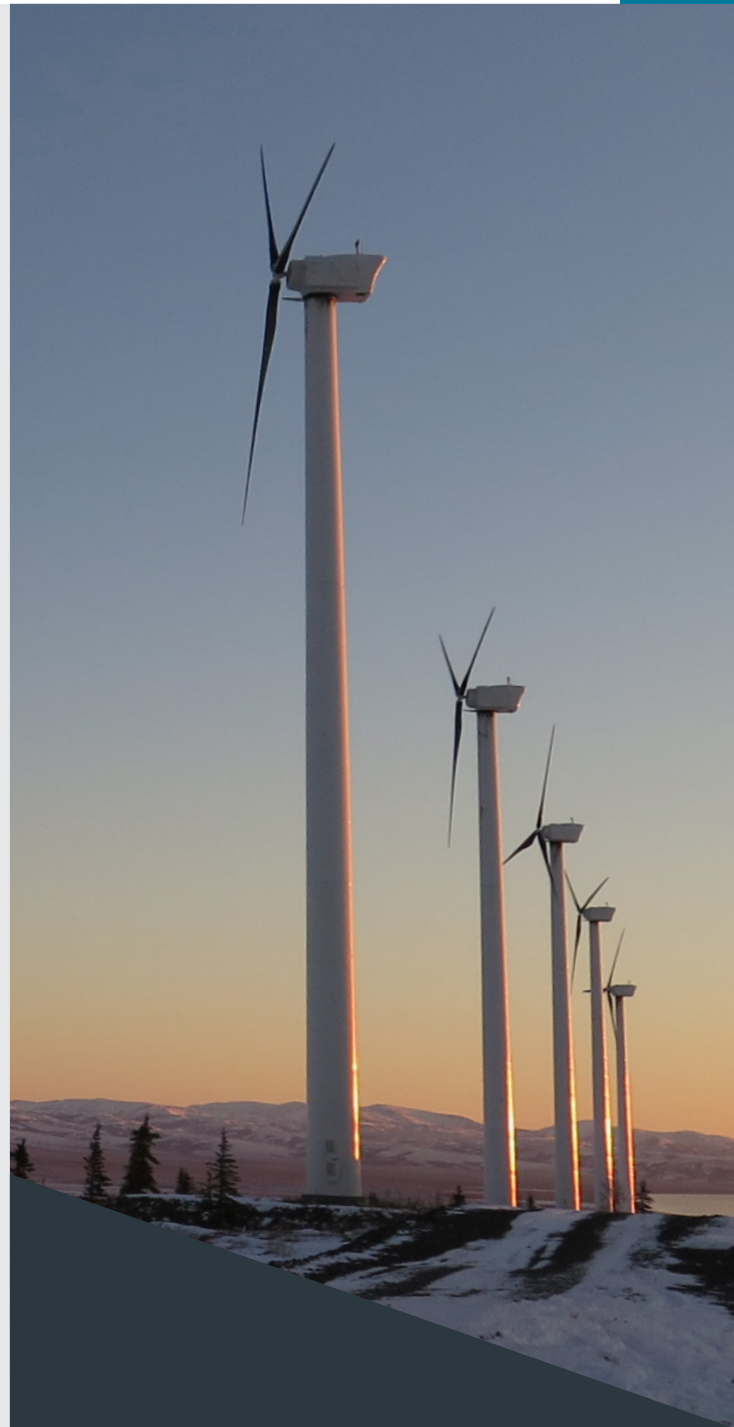
AEA's biomass program has funded over 20 operating woody biomass heating systems for schools and public buildings. Biomass heat reduces diesel fuel use and keeps money for fuel (wood) within the community. Along with the U.S. Forest Service, the program has funded over 170 preliminary studies to evaluate a community's biomass potential and develop sustainable harvest plans. Biomass is reducing diesel fuel consumption and creating local jobs.

Hydroelectric

AEA's hydroelectric program owns or assists approximately 51 projects throughout the state. Projects range from concepts to operational hydroelectric facilities. The hydroelectric program focuses on improving efficiency and quality in development, lowering the cost of construction, and coordinating with State, federal, municipalities, tribal entities, and private investors in analyzing, planning, and generally assisting hydroelectric project development.

Wind

Alaska's coastline, mountain tops, and passes have long been studied as locations where wind can be harvested for energy capture. Today wind energy accounts for 2.4 percent of the state's total energy production and that percentage is growing. Since 2012, Alaska's wind energy capacity has increased 400 percent. This growth is supported by AEA's Renewable Energy Fund and the sharing of information with wind energy producers and stakeholders. AEA's Alaska Wind Working Group and its Wind Advisory Panel meet regularly over policy issues to advance wind energy. Funding for wind projects is a frequent topic at these meetings. AEA's assistance to communities evaluating wind energy has often aided rural community decision-making.



64.1 MW

Since 2012, Alaska's wind generation capacity has increased from 15.3 MW to 64.1 MW.



