

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, 2025
(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
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Basic Financial Statements, Required Supplementary Information, Supplementary
Information, and Other Information
Year Ended June 30, 2025

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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, 2025, 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, 2025, 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 69% respectively, of the assets and revenues of the Governmental Activities and Major Special Revenue Fund opinion units as of June 30, 2025, 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 and the schedules of the Authority's proportionate share of net pension and OPEB liabilities and assets, and related contributions, are 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 accompanying special revenue fund - project and programs - balance sheet and statement of revenues, expenditures, and changes in fund balance, and business-type activities - enterprise fund - program and programs - statement of net position and statement of revenues, expenses, and changes in net position are 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 accompanying special revenue fund - project and programs - balance sheet and statement of revenues, expenditures, and changes in fund balance, and business-type activities - enterprise fund - program and programs - statement of net position and statement of revenues, expenses, and changes in net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Bradley Lake Hydroelectric Project Trust Account Activities, Capital Assets Presented under Federal Energy Regulatory Commission Requirements, Bradley Lake Historical Annual Project Cost, PCE Endowment Fund Historical Analysis, and Supplementary Organization and Project Information, 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, 2025 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, 2025

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, 2025. This information is presented to help the reader focus on significant financial matters and provide additional information regarding the activities of the Authority. This information should be read in conjunction with the Independent Auditor's Report, the audited Financial Statements, and accompanying Notes and Schedules.

Government-Wide Financial Statements

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

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

- **Governmental Activities** – These are functions of the Authority that are financed primarily by intergovernmental revenues. The Authority's governmental activities include the Power Cost Equalization (PCE) Program, the Renewable Energy Grant Fund (REF), Emerging Energy Technology, 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, the planning of Dixon Creek diversion and pool raise, and the Sterling Substation to Quartz Creek Substation (SSQ Line) transmission line upgrades.

The Statement of Net Position presents financial information for all the Authority's assets and deferred outflow of resources less liabilities and deferred inflows of resources, 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.

Proprietary Funds – Enterprise Fund

The Authority has one proprietary fund which is reported as an 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.

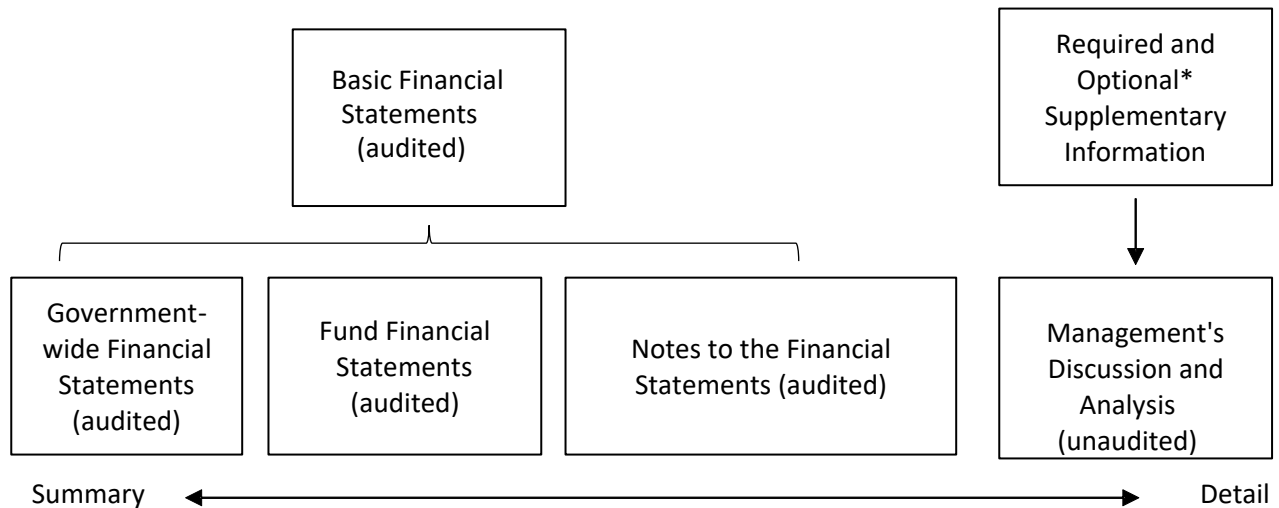
Notes to the Financial Statements

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;
- Schedule 2: Special Revenue Fund – Projects and Programs – Statement of Revenues, Expenditures, and Changes in Fund Balance;
- Schedule 3: Business-Type Activities – Enterprise Fund – Projects and Programs – Statement of Net Position;
- Schedule 4: Business-Type Activities – Enterprise Fund – Projects and Programs – Statement of Revenues, Expenses, and Changes in Net Position;
- 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 and deferred outflows of resources exceeded their liabilities and deferred inflows of resources by \$1.41 billion at June 30, 2024 and \$1.43 billion at June 30, 2025.

Of the total net position at June 30, 2025, \$332.1 million was invested in capital assets net of related debt, \$1.25 billion was restricted, and (\$155.9) million was unrestricted (deficit). 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). 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 and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2025 and 2024:

	Governmental Activities			Business-Type Activities		
	2025	2024	Variance	2025	2024	Variance
Assets:						
Current and other noncurrent assets	\$ 1,138,984	\$ 1,116,221	\$ 22,763	\$ 239,297	\$ 250,018	\$ (10,721)
Capital assets	-	-	-	375,026	369,244	5,782
Total assets	1,138,984	1,116,221	22,763	614,323	619,262	(4,939)
Total assets	1,138,984	1,116,221	22,763	614,323	619,262	(4,939)
Deferred Outflows of Resources:						
Deferred outflows PERS and OPEB	511	-	511	-	-	-
Liabilities:						
Current liabilities	109,145	103,979	5,166	20,495	24,127	(3,632)
Noncurrent liabilities	7,016	-	7,016	191,616	195,915	(4,299)
Total liabilities	116,161	103,979	12,182	212,111	220,042	(7,931)
Deferred Inflows of Resources:						
Deferred inflows OPEB	34	-	34	-	-	-
Net Position:						
Net investment in capital assets	-	-	-	332,127	325,656	6,471
Restricted	1,023,300	1,012,242	11,058	225,965	237,937	(11,972)
Unrestricted deficit	-	-	-	(155,880)	(164,373)	8,493
Total net position	\$ 1,023,300	\$ 1,012,242	\$ 11,058	\$ 402,212	\$ 399,220	\$ 2,992

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, 2025 and 2024:

	2025	2024	Variance
Restricted cash and cash equivalents	\$ 115,888	\$ 107,662	\$ 8,226
Investments, restricted	960,048	955,512	4,536
Receivables for investments	8,555	5,515	3,040
Operating receivables	790	223	567
Prepaid items	48	217	(169)
Due from federal government	4,873	2,292	2,581
Due from State of Alaska	17	158	(141)
Due from State of Alaska's component units	14	-	14
Due from proprietary funds/internal balances	537	597	(60)
Securities lending collateral	46,735	44,045	2,690
Net OPEB asset	1,479	-	1,479
Current and noncurrent assets	\$ 1,138,984	\$ 1,116,221	\$ 22,763

Current and noncurrent assets in total are \$22.8 million higher in the current fiscal year.

Restricted cash and cash equivalents held by the Authority increased by \$8.2 million. Power Cost Equalization (PCE) Fund increased by \$0.8 million due to increased investment earnings. Renewable Energy Grant Fund increased by \$1.6 million due to increased investment earnings, Rural Energy Projects Fund Amounts increased by \$5.6 million due to an increase in State of Alaska cash draws required for match of federal grants, and the Community Contributions Fund increased by \$0.2 million due to an increase of match requirements by communities of federal grants awarded.

Investments increased by \$4.5 million. The Power Cost Equalization Fund investments increased by \$7.8 million due to increased investment earnings. The Renewable Energy Grant Fund decreased by \$3.3 million due to cash draws taken from the fund that were greater than investment earnings and contributions from the State of Alaska.

Receivables for investments increased by \$3.0 million. The increase was attributed only to the Power Cost Equalization Fund which had higher investment assets and earnings and thus higher receivables over the prior year.

Operating receivables increased by \$0.6 million. Rural Energy Grant Fund increased by \$0.5 million due to a shared payable agreement with the Railbelt Transition Authority (RTO). RTO is a newly created entity as part of HB 307. The Volkswagen Diesel Settlement Fund had increased receivables of \$0.3 million. Timing of reimbursement

request submitted, and funds received from this Fund can fluctuate annually. Receivables for the Community Contributions Fund decreased by \$0.2 million. Community contributions from communities can fluctuate annually due to timing of matching requirements of various grant subawards.

Due from federal government increased by \$2.6 million this is 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 \$0.1 million. This balance will fluctuate annually and is comprised primarily of reimbursable service agreements with other State of Alaska departments.

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 \$60.0 thousand decrease is due to timing of fiscal year 2025 related billing and reimbursement requests.

Securities lending collateral increase of \$2.7 million is related to the PCE Fund. State regulations at 15 AAC 137.510 and the Alaska Permanent Fund Corporation (APFC) investment policy authorizes 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 PCE 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 United States (U.S.) government or a U.S. government agency. At June 30, 2025, there were \$2.7 million more of securities on loan as required cash collateral over what was required at June 30, 2024.

Net Other Post Employment Benefits (OPEB) asset is based on the most recent plan valuation. The net OPEB asset is impacted by changes in actuarial assumptions and experience. The Authority's allocation portion of these amounts for fiscal year 2025 was \$1.5 million.

Deferred Outflows of Resources

The following table is provided to show the details of the Authority's deferred outflows of resources at June 30, 2025 and 2024:

	2025	2024	Variance
Related to employee pensions	\$ 422	\$ -	\$ 422
Related to OPEB	89	-	89
Deferred Outflows of Resources	\$ 511	\$ -	\$ 511

Enacted legislation House Bill (HB) 307 on July 31, 2024, changed how AEA operates and is structured. As of July 1, 2024, AEA operated with separate employees from Alaska Industrial Development and Export Authority (AIDEA). Therefore, for fiscal year 2025 AEA assumed a proportionate share of the deferred outflows of resources related to employees' pension and OPEB as part of the Public Employees' Retirement System (PERS) of the State of Alaska.

These deferred outflows of resources that relate to PERS is based on the most recent plan valuation. Deferred outflows of resources include the impact of changes in certain actuarial assumptions and experience.

Current and noncurrent liabilities

The following table is provided to show the details of the Authority's current and noncurrent liabilities at June 30, 2025 and 2024:

	2025	2024	Variance
Due to federal government	\$ 1	\$ 37	\$ (36)
Due to State of Alaska	33,549	25,622	7,927
Due to State of Alaska's component units	941	3,035	(2,094)
Due to local governments	7,266	8,498	(1,232)
Accounts payable	18,036	20,367	(2,331)
Unearned revenue - grant match from outside entities	984	877	107
Other liabilities	1,633	1,498	135
Securities lending collateral	46,735	44,045	2,690
Advances from State of Alaska component unit	3,500	-	3,500
Net pension liability	3,516	-	3,516
Current and noncurrent liabilities	\$ 116,161	\$ 103,979	\$ 12,182

Current and noncurrent liabilities increased in this fiscal year by \$12.2 million. The increase in current liabilities is primarily from the due to State of Alaska of \$7.9 million, the PCE Endowment Fund securities lending collateral liability increase of \$2.7 million, advances from the State of Alaska component units initial year liability for \$3.5 million, and net pension liability initial year liability of \$3.5 million. Decreases to the current and noncurrent liabilities were primarily due to the State of Alaska's component units of \$2.0 million, the due to local governments decrease of \$1.2 million, and the accounts payable decrease of \$2.3 million. The decrease in amounts due to State of Alaska's component units, due to local governments, and accounts payable is a result of the Authority's normal day-to-day operations.

Deferred Inflows of Resources

The following table is provided to show the details of the Authority's deferred inflows of resources at June 30, 2025 and 2024:

	2025	2024	Variance
Related to OPEB	\$ 34	\$ -	\$ 34

Deferred inflows of resources related to OPEB is based on the most recent plan valuation. The deferred inflows of resources related to OPEB is impacted by changes in actuarial assumptions and experience.

Net Position

The following table is provided to show details of the Authority's net position at June 30, 2025 and 2024:

	2025	2024	Variance
Restricted by legislation	\$ 1,021,855	\$ 1,012,242	\$ 9,613
OPEB	1,445	-	1,445
Net Position	\$ 1,023,300	\$ 1,012,242	\$ 11,058

The Governmental Activities Net Position increased by \$11.1 million during the current fiscal year. Net Position restricted by legislation increased by \$9.6 million. This overall increase was the result of an increase for \$12.6 million due to investment earnings of the PCE Endowment Fund and a net decrease of \$3 million from the adjusted net pension and OPEB asset, deferred outflow of resources, liability, and deferred inflow of resources. Net Position restricted for OPEB was an increase of \$1.5 million in fiscal year 2025 due to recognizing the initial year of the OPEB asset.

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, 2025 and 2024:

	2025	2024	Variance
Restricted cash and cash equivalents	\$ 209,203	\$ 218,317	\$ (9,114)
Operating receivables	539	216	323
Prepaid items	1	-	1
Loans receivable, net allowance	29,508	30,832	(1,324)
Due from federal government	489	513	(24)
Due from State of Alaska	-	575	(575)
Due from State of Alaska's component units	-	100	(100)
Accrued interest receivable	94	62	32
Due (to) from other funds/internal balances	(537)	-	(537)
Current and noncurrent assets	\$ 239,297	\$ 250,615	\$ (11,318)

Overall current and noncurrent assets decreased by \$10.8 million in the current fiscal year. The decrease in current and noncurrent restricted assets is primarily due to a decrease in restricted cash and cash equivalents of \$9.1 million. This decrease was primarily due to expending \$12.1 million of bond proceeds from the Bradley Lake

Hydraulic Project Fund bond issue (Eleventh Series) in fiscal year 2025.

