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, 2026

(With Independent Auditor's Report Thereon)

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

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Independent Auditor's Report

Board of Directors
Alaska Energy Authority
Anchorage, Alaska

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 the Alaska Energy Authority (Authority), a discretely presented component unit of the State of Alaska, as of and for the year ended June 30, 2026, 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 respective financial position of the governmental activities, the business-type activities, and each major fund of the Authority , as of June 30, 2026, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Power Cost Equalization Fund (PCE Fund), which represent 91%, 96%, and 75%, respectively, of the assets, net position and fund balance, and revenues of the Governmental Activities and the Major Special Revenue Fund as of June 30, 2026. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the PCE Fund are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 schedules of the Authority's proportionate share of the pension and OPEB liabilities and assets and plan contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2026 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.

November 6, 2026

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, 2026. This information is presented to help the reader focus on significant financial matters and provide additional information regarding the activities of the Authority. This information should be read in conjunction with the Independent Auditor's Report, the audited Financial Statements, and accompanying Notes and Schedules.

Government-Wide Financial Statements

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

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

- Governmental Activities – These are functions of the Authority that are financed primarily by intergovernmental revenues. The Authority's governmental activities include the Power Cost Equalization (PCE) Program, the Renewable Energy Grant Fund (REF), Emerging Energy Technology Fund, 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, 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, the planning of the Cook Inlet PowerLink (CIPLink) 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 result 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.

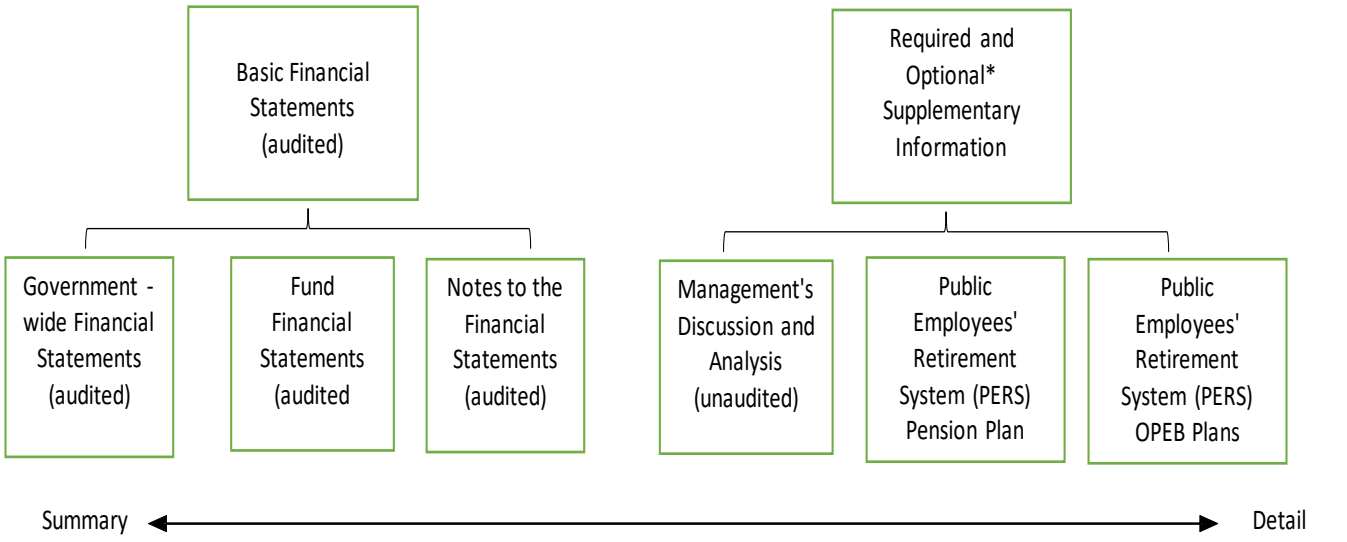
Notes to the Financial Statements

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 Fund 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).