Grants and Loans



Willow Solar Farm, Willow, Alaska

Among the many energy-related services AEA provides throughout the State is its role as a major funding provider. AEA monitors and updates available energy related external funding sources that meet communities' needs. The funds are important components in AEA's portfolio.

Power Project Fund

AEA's Power Project Fund (PPF) loan program provides local utilities and other qualifying entities with loans for the development, expansion or upgrade of electric power facilities, including transmission, and conferring other benefits. The PPF loan term is related to project useful life, but cannot exceed 50 years. The interest rate calculation for a PPF loan is formula driven and related to the 30-year taxable municipal bond yield. On January 27, 2020 the rate was 3.38 percent. The interest rate can be adjusted downward in certain circumstances to improve financial affordability for well valued projects. Loan requests of more than \$5 million require legislative authorization. In 2019, AEA closed PPF loans totaling \$974,942 with:

► Takotna Community Association (TCA)

Located 17 air miles west of McGrath is the Village of Takotna. TCA's scope of work entailed planning for a permanent powerhouse repair.

► City of Pelican

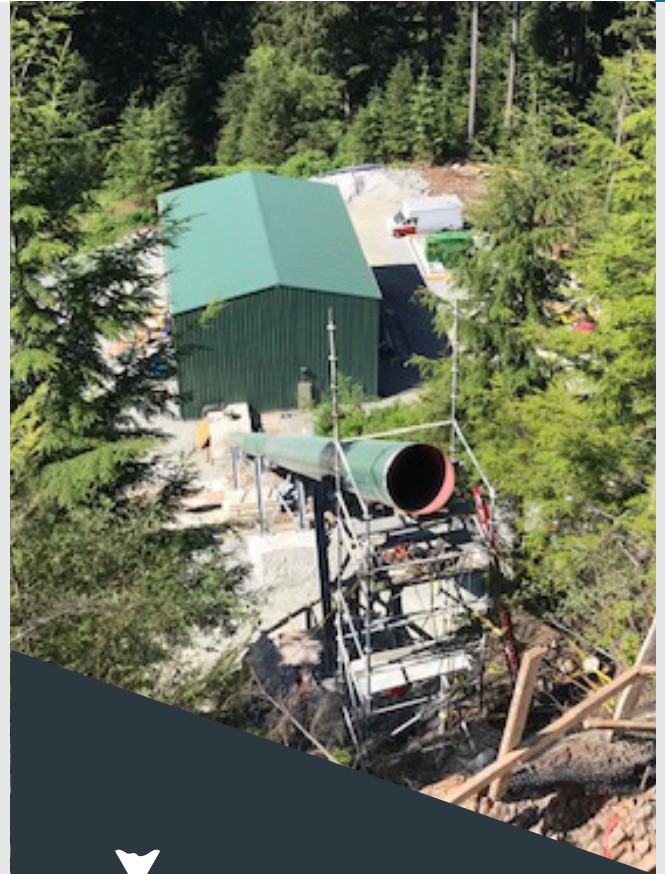
Pelican is situated 90 miles west of Juneau. The City of Pelican applied its PPF funds to upgrade electronic generator controls used by the diesel and hydroelectric plant.

► Willow Solar Farm Expansion

Approximately 50 miles north of Anchorage sits Alaska's largest solar farm. The 1.2 MW Willow Solar Farm is expected to produce enough energy for 200 homes and offset 2 million pounds of carbon dioxide each year.

► Hiilangaay Hydroelectric Project

Just 10 miles east of Hydaburg is a new 5 MW hydroelectric project under construction. Once complete, the project will interconnect with the transmission grid on Prince of Wales Island, increasing the hydroelectric generation capability.



\$38M

Total loan program
for Year End 2019
\$38,272,784



18

Performing loans
totaling \$27,029,641



\$6.14M

Funds disbursed to
construct projects in
outstanding loans

Renewable Energy Fund

The Renewable Energy Fund (REF) exists to help Alaskans reduce and stabilize the cost of energy through development of renewable energy projects. The program is designed to produce cost-effective renewable energy for heat and power to benefit Alaskans statewide.

To date, REF has made 287 grants to assess, develop and/or construct renewable energy projects statewide. There are now over 90 operating projects built with contributions from REF, collectively saving more than 30 million gallons of diesel each year. Annual renewable energy generation increases each year as more REF funded projects progress through the construction phase and become operational.

From 2008 through 2019, \$268 million dollars were made available to REF projects. State funding has been matched with hundreds of millions of dollars from other sources to develop renewable energy projects designed to reduce and stabilize the cost of energy in Alaska.

AEA expects to solicit applications for renewable projects to be released in the spring of 2020. Proposals will be evaluated in 2020, and AEA will make recommendations to the Legislature for funding consideration in Fiscal Years 2022 and 2023. While the authorization of the REF grant program expires on June 30, 2023, if the program is extended a next solicitation would be made in March 2022, and every two years thereafter.