Operating receivables increased by \$323.0 thousand, associated with timing of monthly billing. Loans receivable (net of allowance) decreased by \$1.3 million because no new loans were issued in the Power Project Loan Fund for fiscal year 2025 and principal payments during the year reduced the overall loan receivable of that fund. Due from federal government decreased \$24.0 thousand and due from State of Alaska decreased \$575.0 thousand. These balances will fluctuate year to year depending on the required funding of projects. Due from State of Alaska's component units decreased by \$100.0 thousand, this balance will fluctuate annually based on program or project needs. Accrued interest receivable increased by \$32.0 thousand primarily as a result of a new loan in 2024 of the Power Project Loan Fund.

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, 2025 and 2024:

	2025	2024	Variance
Due to federal government	\$ 292	\$ 175	\$ 117
Due to State of Alaska	6,819	3,104	3,715
Due to State of Alaska's component units	11	21	(10)
Accounts payable	5,968	8,478	(2,510)
Capital acquisition and construction accounts	2,188	1,304	884
Capital acquisition and construction accounts (due to federal government)	68	13	55
Capital acquisition and construction accounts (due to State of Alaska)	-	6	(6)
Bonds payable	195,915	201,253	(5,338)
Accrued interest payable	850	5,688	(4,838)
Current and noncurrent liabilities	\$ 212,111	\$ 220,042	\$ (7,931)

Overall total current and noncurrent restricted liabilities decreased in the current fiscal year by \$7.9 million. Due to federal government increased by \$117.0 thousand, this balance will fluctuate year to year depending on program or project needs. Due to the State of Alaska increased by \$3.7 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 decreased by \$10 thousand, these balances will fluctuate annually based on project need. Accounts payable, to include capital acquisition and construction accounts increased by \$933.0 thousand due to invoicing accruals at year end. Bond payable decreased by \$5.4 million due to principal payments made for current outstanding debt issues with no new debt issues realized in the current fiscal year. Accrued interest payable decreased by \$4.8 million related to timing of debt service payments of the Bradley Lake Hydroelectric Project Fund and 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, 2025 and 2024:

	2025	2024	Variance
Net investment in capital assets	\$ 332,127	\$ 325,656	\$ 6,471
Restricted for capital projects	162,420	170,596	(8,176)
Restricted for debt service	18,267	18,353	(86)
Restricted by agreements with external parties	30,839	37,025	(6,186)
Restricted by legislation	14,439	11,963	2,476
Unrestricted deficit	(155,880)	(164,373)	8,493
Total Net Position	\$ 402,212	\$ 399,220	\$ 2,992

Overall Net Position increased in the current fiscal year by \$3.0 million primarily due to the investment earnings of Bradley Lake Hydroelectric Project Fund. Net investment in capital assets increased \$6.5 million due to the net effect of capital asset accumulated depreciation and reduction of debt related to those specific capital projects. Capital projects decreased by \$8.2 million due to utilizing bond proceeds in reserve accounts restricted for capital projects and debt service decreased \$8.6 thousand due to payments of debt service.

Restricted by agreements with external parties decreased by \$6.2 million due primarily to reduced balances owed to the Utilities from the previous fiscal year. Restricted by legislation increased by \$2.5 million due to the increase of advanced funds for projects and programs.

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The following table is provided to show the Authority's revenues, expenses, and changes in net position at June 30, 2025 and 2024:

	Governmental Activities			Business-Type Activities		
	2025	2024	Variance	2025	2024	Variance
Revenues:						
Program revenues:						
Fees and charges for services	\$ 1,663	\$ -	\$ 1,663	\$ 27,013	\$ 26,377	\$ 636
Operating grants and contributions	37,662	40,704	(3,042)	6,074	2,186	3,888
General revenues:						
Interest and investment income	98,276	71,172	27,104	8,678	9,846	(1,168)
Total revenues	137,601	111,876	25,725	41,765	38,409	3,356
Expenses:						
Grants and projects	68,001	36,772	31,229	-	-	-
Power cost equalization grants	46,762	44,931	1,831	-	-	-
General and administrative	9,154	5,192	3,962	2,505	1,695	810
Interest expense	-	-	-	11,200	11,413	(213)
Plant operations	-	-	-	13,010	8,678	4,332
Depreciation	-	-	-	12,237	12,076	161
Total expenses	123,917	86,895	37,022	38,952	33,862	5,090
Transfers:						
Transfers from (to) other funds	(179)	(574)	395	179	574	(395)
Extraordinary Item:	(2,447)	-	(2,447)	-	-	-
Change in net position	11,058	24,407	(10,902)	2,992	5,121	(2,129)
Net position, beginning of year	1,012,242	987,835	(186,996)	399,220	394,099	(8,807)
Net position, end of year	\$ 1,023,300	\$ 1,012,242	\$ 11,058	\$ 402,212	\$ 399,220	\$ 2,992

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 Emerging Technology Energy Fund, the Rural Energy Projects, and the Volkswagen Diesel Settlement Fund.

Total Revenues for governmental activities increased by \$25.7 million, based on the following:

- **Fees and charges for services** new for fiscal year 2025 for \$1.7 million. The charges for services reported include the amounts received from the utilities as part of a 2025 RTO interim cost share agreement. Further information on this agreement can be found in the Related Parties Note.
- **Operating grants and 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 decreased by \$3.0 million. Renewable Energy Grant funding of \$2.8 million decreased over the prior fiscal year. Rural Energy Grant funding of \$6.6 million increased over the prior fiscal year. Volkswagen Diesel Settlement Fund increased by \$0.2 million over the prior fiscal year.
- **Interest and 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 increase of \$27.1 million over the prior year's investment income. Investment income in the PCE Endowment Fund is \$96.7 million and for REF \$1.6 million.

Total Expenses for Governmental Activities increased by \$37.0 million, based on the following:

- **Grants and projects expenses increased** by \$31.2 million in the current fiscal year. The increase was a combination of an overall increase of PCE Endowment Fund appropriations to the General Fund of the State of Alaska by \$30.0 million, in addition to an overall increase of \$2.1 million of expending supported by State of Alaska appropriations and federal grant funds for programs and projects. Also, starting in fiscal year 2025 there was \$0.9 million of PERS and OPEB expenses recognized that decreased expenses.
- **PCE grants** increased by \$1.8 million due to increased appropriated funding for programs and projects from the PCE Endowment Fund.
- **General and administrative expenses** increased by \$4.0 million. 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 \$3.4 million, based on the following:

- **Fees and charges for services** increased by \$0.6 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 \$3.9 million due to project expenses related to the capital appropriations.

Interest and investment income decreased by \$1.2 million, due to fluctuations in the market.

Expenses for business-type activities increased by \$5.1 million, primarily based on the following:

- **General and administrative** for the Bradley Lake Hydroelectric Project and the Alaska Intertie Project increased in the current fiscal year by \$.8 million. The increase from the prior fiscal year is due to general and administrative personnel expenses being greater in the current fiscal year over the prior fiscal year.
- **Interest expense** represents the cost of interest on the Authority's Power Revenue Bonds for the Bradley Lake Hydroelectric Project. Interest expense decreased in the current fiscal year by \$0.2 million. The decrease in interest expense is primarily due to a decrease in the amount of interest payments required to be paid on existing debt issuances.
- **Plant operations** for the Bradley Lake Hydroelectric Project and the Alaska Intertie Project increased in the current fiscal year by \$4.3 million. Plant operations consist of various activities required to maintain operations of each project. The increase from the prior year is primarily due to expenses incurred for operations being more 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, 2025 and 2024:

	2025	2024	Variance
Power Cost Equalization Program	\$ 992,919	\$ 979,066	\$ 13,853
Renewable Energy Grant Fund	31,021	31,925	(904)
Emerging Energy Technology Fund	920	979	(59)
Power Development Fund	-	272	(272)
Total Fund Balances	\$ 1,024,860	\$ 1,012,242	\$ 12,618

At the end of the current fiscal year, the Authority's governmental fund reported an ending fund balance of \$1,024.9 million, which is an increase in comparison with the prior fiscal year. The Power Cost Equalization Program increases of \$13.9 million is primarily due to increased investment earnings of the PCE Endowment Fund during the year. The decrease in the Renewable Energy Grant Fund by \$0.9 million is a result of additional expending of grants and projects of the Renewable Energy Fund. The decrease in the Emerging Energy Technology Fund is a result of a decrease in expending of programs and projects for this year over the prior year. The Power Development Fund decrease of \$0.3 million is a result of a transfer of cash to the Power Development Fund enterprise fund. This transfer was part of the close-out and transition to a new bank with new bank accounts.

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

There is a small nonspendable fund balance of \$48.0 thousand related to prepaid expenses of the Rural Energy Projects. Nonspendable fund balance is fund balance of a governmental fund which cannot be spent because the underlying resources are not in spendable form or because the government is legally or contractually required to maintain the resources intact.

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, 2025 and 2024:

	2025	2024	Variance
Bradley Lake Hydroelectric Project	\$ 163,202	\$ 160,821	\$ 2,381
Alaska Intertie Project	11,326	11,811	(485)
Susitna-Watana Hydroelectric Project	183,682	183,682	-
Power Project Fund	42,008	41,184	824
Power Development and Railbelt Energy Projects	1,994	1,722	272
Total Net Position	\$ 402,212	\$ 399,220	\$ 2,992

At the end of the current fiscal year, the Authority's proprietary fund reported an ending Net Position of \$402.2 million, which is an increase of \$3.0 million in comparison with the prior fiscal year. The increase of \$2.4 million for the Bradley Lake Hydroelectric Project was due primarily to an increase in capital asset acquisitions. The decrease of \$0.5 million for the Alaska Intertie Project was due to lower operating revenues net of higher operating expenses. The Power Project Fund increased \$0.8 million this is due to increased legislative appropriations. The Power Development and Railbelt Energy Projects increased \$0.3 million this is due to the transfer of cash from the governmental fund Power Development Fund. This was part of the close-out and transition to a new bank with new bank accounts.

The following table is provided to show the proprietary fund Net Position by category at June 30, 2025 and 2024:

	2025	2024	Variance
Net investment in capital assets	\$ 332,127	\$ 325,656	\$ 6,471
Restricted for capital projects	162,420	170,596	(8,176)
Restricted for debt service	18,267	18,353	(86)
Restricted by agreements with external parties	30,839	37,025	(6,186)
Restricted by legislation	14,439	11,963	2,476
Unrestricted deficit	(155,880)	(164,373)	8,493
Total Net Position	\$ 402,212	\$ 399,220	\$ 2,992

Total net position increased by \$3.0 million. Restricted for capital projects decreased \$8.2 million primarily for increased expending of bond proceeds on capital projects. Restricted for debt service decreased by \$.1 million due to the decrease 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 \$6.2 million due primarily to lower operating surplus reimbursement balances due from the Bradley Lake Hydroelectric Project. Restricted by

legislation increased by \$2.5 million due to the increase of advanced funds for projects and programs. The Net investment in capital assets increased by \$6.5 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, 2025 amounts to \$375.0 million (net of accumulated depreciation), which is an increase of \$6.8 million from the prior fiscal year. The investment in capital assets only occurs in the enterprise funds and includes land and rights of way, infrastructure, equipment, and construction in progress.

	Business-Type Activities		
	2025	2024	Variance
Land and Rights of Way	\$ 11,212	\$ 11,212	\$ -
Equipment	1,567	1,817	(250)
Infrastructure	162,285	164,941	(2,656)
Construction in Progress	199,962	191,274	8,688
Total	\$ 375,026	\$ 369,244	\$ 5,782

Capital assets, net of accumulated depreciation increased by \$5.8 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 \$196.0 million.

The following table is provided to show the outstanding debt at June 30, 2024 and 2025:

	Business-Type Activities		
	2025	2024	Variance
Power Revenue and Refunding Bonds			
Bradley Lake	\$ 154,830	\$ 158,547	\$ (3,717)
Bradley Lake-Battle Creek private placement	35,739	37,114	(1,375)
Sterling Substation to Quartz Creek (SSQ) private placement	5,346	5,592	(246)
Total	\$ 195,915	\$ 201,253	\$ (5,338)

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

Outlook

In fiscal year 2025, the Alaska Energy Authority (AEA) reached a major governance milestone with the passage of House Bill 307, which Governor Mike Dunleavy signed into law July 31, 2024. The legislation established a distinct board of directors for AEA, composed of energy experts who provide focused oversight and strategic direction. With its own board, AEA is better positioned in fiscal year 2026 and beyond to address Alaska's complex energy challenges in government policy, environmental stewardship and economic development.

The Railbelt Transmission Organization (RTO) adopted bylaws and a charter agreement and filed the Open Access Transmission Tariff (OATT) by the statutory deadline—significant accomplishments for the year. The Regulatory Commission of Alaska's (RCA) review process remains active and could introduce delays or modifications. Operational integration across participating entities will require continued negotiation and alignment. The RTO includes AEA, Alaska Electric & Energy Cooperative, Chugach Electric Association, Golden Valley Electric Association, Matanuska Electric Association, the City of Seward, and the Railbelt Reliability Council (ex-officio). RCA's review of the proposed OATT will continue into fiscal year 2026.

Looking ahead, additional federal funding from the Infrastructure Investment and Jobs Act, the Inflation Reduction Act, and other sources may continue to materialize. However, shifts in federal priorities could limit the actual funding received, so expectations should remain measured. While these opportunities are significant, they also carry risks: receipt authority and matching funds are contingent on legislative approval, and any delays or shortfalls could impact project timelines. To fulfill AEA's mission, more personnel will be needed—yet recruiting for specialized roles remains a challenge in Alaska's competitive labor market.

AEA is advancing a broad portfolio of high-impact infrastructure initiatives designed to deliver lasting benefits for Alaska's communities and economy. These include major capital projects such as the Cook Inlet PowerLink (CIPLink), Bradley Lake Expansion Project and Railbelt Transmission Upgrades—including the Sterling–Quartz Creek Transmission Line Upgrade. These projects strengthen grid reliability, support renewable energy integration, reduce long-term energy costs and enhance resilience for communities statewide. However, each faces unique engineering, environmental and financial hurdles, and while AEA is using bond proceeds, cost escalations and supply chain disruptions could affect delivery timelines.