Financial Summary and Detailed Analysis

Government-wide Statement of Net Position

The following table is 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, 2026 and 2025 with the total percentage change:

Alaska Energy Authority's Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2026	2025	2026	2025	2026	2025	2026-2025
Current and other assets	$ 1,222,145	$ 1,138,984	$ 241,003	$ 239,297	$ 1,463,148	$ 1,378,281	6.16%
Capital assets, net	-	-	374,956	375,026	374,956	375,026	-0.02%
Total assets	**1,222,145**	**1,138,984**	**615,959**	**614,323**	**1,838,104**	**1,753,307**	**4.84%**
Deferred outflows of resources	**912**	**511**	**-**	**-**	**912**	**511**	**78.47%**
Current liabilities	137,248	109,145	20,783	20,495	158,031	129,640	21.90%
Noncurrent liabilities	9,810	7,016	187,337	191,616	197,147	198,632	-0.75%
Total liabilities	**147,058**	**116,161**	**208,120**	**212,111**	**355,178**	**328,272**	**8.20%**
Deferred inflows of resources	**365**	**-**	**-**	**-**	**365**	**-**	**100.00%**
Net position							
Net investment in capital assets	-	-	330,266	332,127	330,266	332,127	-0.56%
Restricted	1,081,397	1,023,300	228,522	225,965	1,309,919	1,249,265	4.86%
Unrestricted deficit	(5,763)	-	(150,949)	(155,880)	(156,712)	(155,880)	0.53%
Total net position	**$ 1,075,634**	**$ 1,023,300**	**$ 407,839**	**$ 402,212**	**$ 1,483,473**	**$ 1,425,512**	**4.07%**

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 $1.43 billion at June 30, 2025 and $1.48 billion at June 30, 2026. The overall increase of 2026 over 2025 was $57.96 million or 4.07%. This increase is primarily due to and increase of $54.89 million or 4.39% of restricted net position. Most of the increase in AEA's net position was from the financial performance of investments of the governmental activities. These investments overall increased by $47.09 million. The Power Cost Equalization Fund investments were the primary portion of this increase with an increase of $47.99 million. This was due to increased investment earnings. The following sections of the MD&A analyze governmental activities and business-type activities separately.

Governmental- wide Statement of Activities

The following table is provided to show the Authority's revenues, expenses, and changes in net position at June 30, 2026 and 2025 with the total percentage change:

Changes in Alaska Energy Authority's Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2026	2025	2026	2025	2026	2025	2026-2025
Revenues							
Program revenues:							
Fees and charges for services	$ 2,349	$ 1,663	$ 28,383	$ 27,013	$ 30,732	$ 28,676	7.17%
Operating grants and contributions	34,287	37,662	1,754	6,074	36,041	43,736	-17.59%
Capital grants and contributions	-	-	6,150	-	6,150	-	100.00%
General revenues:							
Interest and investment income	120,892	98,276	6,551	8,678	127,443	106,954	19.16%
Total revenues	**157,528**	**137,601**	**42,838**	**41,765**	**200,366**	**179,366**	**11.71%**
Expenses							
Grants and projects	45,798	68,001	-	-	45,798	68,001	-32.65%
Power cost equalization grants	46,092	46,762	-	-	46,092	46,762	-1.43%
General and administrative	13,430	9,154	3,047	2,505	16,477	11,659	41.32%
Interest expense	-	-	10,678	11,200	10,678	11,200	-4.66%
Plant operations	-	-	11,683	13,010	11,683	13,010	-10.20%
Depreciation	-	-	11,677	12,237	11,677	12,237	-4.58%
Total expenses	105,320	123,917	37,085	38,952	142,405	162,869	**-12.56%**
Excess before unusual/infrequent items and transfers	52,208	13,684	5,753	2,813	57,961	16,497	251.34%
Transfers	126	(179)	(126)	179	-	-	-
Unusual or infrequent item	-	(2,447)	-	-	-	(2,447)	-100.00%
Change in net position	**52,334**	**11,058**	**5,627**	**2,992**	**57,961**	**14,050**	**312.53%**
Net position, beginning of year	1,023,300	1,012,242	402,212	399,220	1,425,512	1,411,462	**1.00%**
Net position, end of year	**$ 1,075,634**	**$ 1,023,300**	**$ 407,839**	**$ 402,212**	**$ 1,483,473**	**$ 1,425,512**	**4.07%**