RivGen® Power System, Igiugig, Alaska

Volkswagen Settlement Funds

On January 29, 2018, Alaska became the beneficiary of a \$8.125 million “Volkswagen (VW) Settlement.” AEA is the State’s lead agency to develop and implement a Beneficiary Mitigation Plan to distribute the funds to eligible mitigation actions that result in a total lifetime reduction of nitrogen oxides (NOx) emissions by 10.5 short tons. A number of projects have been selected thus far to reduce NOx emissions by more than 2.5 times Alaska’s mitigation goal. A summary of the disbursement of funds underway includes:

► Replacement of Diesel Engines used for Prime Power (~\$813,000 + match funds)

AEA has set aside Trust funds as voluntary match for AEA’s Diesel Emission Reduction Act (DERA) program to fully leverage the federal funds allocated to the State by the EPA. By contributing the voluntary match, the State is able to receive 50 percent more EPA DERA funds to replace diesel engines or gensets in rural powerhouses. Communities that will replace engines/gensets are: Anvik (1), Arctic Village (3), Chignik Lake (2), Chenega Bay (2), Circle (2), Takotna (2), and Tuluksak (1).

► Public Transit Bus Replacement (~\$234,000)

AEA’s solicitation for public transit bus upgrade/replacement closed June 2019. AEA received one application from the City and Borough of Juneau, Capital Transit. Capital Transit will purchase an all-electric transit bus and associated charging infrastructure.

► School Bus Replacement (~\$4.3 million)

Two requests for applications were released in 2019 for the upgrade/replacement of eligible diesel school buses. A total of 33 applications were submitted. Given the public support for school bus replacement (>50 percent) and the

amount of applications received, in January 2020 AEA reallocated the \$800,000 of Trust funds that had been intended for marine engine upgrades to replace school buses. The following school districts received new school buses: Alaska Gateway (Tok) (1), Anchorage (13), Juneau (1), Kake City (2), Kenai Peninsula Borough (7), Kodiak Island (1), Matanuska-Susitna Borough (4), and Southeast Island (Prince of Wales Island) (4).

► Electric Vehicle (EV) Charging Infrastructure (~\$1.2 million + match funds)

Alaska intends to allocate 15 percent of the Trust funds (~\$1.2 million) to EV charging infrastructure over the next few years. AEA has been working with stakeholders on siting issues for charging stations to establish an EV charging corridor, reduce range anxiety, and facilitate EV adoption. AEA has submitted a grant application to the Department of Energy to fully leverage the State’s Trust funds with federal funding; a response is anticipated in spring 2020.



Fiscal Year 2019 Financial Highlights*

STATEMENT OF NET POSITION	June 30, 2019	June 30, 2018
Assets:		
Restricted Investment securities and cash	\$ 1,204,632	\$ 1,212,214
Loans, net	24,742	17,968
Capital assets, net	375,972	369,188
Receivables and other assets	4,244	5,766
Total Assets	1,609,590	1,605,136
Liabilities and net position:		
Liabilities		
Bonds Payable	74,709	85,179
Other bond liabilities	1,269	1,256
Payables and other liabilities	1,090,582	29,774
Total liabilities	1,166,560	116,209
Net Position	443,030	1,488,927
Total liabilities and net position	\$ 1,609,590	\$ 1,605,136

REVENUES, EXPENSES, AND CHANGES IN NET POSITION	June 30, 2019	June 30, 2018
Operating revenues:		
Federal grants	\$ 3,552	\$ 3,505
Revenue from operating plants	21,035	21,482
State operating and capital revenues	20,444	16,063
Interest on loans	347	296
Other operating revenues	792	144
Total operating revenues	\$ 46,170	\$ 41,490

Fiscal Year 2019 Financial Highlights continued on following page.

REVENUES, EXPENSES, AND CHANGES IN NET POSITION	June 30, 2019	June 30, 2018
Operating Expenses:		
Grants and projects	\$ 20,213	\$ 30,496
Power cost equalization grants	28,369	26,196
Interest expense	1,746	2,371
Plant operating	5,350	6,772
General and administrative	5,672	4,454
Provision for loan loss	169	15
Loss on disposal of asset	-	(51)
Depreciation	10,862	15,594
State of Alaska appropriations and transfers	1,097,628	-
Other project expenses	-	-
Total operating expense	1,170,009	85,847
Operating loss	(1,123,839)	(44,357)
Investment Income, net	78,008	79,345
State of Alaska reappropriations and transfers	(67)	(10,067)
Capital contributions	1	2,796
Increase (decrease) in net position	\$ (1,045,897)**	\$ 27,717

*Unaudited — Derived from Audited Financial Statements

**The decrease in net position was largely due to the July 2019 State of Alaska's Department of Law opinion that the PCE Endowment Fund was subject to the State's general fund unobligated fund balance sweep of certain money into the State's Constitutional Budget Reserve. On June 30, 2019, \$1.05 billion was swept. Pursuant to legislation the sweep was reversed with an effective date of July 1, 2019. We anticipate the PCE Endowment Fund will be subjected to sweep each fiscal year. Reversal of the sweep is dependent on legislative action.

Board of Directors



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Vice Chair, Public Member



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Economic Development



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Bill Kendig
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