- The \$413 million CIPLink project is a transformative high-voltage direct current transmission initiative aimed at eliminating single points of failure, enabling economic dispatch, supporting renewable integration, and enhancing grid resilience across the southern and central Railbelt. By unlocking constrained generation capacity and providing critical redundancy for military and industrial users, CIPLink is poised to play a vital role in Alaska's energy future. AEA has secured \$64.2 million in additional funding and is actively pursuing the remaining \$142.3 million in matching funds, which will be requested in phases as the project advances.
- The \$342 million Bradley Lake Expansion Project (Dixon Diversion) will divert water from Dixon Glacier through a five-mile tunnel into Bradley Lake, increasing annual energy output by 50 percent—enough to power about 30,000 homes and offset 1.5 billion cubic feet of natural gas each year. The project is in its final year of environmental studies, with \$19.7 million already secured for development and environmental review. Revenue bonds will primarily fund the initiative. A draft license amendment application to the Federal Energy Regulatory Commission, detailing design, operational plans and environmental mitigations, is scheduled for January 2026. Construction is expected to begin in 2028, with operations starting in 2031.

- AEA is deploying \$166 million in bond proceeds across a collection of Railbelt Transmission Upgrade projects to enhance the reliability and operational flexibility of Alaska's transmission system. Of this total, \$50 million is dedicated to advancing the CIPLink project, supporting key activities such as design, environmental review and procurement strategies. Additional investments include \$90 million for the Sterling–Quartz Creek Transmission Line Upgrade, which will increase transmission capacity from 115 kilovolt (kV) to 230 kV standards, reduce line loss and improve overall Railbelt resilience; and \$28 million for battery energy storage systems to reduce oscillations at Bradley Lake and improve grid stability.

The Power Cost Equalization program distributed \$46.8 million in fiscal year 2025, benefiting 82,000 Alaskans across 193 communities and helping to make electricity more affordable in rural areas where energy costs are highest. For fiscal year 2026, AEA is focused on refining community facility classifications and expanding training, but the program's long-term funding stability remains uncertain.

Bulk Fuel Upgrades and Rural Power System Upgrades projects are ongoing, supported by federal and state funding. AEA is conducting a statewide assessment of rural bulk fuel and power generation infrastructure using advanced tools such as 3D photogrammetry, drone video capture and ArcGIS mapping to inform a three-year work plan. In fiscal year 2025, AEA assessed 44 bulk fuel facilities and 16 power distribution systems, with 18 more scheduled by year-end 2026, and is also evaluating barge headers and fill lines in 15 communities. AEA and the Denali Commission continue to leverage available funding as project focus shifts to maintenance and improvement. The authority will continue Bulk Fuel and Power Plant Operator training, Circuit Rider, technical assistance and electrical emergency support across Alaska. Logistical constraints and weather-related delays have affected fieldwork, and long-term sustainability will depend on consistent funding and local capacity building.

The Renewable Energy Fund (REF) continues to deliver value, with 56 active projects under development as a direct result of funding appropriated since fiscal year 2021. In fiscal year 2025, the legislature approved funding for Round 17 of REF projects, which will support five new projects across four energy regions in fiscal year 2026. The REF has proven instrumental in realizing energy cost savings, promoting energy independence, facilitating technological knowledge transfers statewide, and leveraging substantial federal and local community funds, with consistent bipartisan support from the legislature. Project execution varies across regions, and some communities face barriers in permitting and procurement. AEA is working to streamline processes and improve technical support.

In closing, AEA's team remains deeply committed to reducing the cost of energy in Alaska and working to ensure that all Alaskans have access to safe, reliable and affordable energy. Achieving these goals will require ongoing collaboration with the Legislature, federal partners, utilities and local communities.

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

Statement of Net Position
(in thousands)
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents, restricted	\$ 115,888	\$ 209,203	\$ 325,091
Receivables for investments	8,555	-	8,555
Operating receivables	790	539	1,329
Prepaid expenses	48	1	49
Loans receivable	-	1,169	1,169
Due from federal government	4,873	489	5,362
Due from State of Alaska	17	-	17
Due from State of Alaska's component units	14	-	14
Due from (to) other funds/internal balances	537	(537)	-
Accrued interest receivable	-	94	94
Securities lending collateral	46,735	-	46,735
Total current assets	177,457	210,958	388,415
Noncurrent Assets			
Investments, restricted	960,048	-	960,048
Loans receivable, net of allowance	-	28,339	28,339
Net other post-employment benefits (OPEB) asset (restricted)	1,479	-	1,479
Capital assets, net of accumulated depreciation	-	375,026	375,026
Total noncurrent assets	961,527	403,365	1,364,892
Total Assets	1,138,984	614,323	1,753,307
Deferred Outflows of Resources			
Related to employee pensions	422	-	422
Related to OPEB	89	-	89
Total deferred outflows of resources	511	-	511
Total Assets and Deferred Outflows of Resources	<u>\$ 1,139,495</u>	<u>\$ 614,323</u>	<u>\$ 1,753,818</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, 2025

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Due to federal government	\$ 1	\$ 292	\$ 293
Due to State of Alaska	33,549	6,819	40,368
Due to State of Alaska's component units	941	11	952
Due to local governments	7,266	-	7,266
Accounts payable	18,036	5,968	24,004
Capital acquisition and construction accounts	-	2,188	2,188
Capital acquisition and construction accounts (due to federal government)	-	68	68
Bonds payable - current portion	-	4,299	4,299
Unearned revenue - grant match from outside entities	984	-	984
Accrued interest payable	-	850	850
Other liabilities	1,633	-	1,633
Securities lending collateral	46,735	-	46,735
Total current liabilities	109,145	20,495	129,640
Noncurrent Liabilities			
Advance from State of Alaska component unit	3,500	-	3,500
Net pension liability	3,516	-	3,516
Bonds payable - noncurrent portion	-	191,616	191,616
Total noncurrent liabilities	7,016	191,616	198,632
Total liabilities	116,161	212,111	328,272
Deferred Inflows of Resources			
Related to OPEB	34	-	34
Net Position			
Net investment in capital assets	-	332,127	332,127
Restricted for:			
Capital projects	-	162,420	162,420
Debt service	-	18,267	18,267
Agreements with external parties	-	30,839	30,839
Legislation	1,021,855	14,439	1,036,294
OPEB	1,445	-	1,445
Unrestricted (deficit)	-	(155,880)	(155,880)
Total net position	1,023,300	402,212	1,425,512
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,139,495</u>	<u>\$ 614,323</u>	<u>\$ 1,753,818</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, 2025

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	\$ 82,868	\$ -	\$ -	\$ (82,868)	\$ -	\$ (82,868)
Renewable Energy Grant Fund	8,026	-	5,473	(2,553)	-	(2,553)
Emerging Energy Technology Fund	59	-	-	(59)	-	(59)
Rural Energy Projects	32,517	1,663	31,742	888	-	888
Volkswagen Diesel Settlement Fund	447	-	447	-	-	-
Total governmental activities	123,917	1,663	37,662	(84,592)	-	(84,592)
Business-Type Activities						
Bradley Lake Hydroelectric Project	34,916	23,086	6,074	-	(5,756)	(5,756)
Alaska Intertie Project	4,036	3,435	-	-	(601)	(601)
Power Project Fund	-	492	-	-	492	492
Total business-type activities	38,952	27,013	6,074	-	(5,865)	(5,865)
Total Activities	\$ 162,869	\$ 28,676	\$ 43,736	(84,592)	(5,865)	(90,457)
		General Revenues				
		Interest and investment income		98,276	8,678	106,954
		Transfers		(179)	179	-
		Extraordinary item (Note 14)		(2,447)	-	(2,447)
		Change in Net Position		11,058	2,992	14,050
		Net Position, Beginning of Year		1,012,242	399,220	1,411,462
		Net Position, End of Year		\$ 1,023,300	\$ 402,212	\$ 1,425,512

See Notes to Financial Statements.

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

Balance Sheet – Governmental Fund
(in thousands)
June 30, 2025

	<u>Major Special Revenue Fund</u>
Assets	
Cash and cash equivalents, restricted	\$ 115,888
Receivables for investments	8,555
Operating receivables	790
Prepaid expenses	48
Due from federal government	4,873
Due from State of Alaska	17
Due from State of Alaska's component units	14
Due from proprietary funds/internal balances	537
Securities lending collateral	46,735
Investments, restricted	960,048
	<u> </u>
Total assets	<u><u>\$ 1,137,505</u></u>
Liabilities	
Due to federal government	\$ 1
Due to State of Alaska	33,549
Due to State of Alaska's component units	941
Due to local governments	7,266
Accounts payable	18,036
Unearned revenue - grant match from outside entities	984
Other liabilities	1,633
Securities lending collateral	46,735
Advance from State of Alaska component unit	3,500
	<u> </u>
Total liabilities	<u>112,645</u>
Fund Balance	
Nonspendable	48
Restricted for Legislation	1,024,812
	<u> </u>
Total fund balance	<u>1,024,860</u>
Total liabilities and fund balance	<u><u>\$ 1,137,505</u></u>

See Notes to Financial Statements.

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

Reconciliation of Governmental Fund Balance Sheet to Statement of Net Position
(in thousands)
June 30, 2025

Total fund balance for governmental fund	\$ 1,024,860
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Certain OPEB plans have been funded in excess of the required contributions. These assets are not financial resources and therefore are not reported in the funds.	
Net OPEB assets	1,479
Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. This liability consists of:	
Net pension liability	(3,516)
Certain changes in net pension and OPEB liabilities are deferred rather than recognized immediately. These items are amortized over time.	
Deferred outflows of resources related to pensions	422
Deferred outflows of resources related to OPEB	89
Deferred inflows of resources related to OPEB	(34)
Total Deferred Pension and OPEB Items	<u>477</u>
Total Net Position of Governmental Activities	<u>\$ 1,023,300</u>

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, 2025

	Major Special Revenue Fund
Revenues	
Federal grants	\$ 12,791
State of Alaska appropriations	24,410
Revenue from operating plants	1,662
Other revenues	460
Investment income, net expenditures	98,276
Total revenues	137,599
Expenditures	
Grants and projects	38,886
Power cost equalization grants	46,762
General and administrative	9,154
State of Alaska contribution	30,000
Total expenditures	124,802
Excess of revenues over expenditures	12,797
Other Financing Uses	
Transfers to other funds	(179)
Change in Fund Balance	12,618
Fund Balance, Beginning of Year	1,012,242
Fund Balance, End of Year	\$ 1,024,860

See Notes to Financial Statements.

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

Reconciliation of Change in Fund Balance of Governmental Fund
to Statement of Activities
(in thousands)
June 30, 2025

Net change in fund balance - total governmental fund	\$	12,618
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The change in the net position reported for governmental activities in the Statement of Activities is different because:

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in net pension liability and related deferred accounts	(1,743)	
Decrease in net OPEB asset and related deferred accounts	<u>2,630</u>	
		<u>887</u>

Extraordinary item (Note 14)		(2,447)
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Change in Net Position of Governmental Activities	\$	<u>11,058</u>
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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, 2025

Assets	
Current Assets	
Cash and cash equivalents, restricted	\$ 209,203
Operating receivables	539
Prepaid expenses	1
Loans receivable	1,169
Due from federal government	489
Accrued interest receivable	94
Total current assets	<u>211,495</u>
Noncurrent Assets	
Loans receivable, net of allowance	28,339
Capital assets, net of accumulated depreciation	375,026
Total noncurrent assets	<u>403,365</u>
Total Assets	<u><u>\$ 614,860</u></u>
Liabilities	
Current Liabilities	
Due to federal government	\$ 292
Due to State of Alaska	6,819
Due to State of Alaska's component units	11
Due to governmental funds/internal balances	537
Accounts payable	5,968
Capital acquisition and construction accounts	2,188
Capital acquisition and construction accounts (due to federal government)	68
Bonds payable - current portion	4,299
Accrued interest payable	850
Total current liabilities	<u>21,032</u>
Noncurrent Liabilities	
Bonds payable - noncurrent portion	191,616
Total liabilities	<u>212,648</u>
Net Position	
Net investment in capital assets	332,127
Restricted for:	
Capital projects	162,420
Debt service	18,267
Agreements with external parties	30,839
Legislation	14,439
Unrestricted (deficit)	(155,880)
Total net position	<u>402,212</u>
Total Liabilities and Net Position	<u><u>\$ 614,860</u></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, 2025

Operating Revenues	
State of Alaska appropriations	\$ 5,031
Federal grants	616
Revenue from operating plants	25,913
Interest on loans	470
Other revenues	26
Total operating revenues	32,056
Operating Expenses	
Depreciation	12,237
Grants and projects	1,063
Plant operations	9,922
General and administrative	2,505
Total operating expenses	25,727
Operating Income	6,329
Nonoperating Revenues (Expenses)	
Investment income, net expenses	8,678
Federal direct bond interest expense subsidy	1,031
Loss on disposal of assets	(2,025)
Interest expense and other charges	(11,200)
Total nonoperating revenues (expenses) before transfers	(3,516)
Income before transfers	2,813
Transfers from other funds	179
Change in Net Position	2,992
Net Position, Beginning of Year	399,220
Net Position, End of Year	\$ 402,212

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, 2025

Operating Activities	
Receipts from customers and users	\$ 26,086
Payments from federal grants	616
Payments from State of Alaska	9,321
Payments to suppliers	(16,001)
Payments to federal government	117
Payments to State of Alaska's component units	(10)
Due to other funds	(60)
Net Cash from Operating Activities	<u>20,069</u>
Noncapital Financing Activities	
Payments to AIDEA for short-term borrowing working capital	100
Transfer from governmental fund	179
Net Cash from Noncapital Financing Activities	<u>279</u>
Capital and Related Financing Activities	
Principal paid on bonds	(5,338)
Interest paid on bonds and other charges	(16,038)
Capital asset acquisitions	(19,111)
Federal direct bond interest expense subsidy	1,061
Net Cash used for Capital and Related Financing Activities	<u>(39,426)</u>
Investing Activities	
Interest received from investments	8,672
Net change in loans and accrued interest	1,292
Net Cash from Investing Activities	<u>9,964</u>
Net Change in Restricted Cash and Cash Equivalents	(9,114)
Restricted Cash and Cash Equivalents, Beginning of Year	<u>218,317</u>
Restricted Cash and Cash Equivalents, End of Year	<u><u>\$ 209,203</u></u>
Reconciliation of operating income to net cash from operating activities	
Operating income	\$ 6,329
Adjustments to reconcile operating income to net cash	
from (used for) operating activities	
Depreciation	12,237
Changes in assets and liabilities	
Operating receivables	(323)
Prepaid assets	(1)
Due to/from State of Alaska	4,290
Due to other funds	(60)
Due to federal government	117
Due to/from State of Alaska's component units	(10)
Operating accounts payable	(2,510)
Net Cash from Operating Activities	<u><u>\$ 20,069</u></u>

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

(Dollars Presented in Thousands)

Notes to Financial Statements

June 30, 2025

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.