Governmental Activities

The table of changes in the Authority's net position shows that revenues continue to exceed expenses in the current year for the governmental activities, resulting in an increase to net position. The total net position of the Authority's governmental activities was over $1.08 billion, an increase of $52.34 million or 5.11% from 2025. Various events contribute to this increase in net position; however, the two primary or significant factors affecting the change in net position are as follows:

(1) Increase in interest and investment income due to favorable market conditions.
(2) Decrease in expenses for certain grants and projects.

Increase in interest and investment income due to favorable market conditions

Market conditions varied for the current year; however, there was still an increase of $22.62 million 23.01% over the prior year's interest and investment income. PCE Endowment Fund interest and investment income made up most of the earnings for 2026 at $119.85 million.

Decrease in expenses of grants and projects resulting from decreased contribution to the State Community Assistance Fund

There was a decrease in 2026 over 2025 of $22.20 million or 32.65% in expenses of grants and projects. Most of this decrease was due to operating contributions from the PCE Endowment to the State Community Assistance Fund being $16.67 million less. As a result of increased fuel costs impacting electricity costs to rural communities across Alaska in 2026 the State Legislature and Administration appropriated less funds to the Community Assistance Fund from the PCE Endowment Fund. The purpose of the PCE Endowment Fund is to subsidize rural communities' electricity costs.

Governmental Fund

The Authority reports on one governmental fund in the governmental fund financial statements. Most of the discussion regarding governmental activities is equally applicable to the finances of the 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.

Revenues, Expenditures, and Changes in Fund Balances

	Special Revenue Fund	
	2026	**2025**
Total Revenues	$ 157,528	$ 137,599
Total Expenditures	104,673	124,802
Excess of revenues over expenditures	**52,855**	**12,797**
Other Financing Sources (Uses)		
Transfers in	126	-
Transfers out	-	(179)
Total other financing sources (uses)	**126**	**(179)**
Net change in fund balance	52,981	12,618
Fund balance, beginning of year	1,024,860	1,012,242
Fund balance, end of year	**$1,077,841**	**$ 1,024,860**

Fund balance represents the financial standing of a governmental fund as of the end of the fiscal year from a short-term perspective.

Special Revenue Fund

The fund balance of the special revenue fund increased by $52.98 million or 5.17%. This increase as previously discussed is primarily from the increase in interest and investment income.

Business-Type Activities and the Enterprise Fund

The total net position of the Authority's business-type activities (which is also reported as an Enterprise Fund) increased in 2026, though more modestly than the governmental activities. Business-type net position increased $5.63 million or 1.40% to $407.84 million from the prior year. This increase was from capital contributions of $6.55 million primarily from the State. Absent the capital contributions, total net position would have declined by $0.53 million, meaning expenses would have exceeded revenues for the year. In fact, unrestricted (deficit) net position declined by 196.84%. Those results represent an improvement over 2025, when the change in net position was $2.99 million.

Revenues and Expenses

	Enterprise Fund	
	2026	**2025**
Total operating revenues	**$ 26,749**	**$ 26,409**
Total operating expenses	**25,985**	**25,727**
Operating Income	764	682
Noncapital Subsidies		
State of Alaska appropriations	1,172	5,031
Federal grants	583	616
Federal direct bond interest expense subsidy	939	1,031
Transfers in	-	179
Transfers out	(126)	-
Total noncapital subsidies	2,568	6,857
Operating income and noncapital subsidies	3,332	7,539
Other Nonoperating Revenues (Expenses)		
Investment income, net expenses	6,551	8,678
Gain (loss) on disposal of assets	-	(2,025)
Capital contributions	6,150	-
Renewable energy credits (REC) revenue	695	-
Renewable energy credits (REC) expenses	(126)	-
Interest expense and other charges	(10,975)	(11,200)
Total other nonoperating revenues (expenses)	**2,295**	**(4,547)**
Increase in fund net position	5,627	2,992
Total fund net position, beginning of year	402,212	399,220
Total fund net position, end of year	**$ 407,839**	**$ 402,212**

Increase in capital grants and contributions primarily from State funding

Capital grants and contributions increased by $6.10 million or 100% from 2025. There was $4.50 million in State capital appropriations, REF grant funding of $0.10 million, and $1.00 million funding from the Southcentral Utilities as match for a renewable energy grant all related to the Dixon Diversion or Bradley Lake Expansion Project. Also, there was a capital contribution from the State for the Alaska Intertie. This capital contribution was disaster relief funding for $0.50 million for repairs to a structure during an avalanche.

Significant Capital Assets and Long-term Financing Activity

The discussion thus far has only touched on significant transactions and events during 2026 with respect to capital assets and long-term debt. Overall, the carrying value of capital assets—original cost minus accumulated depreciation—decreased by -0.20% over 2025. However, that relatively small change does not completely capture the substantial amount of capital investment activity that occurred in 2026.

The business-type activities had beginning balance of $199.96 million of construction in progress with another $11.16 million in capital projects started in 2026. Most of the increase in construction in progress is from required project work of the Bradley Lake Project.

Significant capital improvements are expected to continue to be made for required project work of the Bradley Lake Project.

There was no significant change to the long-term debt of the business-type activities. The debt portfolio did not increase for any new debt issues. The decrease in long-term debt of $4.30 million or -2.09% was from paying debt service payments due and paid in 2026.

Currently Known Facts, Decisions, or Conditions

As the Authority looks ahead, additional federal funding from the Department of Energy, Denali Commission, and other sources may continue to materialize. Overall shifts in federal priorities have increased the Authority's actual federal funding, however, expectations should remain measured. While these opportunities are significant, they also carry risks: receipt authority and matching funds are contingent on legislative approval, grant agreements require finalization after a period of negotiation, and any delays or shortfalls could impact project timelines.

The Authority is advancing several major infrastructure projects across the Railbelt, including the Bradley Lake Expansion Project, Cook Inlet PowerLink (CIPLink), Beluga-Healy Transmission Project, and a series of Railbelt transmission upgrades. The projects are in various stages of planning, development, engineering, permitting, and construction. Project schedules and costs remain subject to factors including permitting, financing, construction costs, and supply chain conditions.

- **Bradley Lake Expansion Project:** The expansion includes the Dixon Diversion, which would divert water from Dixon Glacier through a five-mile tunnel into Bradley Lake, increasing annual energy output by about 40 percent—enough to power about 30,000 homes and offset 1.5 billion cubic feet of natural gas each year. The Authority submitted the final license amendment application to the Federal Energy Regulatory Commission (FERC) in June 2026. The Authority anticipates FERC approval in 2027, after which the project would move into its next phase of development. The current Class 4 total project cost estimate is approximately $420.7 million, including approximately $400 million in construction costs. Approximately $32.7 million has been secured or expended to date for project development, licensing, engineering, geotechnical investigations, and early construction-related activities. During FY2026, the Authority also secured authorization to use an additional $12 million in interest earnings from the Bradley Lake Series 11 Bonds to advance final design and early construction activities, including the three-phase power upgrades needed to support tunnel construction. The Authority's Board of Directors also approved a resolution establishing a financing framework to fully fund the project. Construction is expected to begin in 2028, with operations starting in 2031.

- **CIPLink:** CIPLink is high-voltage direct current transmission project that includes an approximately 38-mile subsea cable across Cook Inlet, associated overland facilities, and converter stations near Beluga and Soldotna. The project is designed to provide up to 200 megawatts of bidirectional power flow and would provide access to constrained generation capacity and redundancy for military and industrial users. The Authority has received a $206.5 million federal grant for the project. The total estimated project cost is approximately $413 million. The Authority has secured approximately $64.2 million in matching funds through state appropriations and Bradley Lake-related funding and continues to pursue approximately $142 million in additional funding needed to meet the project's nonfederal funding requirements. The Authority is evaluating state, federal, and other financing opportunities to address the remaining funding gap while preserving the significant federal investment already committed to the project. Construction is currently targeted to begin in 2029, with commissioning anticipated in 2032, subject to completion of permitting, procurement, and project financing.