On July 31, 2024, House Bill (HB) 307, enacted legislation changed how AEA operates and is structured. This enacted legislation went into effect, retroactively to July 1, 2024. The main impact to AEA of HB307 was how AEA operates. It established a requirement for AEA to have a separate 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 established a negotiated indirect cost rate agreement (NICRA) with a cognizant agent, the United States Department of Interior. This was the first time AEA had established a NICRA. The NICRA provides an indirect cost rate and fringe benefit rate for use with grants, contracts, and other agreements entered into with the Federal Government. Also, 2 CFR Part 200 applies to the NICRA and is subject to the limitations in Section II.A. of the agreements.

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 more than \$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.

Alaska Energy Authority
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Notes to Financial Statements

June 30, 2025

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

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

Association (GVEA), an initial Non-Purchaser, issued their Callback Notice and payment to participate in the Battle Creek Diversion Project. The BPMC accepted GVEA's 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, or the Bradley Lake Expansion Project, to optimize the energy potential of the Bradley Lake Hydroelectric Project. Like the West Fork Upper Battle Creek Diversion Project, the Bradley Lake Expansion 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. Also, 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 Energy Authority
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Notes to Financial Statements

June 30, 2025

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.

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 halfway 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 and a loan program (the Power Project Fund). Subject to appropriations, the PCE Endowment Fund provides the PCE Grant Program with 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.

Alaska Energy Authority
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Notes to Financial Statements

June 30, 2025

Energy Development Programs

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

The purpose of the Renewable Energy Grant Fund 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 set forth by the Governmental Accounting Standards Board (GASB).

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-Wide and Proprietary Fund Financial Statements are reported using the economic resources measurement focus and the 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.

Alaska Energy Authority
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(Dollars Presented in Thousands)

Notes to Financial Statements

June 30, 2025

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

The Authority reports the following major governmental fund:

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

The Authority reports the following major proprietary fund:

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

Revenue Recognition

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

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

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

All other revenues and expenses are considered 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.

Alaska Energy Authority
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Notes to Financial Statements

June 30, 2025

Cash and Cash Equivalents

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

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

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.

Alaska Energy Authority
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Notes to Financial Statements

June 30, 2025

The estimated economic lives of the assets are as follows:

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

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

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

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

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.

Alaska Energy Authority
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Notes to Financial Statements

June 30, 2025

Net Position

Net position is displayed in three components, as follows:

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

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

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

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

Environmental Issues

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

Appropriations and Grants

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

Estimates

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

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.

Alaska Energy Authority
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Notes to Financial Statements

June 30, 2025

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, 2025, the AEA’s bank and carrying amount of cash and cash equivalents (all of which were restricted for specific purposes) was \$325,091.

The restricted cash and cash equivalents and investments were held in trust and restricted accounts for the following activities as of June 30, 2025:

	Governmental Activities	Business-Type Activities	Totals
Restricted Cash and Cash Equivalents			
Bradley Lake Hydroelectric Project	\$ -	\$ 184,625	\$ 184,625
Alaska Intertie Project	-	2,705	2,705
Power Project Fund	-	12,213	12,213
Power Development and Railbelt Energy Projects	37,050	9,660	46,710
Power Cost Equalization Program	61,847	-	61,847
Renewable Energy Grant Fund	13,390	-	13,390
Emerging Energy Technology Fund	984	-	984
VW Settlement	984	-	984
Community Contributions Fund	1,633	-	1,633
	<u>\$ 115,888</u>	<u>\$ 209,203</u>	<u>\$ 325,091</u>
	Governmental Activities	Business-Type Activities	Totals
Restricted Investments			
Power Cost Equalization Program	\$ 941,456	\$ -	\$ 941,456
Renewable Energy Grant Fund	18,592	-	18,592
	<u>\$ 960,048</u>	<u>\$ -</u>	<u>\$ 960,048</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.

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Notes to Financial Statements

June 30, 2025

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 First National Bank Alaska. The U.S. Bank cash and investments are invested in accordance with the requirements and conditions of a trust agreement with each bond issue.

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

Internal staff manage AEA's investment portfolio for liquidity and safety. There is no AEA Board approved investment policy; 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 AEA 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, 2025:

	Governmental Activities	Business-Type Activities	Totals
Cash and cash equivalents	\$ 115,888	\$ 209,203	\$ 325,091
Investments managed by APFC	941,456	-	941,456
Investments managed by Department of Revenue	18,592	-	18,592
	<u>\$ 1,075,936</u>	<u>\$ 209,203</u>	<u>\$ 1,285,139</u>

Alaska Energy Authority
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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, 2025, AEA's deposits managed by Department of Revenue were collateralized under this same policy.

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With respect to AEA managed investments, amounts totaling approximately \$272,418 at June 30, 2025 are held in money market funds with the custodian or 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, 2025, the GeFONSI total for the Renewable Energy Grant Fund was \$18,592. 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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30-Jun-25	AEA (non APFC or Gefonsi)	GeFONSI	Alaska Permanent Fund Corporation	Total
Investment Type				
Cash and cash equivalents	\$ 272,418	-	\$ 52,673	\$ 325,091
Corporate bonds	-	-	91,838	91,838
Mortgage-backed securities	-	-	36,183	36,183
Commingled and exchange traded funds	-	-	1,849	1,849
Commercial mortgage / Asset-backed securities	-	-	8,797	8,797
Non-domestic government bonds	-	-	31,552	31,552
Non-domestic corporate bonds	-	-	16,102	16,102
Preferred and common stock	-	-	327,346	327,346
Real estate	-	-	106,752	106,752
Alternative Investments				
Absolute Return	-	-	57,323	57,323
Private Equity	-	-	149,193	149,193
Infrastructure	-	-	44,492	44,492
Distressed and mezzanine debt (Public-private credit)	-	-	33,941	33,941
U.S. Treasury Bills, Notes, Bonds, and TIPS	-	-	36,088	36,088
Pooled investment managed by Department of Revenue	-	18,592	-	18,592
Net Cash and Investments	\$ 272,418	18,592	994,129	\$ 1,285,139

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.

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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.

Cash and temporary investments

The amounts shown on the Statements of Net Position as cash and temporary investments 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.

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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.

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.

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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, 2025, the APFC's strategic asset allocation targets were as follows:

Asset class	Asset class target
Public equities	32%
Fixed income	20%
Private equity	18%
Real estate	11%
Private income	10%
Absolute return	7%
Tactical opportunities	1%
Cash	1%

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.

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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.

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 \$19.5 million at June 30, 2025. The current annual interest rates range from 0 to 9.0 percent.

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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 TEMPORARY INVESTMENTS

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

	2025
Cash	\$ 3,278
Pooled funds	22,075
U.S. Treasury bills	27,411
FX forward exchange contracts	(91)
Total cash and temporary investments	\$ 52,673

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 \$2.1 million on June 30, 2025.

D. MARKETABLE DEBT SECURITIES

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

2025	Cost	Fair value	Unrealized gains (losses)
Mortgage-backed securities	\$ 36,879	36,183	(696)
U.S. Treasury and government notes/bonds	35,730	36,088	358
U.S. corporate bonds	93,146	91,838	(1,308)
U.S. commercial mortgage and asset-backed securities	8,608	8,529	(79)
U.S. exchange traded funds	1,435	1,497	62
Non-U.S. government bonds	30,342	31,552	1,210
Non-U.S. corporate bonds	16,092	16,102	10
Non-U.S. commercial mortgage and asset-backed securities	268	268	-
Non-U.S. exchange traded funds	337	352	15
Total marketable debt securities	\$ 222,837	222,409	(428)

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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, 2025, the Fund's credit ratings for its marketable debt securities are as follows:

NRSRO quality ratings	Domestic	Non-domestic	Total fair value	Percentage of holdings
AAA	\$ 7,250	3,625	10,875	4.89%
AA	5,562	7,367	12,929	5.81%
A	27,161	5,976	33,137	14.90%
BBB	38,951	11,968	50,919	22.90%
BB	15,524	3,723	19,247	8.65%
B	5,053	1,241	6,294	2.83%
CCC	-	10	10	0.01%
D	-	965	965	0.43%
Total fair value rated debt securities	\$ 99,501	34,875	134,376	60.42%
Exchange traded funds	1,497	352	1,849	0.83%
Not rated	1,073	13,047	14,120	6.35%
U.S. government explicitly backed by the U.S. government	44,683	-	44,683	20.09%
U.S. government implicitly backed by the U.S. government	27,381	-	27,381	12.31%
Total fair value debt securities	\$ 174,135	48,274	222,409	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:

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	Percentage of holdings	Duration
Domestic bonds		
Mortgage-backed securities	20.78%	5.55
Treasury and government notes/bonds	20.72%	5.62
Corporate bonds	52.74%	6.57
Commercial mortgage and asset-backed securities	4.90%	1.79
Exchange traded funds	0.86%	-
Total domestic bonds	100.00%	5.87
Non-domestic bonds		
Treasury and government bonds	65.36%	7.43
Corporate bonds	33.36%	6.42
Commercial mortgage and asset-backed securities	0.55%	0.99
Exchange traded funds	0.73%	-
Total non-domestic bonds	100.00%	7.00

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 \$(6,000) at June 30, 2025:

	Cost	Fair value	Unrealized gains (losses)
Direct investments			
Domestic stock	\$ 174,516	186,304	11,788
Non-domestic stock	136,938	138,295	1,357
Commingled funds	2,480	2,747	267
Total preferred and common stock	\$ 313,934	327,346	13,412

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.

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At June 30, 2025, 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):

Foreign currency	Cash and cash equivalents	Foreign exchange forward contracts	Equity, private debt, real estate, infrastructure	Marketable debt	Total foreign currency exposure
Australian Dollar	\$ 53	(595)	4,046	332	3,836
Brazil Real	11	-	1,235	-	1,246
Canadian Dollar	27	(725)	8,344	614	8,260
Chilean Peso	2	-	80	-	82
Chinese Yuan Renminbi	79	(3,775)	3,230	3,697	3,231
Colombian Peso	2	-	24	-	26
Czech Koruna	4	(131)	21	124	18
Danish Krone	4	(129)	1,796	125	1,796
Egyptian Pound	1	-	13	-	14
Euro Currency	790	(10,951)	51,042	8,835	49,716
Hong Kong Dollar	62	(275)	10,789	-	10,576
Hungarian Forint	4	(38)	130	34	130
Indian Rupee	19	(3)	4,706	-	4,722
Indonesian Rupiah	5	(309)	701	300	697
Israeli Shekel	13	(163)	739	160	749
Japanese Yen	306	(6,095)	15,684	5,857	15,752
Kuwaiti Dinar	4	(3)	120	-	121
Malaysian Ringgit	7	(298)	332	294	335
Mexican Peso	2	(192)	778	191	779
New Taiwan Dollar	15	-	6,517	-	6,532
New Zealand Dollar	(4)	(255)	191	209	141
Norwegian Krone	6	(41)	607	39	611
Pakistan Rupee	-	-	57	-	57
Peruvian Sol	6	(206)	-	195	(5)
Philippines Peso	2	-	168	-	170
Polish Zloty	6	(1)	652	-	657
Pound Sterling	234	(3,485)	15,484	2,349	14,582
Qatari Riyal	(4)	6	193	-	195
Romanian Leu	9	(132)	-	114	(9)
Russian Ruble	-	-	1	-	1
Saudi Arabia Riyal	(1)	-	907	-	906
Singapore Dollar	(3)	(93)	1,180	102	1,186
South African Rand	(4)	7	938	-	941
South Korean Won	37	(727)	4,784	719	4,813
Swedish Krona	13	(14)	2,013	-	2,012
Swiss Franc	16	(130)	4,885	-	4,771
Thailand Baht	6	(240)	235	234	235
Turkish Lira	2	-	166	-	168
UAE Dirham	5	-	689	-	694
Total foreign currency exposure	\$ 1,736	(28,993)	143,477	24,524	140,744

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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.

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, 2025, 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:

	2025
Fair value of securities on loan, secured by cash collateral	\$ 45,733
Cash collateral	46,735
Fair value of securities on loan, secured by noncash collateral	82,564
Noncash collateral	89,692

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, 2025 ranged between two and 101 days.

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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, 2025 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

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

	2025
Fair value of FX forward contracts, beginning of year	\$ 30
Net change in fair value of FX forward contracts	(120)
Fair value of FX forward contracts, end of year	\$ (90)
Notional amount of FX forward contracts, end of year	\$ 16,293

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:

	2025
Fair value of equity index futures, beginning of year	\$ (1)
Net change in fair value of equity index futures	(5)
Fair value of equity index futures, end of year	\$ (6)
Notional amount of equity index futures, end of year	\$ 14

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

	2025
Fair value of U.S. Treasury index futures, beginning of year	\$ -
Net change in fair value of U.S. Treasury index futures	(8)
Fair value of U.S. Treasury index futures, end of year	\$ (8)
Notional amount of US Treasury index futures, end of year	\$ 1,074

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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.