- **Beluga-Healy Transmission Line**: The Beluga-Healy Transmission Line is an approximately 223-mile, 230-kilovolt transmission line connecting Beluga and Healy that would establish a second high-voltage connection between Southcentral and Interior Alaska. The project would provide an additional route to move power between the southern and northern Railbelt communities that today relay on a single high-voltage connection. In addition, it would support future electricity demand from military installations, industrial development, and other large energy users along the Railbelt while strengthening system reliability and resilience . The U.S. Department of Energy awarded up to $150 million in Defense Production Act funding for the project. The total estimated project cost is approximately $418 million, with the remaining $268 mission anticipated to come from the Authority's financing, state funding, public-private partnerships, or other grants. The Authority estimates the project can be completed within approximately six years, including three years for environmental review, permitting, and engineering following three years of construction.

Railbelt Transmission Upgrades: The Authority is also deploying $166 million in bond proceeds for Railbelt transmission and related infrastructure improvements. Of this amount, $50 million is allocated to CIPLink for activities including design, environmental review, and procurement strategies. Another $90 million is allocated to the Sterling–Quartz Creek Transmission Line Upgrades, which will upgrade the transmission system from 115 kilovolt (kV) to 230 kV standards. Phase 1, covering approximately eight miles, was completed and energized in February 2025. During FY2026, work advanced on Phase 2, covering approximately 17 miles through the Kenai National Wildlife Refuge, and Phase 3, covering approximately 14 miles to Quartz Creek. Construction is planned for winter 2026–2027 for Phase 2 and winter 2028-2029 for Phase 3. The remaining $28 million is being deployed over 15 years for battery energy storage systems to reduce oscillations at Bradley Lake and improve grid stability.

The Authority continues to have success in supporting and managing several programs and projects that advance affordability and reliability of energy in Alaska.

One of these programs is the Power Cost Equalization (PCE) program which distributed $46.8 million in fiscal year 2026, benefiting 80,000 Alaskans across 193 communities assisting to make electricity more affordable in rural areas where energy costs are highest. For fiscal year 2027, the Authority is focused on refining community facility classifications and expanding training.

It is important to note that although the Governor and Legislature increased the funding for PCE in FY27 to over $56 million, due to increased volatility in fuel prices, adjustments to funding levels may be required to meet a fully funded program.

Significant projects that the Authority manages are Bulk Fuel Upgrades and Rural Power System Upgrades which are ongoing. These are financed by federal and state funding. While the initial assessments for power houses are complete, the Authority is in the process of 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 generate a three-year work plan. In fiscal year 2026, assessments covered 35 facilities including bulk fuel facilities, power distribution systems, and barge header and fill lines. A combined total of 15 bulk fuel facilities and powerhouses were surveyed and assessed for deficiencies and needs by technical experts. These evaluations support efficient project planning and resource deployment. The Authority 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 through the various active awarded projects it funds. There are currently 57 REF projects under development as a direct result of funding appropriated to the program since fiscal year 2021. The REF program has been proven to be instrumental, as evidenced through consistent bipartisan support from the legislature, in realizing energy cost savings, promoting energy independence, facilitating technological knowledge transfers across all regions of Alaska, and in partnering to leverage substantial federal and local community funds. With $331.0 million appropriated by the State in support of nearly 300 REF projects since the program's inception in 2008, the program serves as an effective tool in diversifying Alaska's statewide energy portfolio, while contributing significant fuel savings across all regions of the state. Further, the Authority's contributions through the REF projects assist with project execution as this varies across regions, and some communities face barriers in permitting and procurement. The Authority is working to streamline processes and improve technical support. In July 2026, the Authority issued a Request for Applications (RFA) to solicit project for Round 18 of the REF. Under this solicitation the Authority received 42 applications for a total request of $84.5 million in REF grant funds, along with $476.3 million in applicant matching funds. The Authority is currently performing its review and evaluation of these applications received. After consultation with the Renewable Energy Fund Advisory Committee, the Authority will be submitting its list of recommended Round 19 projects to the legislature for funding consideration in the FY2028 capital budget.

The Railbelt Transmission Organization (RTO), which was directed to be established and administrated by the Authority via state statue in fiscal year 2025, proceeded to generate a significant milestone in fiscal year 2026. The RTO includes the Authority, 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). The milestone accomplished by the RTO in fiscal year 2026 was filing the Open Access Transmission Tariff (OATT) with the Regulatory Commission of Alaska (RCA). As a result of this filing the RCA held hearings and began the review process with the expected outcome of a ruling. The review process was completed in fiscal year 2026. The RTO is now awaiting a ruling which has been delayed twice and expected in fiscal year 2027. The RCA ruling could introduce delays or modifications to the tariff filed. Operational integration across participating entities will require continued negotiation and alignment.

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

Statement of Net Position
(in thousands)
June 30, 2026

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents, restricted	$ 123,604	$ 211,561	$ 335,165
Escrow - renewable energy credits	-	18	18
Receivables for investments	20,967	-	20,967
Operating receivables	271	348	619
Prepaid expenses	61	-	61
Other receivables	-	551	551
Loans receivables	-	1,846	1,846
Due from federal government	9,660	688	10,348
Due from State of Alaska	1,777	533	2,310
Due from State of Alaska's component units	8	-	8
Due from (to) other funds/internal balances	1,259	(1,259)	-
Accrued interest receivable	-	433	433
Securities lending collateral	53,848	-	53,848
Total current assets	211,455	214,719	426,174
Noncurrent Assets			
Investments, restricted	1,007,134	-	1,007,134
Loans receivable, net of allowance	-	26,284	26,284
Net other post-employment benefits (OPEB) asset (restricted)	3,556	-	3,556
Capital assets, net of accumulated depreciation	-	374,956	374,956
Total noncurrent assets	1,010,690	401,240	1,411,930
Total Assets	1,222,145	615,959	1,838,104
Deferred Outflows of Resources			
Related to employee pensions	856	-	856
Related to OPEB	56	-	56
Total deferred outflows of resources	912	-	912
Total Assets and Deferred Outflows of Resources	$ 1,223,057	$ 615,959	$ 1,839,016

See Notes to Financial Statements.

Statement of Net Position, continued
(in thousands)
June 30, 2026

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Due to federal government	$ 16	$ 343	$ 359
Due to State of Alaska	38,481	5,585	44,066
Due to State of Alaska's component units	452	40	492
Due to local governments	2,861	-	2,861
Accounts payable	39,938	6,678	46,616
Capital acquisition and construction accounts	-	2,848	2,848
Bonds payable - current portion	-	4,472	4,472
Unearned revenue - grant match from outside entities	832	-	832
Accrued interest payable	-	817	817
Other liabilities	820	-	820
Securities lending collateral	53,848	-	53,848
Total current liabilities	137,248	20,783	158,031
Noncurrent Liabilities			
Advance from State of Alaska component unit	3,500	-	3,500
Net pension liability	6,310	-	6,310
Bonds payable - noncurrent portion	-	187,144	187,144
Arbitrage payable	-	193	193
Total noncurrent liabilities	9,810	187,337	197,147
Total liabilities	147,058	208,120	355,178
Deferred Inflows of Resources			
Related to employee pensions	157	-	157
Related to OPEB	208	-	208
Total deferred inflows of resources	365	-	365
Net Position			
Net investment in capital assets	-	330,266	330,266
Restricted for:			
Capital projects	-	163,453	163,453
Debt service	-	18,185	18,185
Agreements with external parties	-	30,060	30,060
Legislation (Note 8)	1,077,841	16,806	1,094,647
Escrow - renewable energy credits	-	18	18
OPEB	3,556	-	3,556
Unrestricted (deficit)	(5,763)	(150,949)	(156,712)
Total net position	1,075,634	407,839	1,483,473
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 1,223,057	$ 615,959	$ 1,839,016