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:

		Cost	Fair value	Unrealized gains (losses)
2025				
Real estate investment trusts	\$	9,794	9,269	(525)
Real estate funds and notes		37,883	35,037	(2,846)
American Homes 4 Rent II		1,138	1,216	78
Directly owned real estate				
Retail	\$	10,873	15,965	5,092
Office		23,218	20,026	(3,192)
Hotel		808	750	(58)
Industrial		4,983	10,744	5,761
Multifamily		4,756	5,303	547
Development		8,812	8,442	(370)
Total directly owned real estate	\$	53,450	61,230	7,780
Total real estate	\$	102,265	106,752	4,487

As of June 30, 2025, the APFC, on behalf of the Fund, had outstanding future funding commitments of \$3.5 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.

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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.

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:

2025	Cost	Fair value	Unrealized gains
Absolute return	\$ 52,457	57,323	4,866
Private credit	33,076	33,941	865
Private equity	137,443	149,193	11,750
Infrastructure	41,011	44,492	3,481
Total alternative investments	\$ 263,987	284,949	20,962

As of June 30, 2025, the APFC, on behalf of the Fund, had outstanding future funding commitments of \$206,000 for absolute return, \$18.7 million for private credit, \$42.4 million for private equity, and \$12.8 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.

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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:

	Measured using input levels			Measured using NAV	Total
	Level 1	Level 2	Level 3		
2025					
Marketable debt securities					
Mortgage-backed securities	\$ -	36,183	-	-	36,183
U.S. Treasury and government notes/bonds	35,995	93	-	-	36,088
U.S. corporate bonds	98	91,740	-	-	91,838
U.S. commercial mortgage and asset-backed securities	-	8,529	-	-	8,529
U.S. exchange traded funds	1,497	-	-	-	1,497
Non-U.S. government bonds	-	31,552	-	-	31,552
Non-U.S. corporate bonds	-	16,096	6	-	16,102
Non-U.S. commercial mortgage and asset-backed securities	-	268	-	-	268
Non-U.S. exchange traded funds	352	-	-	-	352
Total marketable debt securities	\$ 37,942	184,461	6	-	222,409
Preferred and common stock					
Domestic stock	186,105	199	-	-	186,304
Non-domestic stock	138,295	-	-	-	138,295
Commingled funds	1,127	-	-	1,620	2,747
Total preferred and common stock	\$ 325,527	199	-	1,620	327,346
Real estate					
Real estate investment trusts	9,269	-	-	-	9,269
Real estate funds and notes	-	-	-	35,037	35,037
American Homes 4 Rent II	-	-	-	1,216	1,216
Directly owned real estate	-	-	-	61,230	61,230
Total real estate	\$ 9,269	-	-	97,483	106,752
Absolute return	-	-	-	57,323	57,323
Private credit	-	-	-	33,941	33,941
Private equity	-	-	-	149,193	149,193
Infrastructure	-	-	-	44,492	44,492
Total investments	\$ 372,738	184,660	6	384,052	941,456

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.

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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.

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, 2025 was as follows:

Business-Type Activities	Balance at July 1, 2024	Additions	Deletions	Balance at June 30, 2025
Capital assets not being depreciated				
Land and rights of way	\$ 11,212	\$ -	\$ -	\$ 11,212
Construction in progress				
Intangibles	183,682	-	-	183,682
Other	7,592	19,667	(10,979)	16,280
Total capital assets not being depreciated	202,486	19,667	(10,979)	211,174
Capital assets being depreciated				
Equipment	8,022	235	(6)	8,251
Infrastructure	515,136	11,126	(2,637)	523,625
Total capital assets being depreciated	523,158	11,361	(2,643)	531,876
Less accumulated depreciation				
Equipment	(6,205)	(481)	2	(6,684)
Infrastructure	(350,195)	(11,756)	611	(361,340)
Total accumulated depreciation	(356,400)	(12,237)	613	(368,024)
Total capital assets, being depreciated, net	166,758	(876)	(2,030)	163,852
Capital assets, net	\$ 369,244	\$ 18,791	\$ (13,009)	\$ 375,026

Business-Type Activities

Bradley Lake Hydroelectric Project
Alaska Intertie Project

\$ 11,440
797

\$ 12,237

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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, 2025 follows:

Due from other funds	
Due to Special Revenue Fund from Enterprise Fund	<u>\$ 537</u>

A schedule of interfund transfers as of and for the year ended June 30, 2025 follows:

From Governmental Funds to:	
Enterprise Funds for Capital	<u>\$ 179</u>

Note 5 - Long-Term Debt

Long-term debt activity for the year ended June 30, 2025 was as follows:

Business-Type Activities	Balance at July 1, 2024	Additional Borrowings	Repayments	Balance at June 30, 2025	Due within one year
Power Revenue Bonds					
Bradley Lake					
Eleventh Series	\$ 158,547	\$ -	\$ (3,717)	\$ 154,830	\$ 2,670
Transmission Line					
Tenth Series	5,592	-	(246)	5,346	254
Bradley Lake - Battle Creek Diversion - Private Placement					
Seventh Series	36,001	-	(1,333)	34,668	1,333
Eighth Series	1,113	-	(42)	1,071	42
Total bonds payable	<u>201,253</u>	<u>-</u>	<u>(5,338)</u>	<u>195,915</u>	<u>4,299</u>
	<u>\$ 201,253</u>	<u>\$ -</u>	<u>\$ (5,338)</u>	<u>\$ 195,915</u>	<u>\$ 4,299</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 \$366,713. Principal and interest paid for the current year and total customer revenues from the Bradley Project were \$21,376 and \$23,087 respectively.

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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.

As of June 30, 2025, AEA reported total outstanding Power Revenue Bonds of \$195,915. Total incurred interest expense for fiscal year 2025 was \$11,200. 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).

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 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, 2025, the amount of arbitrage interest payable is \$0.

The minimum payments related to all bonds, for the years after June 30, 2025, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	5,057	10,020	15,077
2031-2035	28,840	45,667	74,507
2036-2040	36,221	36,824	73,045
2041-2045	46,235	25,387	71,622
2046-2050	59,911	10,254	70,165
2051	<u>1,375</u>	<u>29</u>	<u>1,404</u>
	<u><u>\$ 195,915</u></u>	<u><u>\$ 170,798</u></u>	<u><u>\$ 366,713</u></u>

Note 6 - Loans Receivable

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

	<u>Number of Loans</u>	<u>Amount</u>
Power Project Fund Loan Programs	15	\$ 29,951
Less allowance for loan loss		<u>(443)</u>
		<u><u>\$ 29,508</u></u>
Allowance for loan loss:		
Balance at beginning of year	\$ 455	
Provision for loan loss (recovery)	<u>(12)</u>	
Balance at end of year	<u><u>\$ 443</u></u>	

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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 \$1,888 for which AEA has allowed \$38 for loan loss.

Note 7 Pension and Other Postemployment Benefits Plans

(a) Defined Benefit (DB) Pension Plan

General Information About the Plan

The Authority participates in the State of Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple-employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in an annual comprehensive financial report that includes financial statements and other required supplemental information. That report is available via the internet at <https://drb.alaska.gov/docs/reports/#pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and postemployment healthcare benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Peace officers and firefighters accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other postemployment benefits (OPEB). A complete benefit comparison chart is available at the website noted above.

The PERS DB Plan was closed to new entrants effective July 1, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

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Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from a DB agent-multiple-employer plan to a DB cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded “on-behalf” contribution (subject to funding availability), and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes. The Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

Alaska Statute 39.35.280 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan’s past service liability contribution rate as adopted by the Alaska Retirement Management Board (ARM Board). As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows of resources, and disclosures on this basis.

The Authority recorded the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary.

Employer and Other Contribution Rates

There are several contribution rates associated with the pension contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, the amount calculated for the statutory employer effective contribution rate is 22% on eligible wages. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the DC plan. Contributions derived from the DC employee payroll is referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate formally adopted by the ARM Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25-year term which ends in 2039. This change results in a lower ARM Board Rates than previously adopted.

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State Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the proprietary funds and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

Contribution rates for the year ended June 30, 2025 were determined in the June 30, 2023 actuarial valuations. The Authority's contribution rates for the 2025 fiscal year were as follows:

	ARM Board Adopted Rate	State Contribution Rate
Defined benefit plans:		
Pension	20.03%	4.76%
Postemployment healthcare (ARHCT)	-%	-%
Defined contribution - Pension	6.73%	-%
Total Contribution Rates	26.76%	4.76%

Alaska Statue 39.35.255(a) capped the employer rate at 22% with the State of Alaska making a nonemployer contribution for the difference between actuarially required contribution and the cap. For the fiscal year the employer rate is 22.00% for pension and 0.00% for ARHCT. The contribution requirements for the Authority are established and may be amended by the ARM Board. Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the DC Plan payroll. The DBUL amount is computed as the difference between (a) amount calculated for the statutory employer contribution rate of 22.00% on eligible salary less (b) total of the employer contribution for (1) defined contribution employer matching amount, (2) major medical, (3) occupational death and disability, and (4) health reimbursement arrangement. The difference is deposited based on an actuarial allocation into the defined benefit plan's pension and healthcare funds.

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In 2025, the Authority was credited with the following contributions to the pension plan:

	Measurement Period July 1, 2023 to June 30, 2024	Authority Fiscal Year July 1, 2024 to June 30, 2025
Employer contributions (including DBUL)	\$ -	\$ 388
Nonemployer contributions (on-behalf)	-	128
Total Contributions	\$ -	\$ 516

In addition, employee contributions to the Plan totaled \$37 during the Authority's fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the Authority reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Authority. The amount recognized by the Authority for its proportional share, the related State proportion, and the total portion of the net pension liability that was associated with the Authority were as follows:

Authority proportionate share of NPL	\$ 3,516
State's proportionate share of NPL associated with the Authority	-
Total Net Pension Liability	\$ 3,516

The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 and adjusted to reflect updated assumptions to calculate the net pension liability as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2024 measurement date, the Authority's proportion was 0.06410 percent, which was an increase of 0.06410 from its proportion measured as of June 30, 2023.

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For the year ended June 30, 2025, the Authority recognized pension expense of \$59 and on-behalf revenue of \$0 for support provided by the State. At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 34	\$ -
Authority contributions subsequent to the measurement date	388	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions	\$ 422	\$ -

The \$388 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2026	\$ (94)
2027	175
2028	(26)
2029	(21)
Total Amortization	\$ 34

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the actuarial assumptions listed below, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024:

Actuarial cost method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year

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Salary increases	For peace officer/firefighter, increases range from 8.50% to 3.85% based on service. For all others, increases range from 6.75% to 2.85% based on service.
Allocation methodology	Amounts for the June 30, 2024 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the Plan for the fiscal years 2025 to 2039. The liability is expected to go to zero at 2039.
Investment rate of return	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Mortality Peace officer/firefighter	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
All others	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement mortality rates for healthy retirees were based on 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

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The total pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to the measurement date of June 30, 2024. The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect expected future experience.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return, excluding the inflation component of 2.39%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2024 are summarized in the following table:

Asset Class	Target Allocation	Range	Long-Term Expected Real Rate of Return
Domestic equity	26%	+/- 6%	5.48%
Global equity (non-U.S.)	17%	+/- 4%	7.14%
Global equity	-%	-%	5.79%
Aggregate bonds	21%	+/- 10%	2.10%
Multi-asset	8%	+/- 4%	-%
Real assets	14%	+/- 7%	4.63%
Private equity	14%	+/- 7%	8.84%
Cash equivalents	-%	-%	0.77%

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority's proportionate share of the net pension liability	0.06410%	\$ 4,683	\$ 3,516	\$ 2,528

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

(b) Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a DC plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the DB plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The ARM Board may also amend contribution requirements. Included in the Plan are individual pension accounts, a retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the annual comprehensive financial report for PERS, and at the following website, as noted above.
<https://drb.alaska.gov/docs/reports/#pers>.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the Authority contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. Nonvested employer contributions are forfeited upon termination of employment from the Plan. Such forfeitures were applied in the year ended June 30, 2025 to cover a portion of the Authority's employer match contributions. For the year ended June 30, 2025, forfeitures reduced pension expense by \$0.

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Employee Contribution Rate

Employees are required to contribute 8% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2025, the Authority was required to contribute 5% of covered salary into the Plan.

The Authority and employee contributions to PERS for pensions for the year ended June 30, 2025 were \$108 and \$172, respectively. The Authority contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plans

As part of its participation in PERS, the Authority participates in the following cost-sharing multiple-employer defined benefit OPEB plans: Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD).

The ARHCT, a healthcare trust fund, provides major medical coverage to retirees of the DB plan. The ARHCT is self-funded and self-insured. The ARHCT was closed to all new members effective July 1, 2006. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The RMP is self-insured. Members are not eligible to use the Plan until they have at least 10 years of service and are Medicare age eligible. The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. The OPEB plans are included in the annual comprehensive financial report for PERS, at the following website, <https://drb.alaska.gov/docs/reports/#pers>.

Employer Contribution Rates

Employer contribution rates are actuarially determined and adopted by and may be amended by the Board. Employees do not contribute.

Employer contribution rates for the year ended June 30, 2025 were as follows:

Alaska Retiree Healthcare Trust	-%
Retiree Medical Plan	0.83%
Occupational Death and Disability	0.24%
Total Contribution Rates	1.07%

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In 2025, the Authority was credited with the following contributions to the OPEB plans:

	Measurement Period July 1, 2023 to June 30, 2024	Authority Fiscal Year July 1, 2024 to June 30, 2025
Employer contributions – ARHCT	\$ -	\$ 17
Employer contributions - RMP	-	5
Employer contributions - ODD	-	3
Total Contributions	\$ -	\$ 25

OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

At June 30, 2025, the Authority reported an asset for its proportionate share of the net OPEB asset (NOA) that reflected a reduction for State OPEB support provided to the Authority. The amount recognized by the Authority for its proportional share, the related State proportion, and the total were as follows:

Authority's proportionate share of NOA – ARHCT	\$ 1,412
Authority's proportionate share of NOA - RMP	29
Authority's proportionate share of NOA – ODD	38
Total Authority's Proportionate Share of Net OPEB Asset	\$ 1,479
State's proportionate share of the ARHCT NOA associated with the Authority	-
Total Net OPEB Asset	\$ 1,479

The total OPEB liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 and adjusted to reflect updated assumptions to calculate the net OPEB assets as of that date. The Authority's proportion of the net OPEB assets was based on a projection of the Authority's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

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	June 30, 2023 Measurement Date Employer Proportion	June 30, 2024 Measurement Date Employer Proportion	Change
Authority's proportionate share of the net OPEB assets:			
ARHCT	0.00000%	0.06411%	0.06411 %
RMP	0.00000%	0.06228%	0.06228 %
ODD	0.00000%	0.06371%	0.06371 %

For the year ended June 30, 2025, the Authority recognized OPEB expense (benefit) of \$48. Of this amount, \$0 was recorded for on-behalf revenue and expense for support provided by the ARHCT plan. OPEB expense (benefit) and on-behalf revenue is listed by plan in the table below:

<i>Plan</i>	OPEB Expense (Benefit)	On-behalf Revenue
ARHCT	\$ 46	\$ -
RMP	4	-
ODD	(1)	-
Total	\$ 49	\$ -

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At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

<i>Deferred Outflows of Resources</i>	ARHCT		RMP		ODD		Total
Difference between expected and actual experience	\$	1	\$	1	\$	-	\$ 2
Changes in assumptions		38		10		-	48
Net difference between projected and actual investment earnings		14		-		-	14
Changes in proportion and differences between Authority contributions and proportionate share of contributions		-		-		-	-
Authority contributions subsequent to the measurement date		17		5		3	25
Total Deferred Outflows of Resources Related to OPEB Plans	\$	70	\$	15	\$	3	\$ 89

<i>Deferred Inflows of Resources</i>	ARHCT		RMP		ODD		Total
Difference between expected and actual experience	\$	-	\$	(3)	\$	(9)	\$ (12)
Changes in assumptions		-		(20)		-	(20)
Changes in proportion and differences between Authority contributions and proportionate share of contributions		(2)		-		-	(2)
Total Deferred Inflows of Resources Related to OPEB Plans	\$	(2)	\$	(23)	\$	(9)	\$ (34)

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Amounts reported as deferred outflows of resources related to OPEB plans resulting from Authority contributions subsequent to the measurement date will be recognized as an increase in the net OPEB assets in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year Ending June 30,</i>	ARHCT		RMP		ODD		Total
2026	\$	(43)	\$	(4)	\$	(3)	\$ (50)
2027		143		-		(1)	142
2028		(23)		(4)		(2)	(29)
2029		(26)		(3)		(1)	(30)
2030		-		(2)		(1)	(3)
Thereafter		-		1		(1)	-
Total Amortization	\$	51	\$	(12)	\$	(9)	\$ 30

Actuarial Assumptions

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2024:

Actuarial cost method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	For peace officer/firefighter, increases range from 8.50% to 3.85% based on service. For all others, increases range from 6.75% to 2.85% based on service.
Allocation methodology	Amounts for the June 30, 2024 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions to the Plan for fiscal years 2025 to 2039.
Investment rate of return	7.25%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.

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Healthcare cost trend rates (ARHCT and RMP Plans)	Pre-65 medical: 6.4% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Rx/EGWP: 6.9% grading down to 4.5% Initial trend rates are from FY 2025 Ultimate trend rates reached in FY 2050
Mortality Peace officer/firefighter (ARHCT and RMP Plans)	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupation causes 70% of the time. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
(ODD Plan)	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
All others (ARHCT and RMP Plans)	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement mortality rates for healthy retirees were based on 101% of male and 110% of female rates of the Pub-2010 General Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 101% of

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(ODD Plan)	male and 108% of female rates of the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member. Pre-commencement mortality rates were based on the Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement mortality rates for healthy retirees were based on 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Participation (ARHCT)	100% system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.
Peace officer/firefighter	20% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.
All others	25% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2023, rolled forward to the measurement date of June 30, 2024. The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect the expected future experience. For the ARHCT and RMP plans, the per capita claims costs were updated to reflect recent experience for the June 30, 2023 actuarial valuation.

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Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return, excluding the inflation component of 2.39%, for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2024 are summarized in the following table:

Asset Class	Target Allocation	Range	Long-Term Expected Real Rate of Return
Domestic equity	26%	+/- 6%	5.48 %
Global equity (non-U.S.)	17%	+/- 4%	7.14 %
Global equity	-%	-%	5.79 %
Aggregate bonds	21%	+/- 10%	2.10 %
Multi-asset	8%	+/- 4%	- %
Real assets	14%	+/- 7%	4.63 %
Private equity	14%	+/- 7%	8.84 %
Cash equivalents	-%	-%	0.77 %

Discount Rate

The discount rate used to measure the total OPEB liability for each plan as of June 30, 2024 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the fiduciary net position of each plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability for each plan.

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Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net OPEB asset calculated using the discount rate of 7.25%, as well as what the Authority's proportionate share of the respective plan's net OPEB asset (liability) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority's proportionate share of the net OPEB asset (liability):				
ARHCT	0.06411%	\$ 894	\$ 1,412	\$ 1,848
RMP	0.06228%	\$ (5)	\$ 29	\$ 55
ODD	0.06371%	\$ 36	\$ 38	\$ 40

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates

The following presents the Authority's proportionate share of the net OPEB asset calculated using the healthcare cost trend rates as summarized in the 2023 actuarial valuation reports as well as what the Authority's proportionate share of the respective plan's net OPEB asset (liability) would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Authority's proportionate share of the net OPEB asset (liability):				
ARHCT	0.06411%	\$ 1,897	\$ 1,412	\$ 835
RMP	0.06228%	\$ 59	\$ 29	\$ (11)
ODD	0.06371%	\$ n/a	\$ n/a	\$ n/a

OPEB Plan Fiduciary Net Position

Detailed information about each OPEB plan's fiduciary net position is available in the separately issued PERS financial report.

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(d) Defined Contribution OPEB Plans

PERS DC Pension Plan participants (PERS Tier IV) also participate in the Health Reimbursement Arrangement Plan (HRA Plan). The HRA Plan allows for medical care expense to be reimbursed from individual savings accounts established for eligible persons. The HRA Plan became effective July 1, 2006 at which time contributions by employers began.

Contribution Rate

AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2024, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2 per year for each full-time employee, and \$1.53 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In fiscal year 2025, the Authority contributed \$42 in DC OPEB costs. This amount has been recognized as expense/expenditures.

Note 8 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	\$ 992,919
Renewable Energy Grant Fund	31,021
Emerging Energy Technology Fund	920
	<u>\$ 1,024,860</u>

Note 9 - Risk Management

AEA is exposed to various risks 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.

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Note 10 - 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 long-term working capital funds up to a maximum of \$3,500. Under the agreement interest earnings accumulated during the fiscal year are transferred to AIDEA. For fiscal year 2025 this amount was \$46.

For the year ended June 30, 2025, AEA had \$463 payable to AIDEA for services. Payments to AIDEA for personnel services support AEA's internal service activities. At the year ended June 30, 2025, AEA had \$14 payable from AIDEA for services. The services provided are primarily for geographical information system (GIS) mapping and engineering.

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 \$288 during fiscal year 2025 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, Bradley Lake Expansion Project, Battle Creek, and the SSQ Line and received \$1,206 for these services during fiscal year 2025.

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Railbelt Transmission Organization

The passage of HB307, CH24 SLA 2024, created The Railbelt Transmission Organization (RTO) for the purpose of establishing an open access transmission tariff that provides for recovery of transmission costs and related ancillary services; and replaces wholesale charges assessed by unit by each utility in the Railbelt with a new mechanism that fairly recovers and equitably allocates the costs of operating the backbone transmission system (AS 44.83.700 (a)). For administrative purposes, the transmission organization is a division of the Alaska Energy Authority (AS 44.83.700(b)). The effective date of the bill was July 1, 2024. Fiscal impact is that the administrative function of AEA related to the RTO increases AEA's operating costs in the short term until a revenue mechanism for the RTO is developed, approved by the RCA, and implemented. AEA received an undesignated general fund (UGF) increment for fiscal years 2025 and 2026 to pay for AEA personnel costs, indirect costs, and other administrative costs associated with implementation of the RTO. In accordance with the letter of agreement an interim cost share allocation for Railbelt Transmission Organization costs, AEA and the Railbelt Utilities agreed to share legal services, consulting services, insurance costs, and dispute resolution costs; and other costs to operate the RTO as agreed upon by the parties in equal shares (16.666%) for costs incurred on or after July 1, 2024. This agreement is in place until the execution of new service agreements. For fiscal year 2025 total reimbursed costs from the Railbelt Utilities under this cost share agreement was \$1,663.

Note 11 - 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, 2025, AEA had Power Project Fund loan commitments of \$490.

At June 30, 2025, AEA had cumulative prior year commitments from grant awards that are funded by State appropriations and federal awards; the amounts committed were \$56,269.

Note 12 – Subsequent Events

On August 7, 2025, the U.S. Department of Environmental Protection Agency (EPA) notified the Authority that the Solar for All grant was terminated. This grant was awarded in September of 2024 for \$64.4 million. There was minimal expending on the grant, and the Authority will be held harmless once the grant is fully closed out. The EPA has provided 120 days after the date of notice to complete the close out process.

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Note 13 – 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 2025 reporting:

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. The implementation of this standard did not result in a material change in the Authority's accounting.

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. The implementation of this standard did not result in a material change in the Authority's accounting.

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:

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 governmental financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. The disclosure requirements will improve consistency and comparability between governments.

Note 14 – Extraordinary Item

In fiscal year 2025, in conjunction with AEA, AIDEA discontinued employing personnel that conduct business for AEA, who in turn began to employ these personnel. AIDEA allocated \$5,311 of the Authority's pension liability and related inflows and outflows at the start of 2025 to AEA. AIDEA further allocated the net OPEB asset and associated inflows and outflows in the amount of \$2,864 to AEA.

Alaska Energy Authority

Public Employees' Retirement System (PERS) Pension Plan
Schedule of the Authority's Proportionate Share of the Net Pension Liability (in thousands)

<i>Years Ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Authority's Proportion of the Net Pension Liability	0.06410%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Authority's Proportionate Share of the Net Pension Liability	\$ 3,516	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Alaska Proportionate Share of the Net Pension Liability	-	-	-	-	-	-	-	-	-	-
Total Net Pension Liability	\$ 3,516	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	4,371	-	-	-	-	-	-	-	-	-
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	80.44%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.81%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule of the Authority's Contributions

<i>Years Ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contributions	\$ 388	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions Relative to the Contractually Required Contribution	388	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	4,366	-	-	-	-	-	-	-	-	-
Contributions as a Percentage of Covered Payroll	8.89%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying notes to Required Supplementary Information.

Alaska Energy Authority

Public Employees' Retirement System - OPEB ARHCT Plan

Schedule of the Authority's Proportionate Share of the Net OPEB Asset (in thousands)

<i>Years Ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
Authority's Proportion of the Net OPEB Asset	0.06411%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Authority's Proportionate Share of the Net OPEB Asset	\$ (1,412)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Alaska Proportionate Share of the Net OPEB Asset	-	-	-	-	-	-	-	-
Total Net OPEB Asset	\$ (1,412)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	979	-	-	-	-	-	-	-
Authority's Proportionate Share of the Net OPEB Asset as a Percentage of Payroll	-144.23%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	130.59%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule of the Authority's Contributions

<i>Years Ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contributions	\$ 17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions Relative to the Contractually Required Contribution	17	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	988	-	-	-	-	-	-	-
Contributions as a Percentage of Covered Payroll	1.712%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying notes to Required Supplementary Information.

Alaska Energy Authority

Public Employees' Retirement System - OPEB RMP Plan

Schedule of the Authority's Proportionate Share of the Net OPEB Asset (in thousands)

<i>Years Ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
Authority's Proportion of the Net OPEB Asset	0.06228%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Authority's Proportionate Share of the Net OPEB Asset	\$ (29)	-	-	-	-	-	-	-
State of Alaska Proportionate Share of the Net OPEB Asset	-	-	-	-	-	-	-	-
Total Net OPEB Asset	\$ (29)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	3,392	-	-	-	-	-	-	-
Authority's Proportionate Share of the Net OPEB Asset as a Percentage of Payroll	-0.86%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	119.87%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule of the Authority's Contributions

<i>Years Ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contributions	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions Relative to the Contractually Required Contribution	5	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	3,388	-	-	-	-	-	-	-
Contributions as a Percentage of Covered Payroll	0.141%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying notes to Required Supplementary Information.

Alaska Energy Authority

Public Employees' Retirement System - OPEB ODD Plan

Schedule of the Authority's Proportionate Share of the Net OPEB Asset (in thousands)

<i>Years Ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
Authority's Proportion of the Net OPEB Asset	0.06371%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Authority's Proportionate Share of the Net OPEB Asset	\$ (38)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Alaska Proportionate Share of the Net OPEB Asset	-	-	-	-	-	-	-	-
Total Net OPEB Asset	\$ (38)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	4,371	-	-	-	-	-	-	-
Authority's Proportionate Share of the Net OPEB Asset as a Percentage of Payroll	-0.87%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	346.81%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule of the Authority's Contributions

<i>Years Ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contributions	\$ 3	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contributions Relative to the Contractually Required Contribution	3	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	4,366	-	-	-	-	-	-	-
Contributions as a Percentage of Covered Payroll	0.068%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying notes to Required Supplementary Information.

Notes to Required Supplementary Information

June 30, 2025

1. Public Employees' Retirement System Pension Plan

Schedule of the Authority's Proportionate Share of the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2025, the Plan measurement date is June 30, 2024.

Changes in Assumptions:

GASB requires ten years of information be presented. As a result of HB 307, AIDEA discontinued employing personnel that conduct business for AEA, who in turn began to employ these personnel. The pension and OPEB related to those employees were transferred to AEA in 2025. Therefore, until a full 10 years of information is available, the Authority will present only those years for which information is available.

Schedule of the Authority's Contributions

This table is based on the Authority's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

GASB requires ten years of information be presented. As a result of HB 307, AIDEA discontinued employing personnel that conduct business for AEA, who in turn began to employ these personnel. The pension and OPEB related to those employees were transferred to AEA in 2025. Therefore, until a full 10 years of information is available, the Authority will present only those years for which information is available.

Notes to Required Supplementary Information

June 30, 2025

2. Public Employees' Retirement System OPEB Plans

Schedule of the Authority's Proportionate Share of the Net OPEB Liability (Asset)

This table is presented based on the Plan measurement date. For June 30, 2025, the Plan measurement date is June 30, 2024.

Changes in Assumptions:

GASB requires ten years of information be presented. As a result of HB 307, AIDEA discontinued employing personnel that conduct business for AEA, who in turn began to employ these personnel. The pension and OPEB related to those employees were transferred to AEA in 2025. Therefore, until a full 10 years of information is available, the Authority will present only those years for which information is available.

Schedule of the Authority's Contributions

This table is based on the Authority's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

GASB requires ten years of information be presented. As a result of HB 307, AIDEA discontinued employing personnel that conduct business for AEA, who in turn began to employ these personnel. The pension and OPEB related to those employees were transferred to AEA in 2025. Therefore, until a full 10 years of information is available, the Authority will present only those years for which information is available.

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

Schedule 1 – Special Revenue Fund – Projects and Programs – Balance Sheet
(in thousands)
June 30, 2025

	Power Cost Equalization Program	Renewable Energy Grant Fund	Emerging Energy Technology Fund	Rural Energy Projects	Volkswagen Diesel Settlement Fund	Community Contributions Fund	Reclass for Financial Statement Presentation	Totals
Assets								
Cash and cash equivalents, restricted	\$ 61,847	\$ 13,390	\$ 984	\$ 37,050	\$ 984	\$ 1,633	\$ -	\$ 115,888
Receivables for investments	8,555	-	-	-	-	-	-	8,555
Operating receivable	-	1	-	478	311	-	-	790
Prepaid expenses	-	-	-	48	-	-	-	48
Due from Federal Government	-	-	-	4,873	-	-	-	4,873
Due from State of Alaska	-	610	-	17	-	-	(610)	17
Due from State of Alaska's component units	-	-	-	14	-	-	-	14
Due from other funds/internal balances	196	270	-	433	-	-	(362)	537
Securities lending collateral	46,735	-	-	-	-	-	-	46,735
Investments, restricted	941,456	18,592	-	-	-	-	-	960,048
Total assets	\$ 1,058,789	\$ 32,863	\$ 984	\$ 42,913	\$ 1,295	\$ 1,633	\$ (972)	\$ 1,137,505
Liabilities and Fund Balance								
Due to Federal Government	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ 1
Due to the State of Alaska	-	-	5	34,154	-	-	(610)	33,549
Due to State of Alaska's component units	-	-	-	941	-	-	-	941
Due to local governments	6,597	484	-	185	-	-	-	7,266
Due to other funds/internal balances	-	-	59	-	303	-	(362)	-
Accounts payable	12,538	1,358	-	4,132	8	-	-	18,036
Other liabilities	-	-	-	-	-	1,633	-	1,633
Unearned revenue - grant match from outside entities	-	-	-	-	984	-	-	984
Securities lending collateral	46,735	-	-	-	-	-	-	46,735
Advance from State of Alaska component unit	-	-	-	3,500	-	-	-	3,500
Total liabilities	65,870	1,842	64	42,913	1,295	1,633	(972)	112,645
Fund Balance								
Nonspendable	-	-	-	48	-	-	-	48
Restricted by legislation	992,919	31,021	920	(48)	-	-	-	1,024,812
Total fund balance	992,919	31,021	920	-	-	-	-	1,024,860
Total Liabilities and Fund Balance	\$ 1,058,789	\$ 32,863	\$ 984	\$ 42,913	\$ 1,295	\$ 1,633	\$ (972)	\$ 1,137,505

See Independent Auditor's Report.

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

Schedule 2 – Special Revenue Fund – Projects and Programs – Statement of Revenues, Expenditures, and Changes in Fund Balance
(in thousands)
June 30, 2025

	Power Cost Equalization Program	Renewable Energy Grant Fund	Emerging Energy Technology Fund	Rural Energy Projects	Volkswagen Diesel Settlement Fund	Community Contributions Fund	Totals
Revenues							
Federal grants	\$ -	\$ -	\$ -	\$ 12,791	\$ -	\$ -	\$ 12,791
State of Alaska appropriations	-	5,473	-	18,937	-	-	24,410
Revenue from operating plants	-	-	-	1,662	-	-	1,662
Other revenues	-	-	-	13	447	-	460
Investment income, net expenditures	96,720	1,556	-	-	-	-	98,276
Total Revenues	96,720	7,029	-	33,403	447	-	137,599
Expenditures							
Grants and projects	-	7,647	-	30,856	383	-	38,886
Power cost equalization grants	46,762	-	-	-	-	-	46,762
General and administrative	2,435	-	-	6,655	64	-	9,154
State of Alaska contribution	30,000	-	-	-	-	-	30,000
Total Expenditures	79,197	7,647	-	37,511	447	-	124,802
Excess (deficiency) of revenues over expenditures	17,523	(618)	-	(4,108)	-	-	12,797
Other financing sources (uses)							
Interfund capital grants and contributions	(3,670)	(379)	(59)	4,108	-	-	-
Transfers to (from) other funds	-	93	-	(272)	-	-	(179)
Total other financing sources (uses)	(3,670)	(286)	(59)	3,836	-	-	(179)
Change in Fund Balance	13,853	(904)	(59)	(272)	-	-	12,618
Fund Balance, Beginning of Year	979,066	31,925	979	272	-	-	1,012,242
Fund Balance, End of Year	\$ 992,919	\$ 31,021	\$ 920	\$ -	\$ -	\$ -	\$ 1,024,860

See Independent Auditor's Report.

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

Schedule 3 – Business-Type Activities – Enterprise Fund – Projects and Programs – Statement of Net Position
(in thousands)
June 30, 2025

	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
Assets							
Current assets							
Cash and cash equivalents, restricted	\$ 184,625	\$ 2,705	\$ -	\$ 12,213	\$ 9,660	\$ -	\$ 209,203
Operating receivable	379	160	-	-	-	-	539
Prepaid expense	1	-	-	-	-	-	1
Loans receivable	-	-	-	1,169	-	-	1,169
Due from federal government	489	-	-	-	-	-	489
Due from State of Alaska	527	320	-	-	-	(847)	-
Accrued interest receivable	-	-	-	94	-	-	94
Due from other funds/internal balances	-	-	-	230	-	(230)	-
Total current assets	<u>186,021</u>	<u>3,185</u>	<u>-</u>	<u>13,706</u>	<u>9,660</u>	<u>(1,077)</u>	<u>211,495</u>
Noncurrent assets							
Loans receivable, net of allowance	-	-	-	28,339	-	-	28,339
Capital assets, net of accumulated depreciation	<u>180,015</u>	<u>11,329</u>	<u>183,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375,026</u>
Total noncurrent assets	<u>180,015</u>	<u>11,329</u>	<u>183,682</u>	<u>28,339</u>	<u>-</u>	<u>-</u>	<u>403,365</u>
Total Assets	<u>\$ 366,036</u>	<u>\$ 14,514</u>	<u>\$ 183,682</u>	<u>\$ 42,045</u>	<u>\$ 9,660</u>	<u>\$ (1,077)</u>	<u>\$ 614,860</u>

See Independent Auditor's Report.

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

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

Year Ended June 30, 2025

	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
Liabilities and Net Position							
Liabilities							
Current liabilities							
Due to the federal government	\$ 292	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 292
Due to the State of Alaska	-	-	-	-	7,666	(847)	6,819
Due to State of Alaska's component units	11	-	-	-	-	-	11
Due to other funds/internal balances	720	47	-	-	-	(230)	537
Accounts payable	2,857	3,074	-	37	-	-	5,968
Capital acquisition and construction accounts	2,121	67	-	-	-	-	2,188
Capital acquisition and construction accounts (due to federal government)	68	-	-	-	-	-	68
Bonds payable – current portion	4,299	-	-	-	-	-	4,299
Accrued interest payable	850	-	-	-	-	-	850
Total current liabilities	11,218	3,188	-	37	7,666	(1,077)	21,032
Noncurrent liabilities							
Bonds payable – noncurrent portion, net	191,616	-	-	-	-	-	191,616
Total liabilities	202,834	3,188	-	37	7,666	(1,077)	212,648
Net Position							
Net investment in capital assets	137,182	11,263	183,682	-	-	-	332,127
Restricted for capital projects	162,420	-	-	-	-	-	162,420
Restricted for debt service	18,267	-	-	-	-	-	18,267
Restricted by agreements with external parties	1,213	63	-	29,563	-	-	30,839
Restricted by legislation	-	-	-	12,445	1,994	-	14,439
Unrestricted (deficit)	(155,880)	-	-	-	-	-	(155,880)
Total net position	163,202	11,326	183,682	42,008	1,994	-	402,212
Total Liabilities and Net Position	\$ 366,036	\$ 14,514	\$ 183,682	\$ 42,045	\$ 9,660	\$ (1,077)	\$ 614,860

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)
June 30, 2025

	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	\$ 4,428	\$ 603	\$ -	\$ -	\$ -	\$ 5,031
Federal grants	616	-	-	-	-	616
Revenue from operating plants	23,082	2,831	-	-	-	25,913
Interest on loans	-	-	-	470	-	470
Other revenues	5	-	-	21	-	26
Total operating revenues	28,131	3,434	-	491	-	32,056
Operating expenses						
Depreciation	11,440	797	-	-	-	12,237
General and administrative	1,874	631	-	-	-	2,505
Grants and projects	1,063	-	-	-	-	1,063
Plant operating	7,313	2,609	-	-	-	9,922
Total operating expenses	21,690	4,037	-	-	-	25,727
Operating Income (Loss)	6,441	(603)	-	491	-	6,329
Nonoperating revenues (expenses)						
Investment income, net expenses	8,134	118	-	426	-	8,678
Federal direct bond interest expense subsidy	1,031	-	-	-	-	1,031
Loss on disposal of assets	(2,025)	-	-	-	-	(2,025)
Interest expense and other charges	(11,200)	-	-	-	-	(11,200)
Total nonoperating revenues (expenses) before transfers	(4,060)	118	-	426	-	(3,516)
Income (Loss) before Capital Contributions	2,381	(485)	-	917	-	2,813
Transfers from other funds	-	-	-	(93)	272	179
Change in Net Position	2,381	(485)	-	824	272	2,992
Net Position, Beginning of Year	160,821	11,811	183,682	41,184	1,722	399,220
Net Position, End of Year	\$ 163,202	\$ 11,326	\$ 183,682	\$ 42,008	\$ 1,994	\$ 402,212

See Independent Auditor's Report.

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

Schedule 5 – Bradley Lake Hydroelectric Project Trust Account Activities (Unaudited)
(in thousands)
June 30, 2025

	Construction Fund	Debt Service Fund	Capital Reserve Fund	Revenue Fund	Operating Fund	Operating Reserve Account	Revenue and Operating Fund	Renewal and Contingency Reserve Fund	Excess Investment Earnings Fund	Operating Reserve Account	Total
Balance at July 1, 2024	\$ 164,260	\$ 2,509	\$ 16,157	\$ 6,234	\$ 202	\$ 190	\$ 2,757	\$ 5,278	\$ -	\$ 1,546	\$ 199,133
Interest received	6,962	11	675	62	14	8	181	158	1	60	8,132
Bond principal paid	-	(5,338)	-	-	-	-	-	-	-	-	(5,338)
Bond interest paid	-	(16,038)	-	-	-	-	-	-	-	-	(16,038)
IRS Interest subsidy received	-	-	-	1,563	-	-	-	-	-	-	1,563
Operating budget surplus paid	-	-	-	-	(720)	-	(1,431)	(1,515)	-	-	(3,666)
Capital expenditures	(12,139)	-	-	-	-	-	-	-	-	-	(12,139)
Operating revenue received	-	-	-	2,992	-	-	21,983	-	-	-	24,975
Operating expenses paid	(947)	-	-	-	(301)	-	(7,508)	(2,676)	-	-	(11,432)
Proceeds from sale of capital asset	-	-	-	-	-	-	5	-	-	-	5
Transfers between funds	594	21,335	(797)	(10,094)	961	5	(14,445)	1,869	60	(58)	(570)
Balance at June 30, 2025	<u>\$ 158,730</u>	<u>\$ 2,479</u>	<u>\$ 16,035</u>	<u>\$ 757</u>	<u>\$ 156</u>	<u>\$ 203</u>	<u>\$ 1,542</u>	<u>\$ 3,114</u>	<u>\$ 61</u>	<u>\$ 1,548</u>	<u>\$ 184,625</u>

See Independent Auditor's Report.

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

Schedule 6 – Capital Assets Presented under Federal Energy Regulatory Commission Requirements
(Unaudited)
(in thousands)
June 30, 2025

	Balance at July 1, 2024	Additions	Deletions	Balance at June 30, 2025
Capital assets				
Intangible	\$ 183,682	\$ -	\$ -	\$ 183,682
Production	326,213	6,095	(58)	332,250
Transmission	208,570	23,296	(12,489)	219,377
General	7,179	1,637	(1,075)	7,741
	<u>725,644</u>	<u>31,028</u>	<u>(13,622)</u>	<u>743,050</u>
Total capital assets				
	725,644	31,028	(13,622)	743,050
Less accumulated depreciation				
Production	(182,185)	(8,717)	16	(190,886)
Transmission	(168,530)	(3,371)	597	(171,304)
General	(5,685)	(149)	-	(5,834)
	<u>(356,400)</u>	<u>(12,237)</u>	<u>613</u>	<u>(368,024)</u>
Total accumulated depreciation				
	(356,400)	(12,237)	613	(368,024)
Capital assets, net	<u>\$ 369,244</u>	<u>\$ 18,791</u>	<u>\$ (13,009)</u>	<u>\$ 375,026</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)
June 30, 2025

Operating Data	As of June 30, 2024	As of June 30, 2025	Variance
Project costs			
Operations and maintenance	\$ 4,356	\$ 4,635	\$ (279)
Repairs	45	61	(16)
General and administrative	1,681	1,872	(191)
Insurance	1,270	1,213	57
Capital purchases	333	323	10
Contributions to/(from) capital reserve fund	(58)	(80)	22
Contributions to renewal and contingency fund and operating reserve account	<u>2,131</u>	<u>1,246</u>	<u>885</u>
	<u>9,758</u>	<u>9,270</u>	<u>488</u>
Debt service	15,386	15,299	87
Less federal direct bond interest expense subsidy	(1,020)	(1,031)	11
Less investment income	<u>(881)</u>	<u>(527)</u>	<u>(354)</u>
Total cost of power	<u><u>\$ 23,243</u></u>	<u><u>\$ 23,011</u></u>	<u><u>\$ 232</u></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)
June 30, 2025

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning 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
Inflows										
Annual investment earnings (losses)	8,912	112,331	76,602	74,142	48,303	150,299	(143,842)	88,405	69,285	96,155
Transfer from AEA interest earnings and prior years appropriations	-	-	-	-	-	-	-	-	11,712	107
Total inflows	8,912	112,331	76,602	74,142	48,303	150,299	(143,842)	88,405	80,997	96,262
Outflows										
Transfers to AEA for PCE payments (1)	(30,622)	(34,956)	(25,595)	(29,719)	(27,000)	(28,237)	(24,000)	(54,139)	(45,505)	(48,666)
Transfers to other funds	-	-	-	(44,000)	(14,867)	(49,164)	(12,140)	(53,775)	-	-
State of Alaska contribution	-	-	-	-	-	-	-	-	-	(30,000)
Program administration - AEA	(255)	(243)	(624)	(444)	(575)	(737)	(602)	(214)	(616)	(737)
Administrative fee - Regulatory Commission	(100)	(112)	(113)	(102)	(108)	(123)	(135)	(126)	(167)	(105)
Management fee - Department of Revenue or APFC (2)	(385)	(393)	(458)	(430)	(421)	(1,030)	(1,030)	(970)	(1,901)	(2,029)
Total outflows	(31,362)	(35,704)	(26,790)	(74,695)	(42,971)	(79,291)	(37,907)	(109,224)	(48,189)	(81,537)
Ending cash and investment balance	\$ 946,939	\$ 1,023,566	\$ 1,073,378	\$ 1,072,825	\$ 1,078,157	\$ 1,149,165	\$ 967,416	\$ 946,597	\$ 979,405	\$ 994,130

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

(2) The PCE Endowment Fund was externally managed by Alaska Department of Revenue, Division of Finance until Fiscal Year 2023. APFC externally managed the PCE Endowment Fund starting in Fiscal Year 2024.

See Independent Auditor's Report.

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

Schedule 9 – Supplementary Organization and Project Information

June 30, 2025

Organization and Operations

The Alaska Energy Authority (AEA) is the State’s lead agency for energy infrastructure development, management, and planning. AEA’s mission is to reduce the cost of energy in Alaska, improve reliability, and support the transition to sustainable energy systems statewide. In July 2024, House Bill 307 reformed AEA’s governance, establishing a dedicated board of directors and creating the Railbelt Transmission Organization (RTO) as a division of AEA. This framework strengthens oversight and equips AEA to meet Alaska’s evolving energy needs.

- **Owned Assets:** AEA owns and operates critical Railbelt infrastructure, including the Bradley Lake Hydroelectric Project, the Alaska Intertie, and the Sterling–Quartz Creek transmission line. AEA is developing the Cook Inlet PowerLink (CIPLink), a high-voltage direct current transmission project designed to eliminate single points of failure, enable economic dispatch, support renewable integration, and strengthen grid resilience.
- **Power Cost Equalization (PCE):** AEA administers the PCE program, which helps reduce electricity costs for residential customers and community facilities in rural Alaska. The program supports more than 82,000 Alaskans in 193 communities, many of which rely on diesel generation.
- **Rural Energy Programs:** AEA manages the Bulk Fuel Upgrade and Rural Power System Upgrade programs, which improve safety, reliability, and efficiency in over 400 bulk fuel facilities and 170 rural power systems. These programs address aging infrastructure, deferred maintenance, and code compliance, protecting assets and supporting community resilience. AEA provides technical assistance and operator training through the Alaska Vocational Technical Center and itinerant sessions to help rural utilities extend system life and prevent failures.
- **Renewable Energy and Energy Efficiency:** AEA partners with utilities, governments, tribal organizations, nonprofits, and independent power producers to implement renewable energy solutions—biomass, hydroelectric, solar, wind, and electric vehicles. The program offers technical assistance, funding, and training to expand awareness and adoption of cost-saving energy technologies.
- **Planning:** AEA’s Planning Team manages grant and loan programs, coordinates energy project planning, and provides technical assistance and training. The team works with state, federal, and private partners to expand services and funding, collaborating with the Department of Energy, Tribal and Indian Energy programs, and National Laboratories to ensure communities benefit from the latest funding and innovation.
- **Railbelt Transmission Organization (RTO):** As part of its expanded role under House Bill 307, AEA provides administrative support to the RTO to develop a unified Open Access Transmission Tariff. This effort aims to remove barriers to competition and improve coordination across the Railbelt.

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High-Impact Infrastructure Initiatives

Cook Inlet PowerLink (CIPLink)

CIPLink is a transformative high-voltage direct current transmission system designed to connect the Southern and Central Railbelt regions. Spanning 38 miles beneath Cook Inlet and an additional eight miles over land, the system will include converter stations at each end to support a bidirectional power flow of up to 200 megawatts. This infrastructure will significantly enhance grid reliability, unlock previously constrained generation capacity, and provide critical redundancy for military and industrial customers.

The total estimated cost for the project is \$413 million. AEA has already secured \$206.5 million through a U.S. Department of Energy grant and an additional \$64.2 million in matching funds. However, the project still requires \$142.3 million in additional matching contributions. To address this, AEA is actively exploring financing options, including revenue bonds and federal matching opportunities.

The project is in early stages of design, environmental review, and procurement planning. Given the environmentally sensitive nature of the region and the technical complexity of subsea construction, AEA anticipates significant challenges related to labor and logistics as the project moves forward.

Bradley Lake Expansion Project

The Bradley Lake Hydroelectric Project is a cornerstone of Alaska's energy infrastructure, owned by AEA. With 120 megawatts of installed capacity, Bradley Lake delivers reliable, low-cost hydroelectric power to Alaska's Railbelt, serving communities from the Kenai Peninsula to Fairbanks and the Delta Junction area. Power generated at Bradley Lake is transmitted to the state's main grid via two parallel 20-mile transmission lines. Since beginning commercial operations in 1991—after an investment of more than \$400 million—the project has been operated under contract by Homer Electric Association, ensuring consistent service and operational expertise. Bradley Lake's strategic location and robust output make it a vital resource for meeting Alaska's energy needs, supporting grid stability, and reducing reliance on fossil fuels.

To further enhance the benefits of Bradley Lake, AEA is advancing the Bradley Lake Expansion Project, known as the Dixon Diversion. Like the \$47 million West Fork Upper Battle Creek Diversion Project, this transformative initiative will divert water from Dixon Glacier through a five-mile tunnel into Bradley Lake, increasing the annual energy output by 50 percent—up to 180,000 megawatt-hours (MWh). This additional capacity is enough to power approximately 30,000 homes and offset 1.5 billion cubic feet of natural gas each year (equal to 7.5 percent of Alaska's projected unmet natural gas demand in 2030), directly supporting Alaska's transition to cleaner energy and helping address projected natural gas shortfalls.

The project carries an estimated cost of \$342 million, with \$19.7 million already secured to support development and environmental studies. AEA anticipates funding the remainder through revenue bonds and other mechanisms. The final year of environmental studies is scheduled for Fall 2025, followed by submission of a Draft License Amendment Application to FERC in January 2026. Construction is expected to begin in 2028, with operations commencing in 2031.

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Railbelt Transmission Upgrades

To address critical infrastructure needs and enhance the reliability of Alaska’s Railbelt transmission system, AEA and Railbelt Utilities issued \$166 million in bonds (the Eleventh Series) on November 30, 2022. These revenue bonds were approved by the AEA board and supported by participating Utilities, who agreed to continue paying a per-kilowatt-hour fee after previous bonds were paid off. The ongoing payments are dedicated to required project work—both maintenance and system enhancements—ensuring funds remain available for strategic upgrades without requiring broad public approval.

The bond proceeds were allocated to projects that directly support Bradley Lake and the Railbelt, with the Utilities contracting for allocations of services and capacity. This approach allows AEA to invest in upgrades that benefit the entire system, while utilities receive value through improved reliability and operational flexibility.

The \$166 million in AEA bonds are strategically invested in transmission upgrades, energy storage, and new infrastructure to ensure the Railbelt’s reliability and long-term sustainability. These projects reflect a collaborative approach between AEA and utilities, leveraging ongoing payments and capacity agreements to deliver tangible benefits across Alaska’s energy network.

Alaska Intertie Project

The Alaska Intertie spans 170 miles and was designed for 345 kilovolts (kV), though it operates at 138 kV. It connects electric utilities between Willow and Healy, linking Southcentral Alaska utilities with those in the Fairbanks area. AEA and the Intertie Management Committee (IMC) jointly manage the Alaska Intertie under the terms of the Alaska Intertie Agreement. AEA contracts with Golden Valley Electric Association (GVEA) in Fairbanks, along with Chugach Electric Association (CEA) and Matanuska Electric Association (MEA) in Southcentral Alaska, to handle operations and maintenance. These three organizations are referred to as participating utilities.

The Alaska Intertie improves system reliability by reducing blackouts and brownouts. It allows power to flow north or south during major system disturbances. GVEA uses the Intertie to purchase low-cost power from Southcentral utilities, while Southcentral utilities can source power from Fairbanks during shortages. The Intertie also enables GVEA to receive power from the Bradley Lake Hydroelectric Project—among the most affordable electricity in the Railbelt.

Under the Second Amended and Restated Intertie Agreement, executed on March 11, 2014, the AEA and IMC oversee all project activities. AEA contracts with participating utilities for operations and maintenance. The Agreement enhances the reliability of interconnected electrical systems, defines how participants transfer electrical capacity and energy over the Intertie, and formally establishes the IMC.

The IMC governs, controls, operates, maintains, repairs, and improves the Intertie, all under AEA’s oversight. The committee includes representatives from AEA and each participating utility.

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Susitna-Watana Hydroelectric Project

In 2010, AEA began preliminary planning and conceptual design for a large hydroelectric project in the Railbelt Region. After studying several hydroelectric generation alternatives, AEA issued a Preliminary Decision Document selecting what is now known as the Susitna-Watana Hydroelectric Project as the State’s primary large hydroelectric initiative.

The proposed project would sit roughly halfway between Anchorage and Fairbanks on the upper Susitna River. AEA identified the dam site within a steep-sided valley below Watana Creek at River Mile 184, about 22 miles upstream of the Devil’s Canyon rapids.

The project design includes a single roller-compacted concrete dam with a nominal crest elevation of 2,050 feet above mean sea level. It would create a 42.5-mile-long reservoir covering 23,546 acres, with an average width of one to two miles. Engineering feasibility studies determined the dam’s height to be 705 feet. Transmission lines would connect the powerhouse, dam, and related facilities to the Alaska Intertie. The project is expected to generate approximately 50 percent of the Railbelt’s electrical demand—an annual average of 2,800,000 MWh.

In December 2011, AEA filed a Notice of Intent and Pre-Application Document with FERC to begin the licensing process. FERC approved 58 environmental study plans in early 2013. AEA collaborated with the Alaska Department of Fish and Game to conduct fishery and wildlife studies. On June 3, 2014, AEA submitted the Initial Study Report (ISR), a nearly 7,000-page document presenting data from the first year of field studies.

The Alaska Legislature appropriated \$192 million for AEA to plan, design, and secure a FERC permit. On December 26, 2014, Governor Bill Walker issued Administrative Order (AO) 271, suspending discretionary spending on the project. FERC granted AEA’s request to hold the licensing process in abeyance on January 8, 2015. On July 6, 2015, Governor Walker authorized AEA to resume the Integrated Licensing Process (ILP) using previously appropriated funds. AEA requested FERC’s permission to restart licensing efforts in August 2015. On August 4, 2016, Governor Walker asked FERC to proceed with the ILP to the point of issuing an updated Study Plan Determination (SPD) to preserve the State’s investment. FERC agreed on August 26, 2016, and committed to completing the SPD before placing the project back into abeyance.

On June 22, 2017, FERC issued its Determination on the ISR for Susitna. The findings were favorable to the State. However, because FERC issued the Determination more than 100 days past the ILP schedule (March 10, 2017), AEA lacked sufficient time in FY17 to complete authorized scopes of work. AEA requested a 90-day extension to preserve the State’s investment and complete the necessary analysis and revisions.

On July 18, 2017, the Office of Management and Budget authorized AEA to continue spending on the project for 90 days from June 30, 2017. AEA received approval and completed the work. The team completed all tasks and terminated remaining contracts by September 30, 2017. AEA returned approximately \$1,893,000 in remaining funds to the State in FY19.

The licensing project, previously in abeyance since FY14, was officially rescinded in FY19 under Administrative Order 271. If the project proposal remains unchanged and the data continues to reflect current conditions, FERC has ruled that AEA will not need to repeat completed ILP steps. As of June 30, 2024, the project remains viable. AEA continues to engage with the Governor, Alaska State Legislature, Congressional Delegation, Trump Administration, and Railbelt Utilities to foster ongoing dialogue around the initiative.