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, 2026

Functions/Programs	Expenses	Program Revenues: Fees and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities							
Power Cost Equalization Program	$ 63,258	$ -	$ -	$ -	$ (63,258)	$ -	$ (63,258)
Renewable Energy Grant Fund	7,921	-	3,314	-	(4,607)	-	(4,607)
Emerging Energy Technology Fund	57	-	-	-	(57)	-	(57)
Rural Energy Projects	33,969	2,349	30,858	-	(762)	-	(762)
Volkswagen Diesel Settlement Fund	115	-	115	-	-	-	-
Total governmental activities	105,320	2,349	34,287	-	(68,684)	-	(68,684)
Business-Type Activities							
Bradley Lake Hydroelectric Project	33,650	24,478	1,754	5,595	-	(1,823)	(1,823)
Alaska Intertie Project	3,435	2,804	-	555	-	(76)	(76)
Power Project Fund	-	1,101	-	-	-	1,101	1,101
Total business-type activities	37,085	28,383	1,754	6,150	-	(798)	(798)
Total Activities	$ 142,405	$ 30,732	$ 36,041	$ 6,150	(68,684)	(798)	(69,482)
General Revenues							
Interest and investment income					120,892	6,551	127,443
Transfers					126	(126)	-
Change in Net Position					52,334	5,627	57,961
Net Position, Beginning of Year					1,023,300	402,212	1,425,512
Net Position, End of Year					$ 1,075,634	$ 407,839	$ 1,483,473

See Notes to Financial Statements.

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

Balance Sheet – Governmental Fund
(in thousands)
June 30, 2026

	Major Special Revenue Fund
Assets	
Cash and cash equivalents, restricted	$ 123,604
Receivables for investments	20,967
Operating receivables	271
Prepaid expenses	61
Due from federal government	9,660
Due from State of Alaska	1,777
Due from State of Alaska's component units	8
Due from other funds/internal balances	1,259
Securities lending collateral	53,848
Investments, restricted	1,007,134
Total assets	$ 1,218,589
Liabilities	
Due to federal government	$ 16
Due to State of Alaska	38,481
Due to State of Alaska's component units	452
Due to local governments	2,861
Accounts payable	39,938
Unearned revenue - grant match from outside entities	832
Other liabilities	820
Securities lending collateral	53,848
Advance from State of Alaska component unit	3,500
Total liabilities	140,748
Fund Balance	
Nonspendable	61
Restricted (Note 8)	1,077,780
Total fund balance	1,077,841
Total liabilities and fund balance	$ 1,218,589

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, 2026

Total fund balance for governmental fund		$ 1,077,841
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		3,556
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		(6,310)
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	856	
Deferred outflows of resources related to OPEB	56	
Deferred inflows of resources related to pensions	(157)	
Deferred inflows of resources related to OPEB	(208)	
Total Deferred Pension and OPEB Items		547
Total Net Position of Governmental Activities		$ 1,075,634

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, 2026

	Major Special Revenue Fund
Revenues	
Federal grants	$ 17,661
State of Alaska appropriations	16,500
Revenue from operating plants	2,349
Other revenues	126
Investment income, net expenditures	120,892
Total revenues	157,528
Expenditures	
Grants and projects	31,818
Power cost equalization grants	46,092
General and administrative	13,430
State of Alaska contribution	13,333
Total expenditures	104,673
Excess of revenues over expenditures	52,855
Other Financing Uses	
Transfers from other funds	126
Change in Fund Balance	52,981
Fund Balance, Beginning of Year	1,024,860
Fund Balance, End of Year	$ 1,077,841

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, 2026

Net change in fund balance - total governmental fund		$ 52,981
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.		
Decrease in net pension liability and related deferred accounts	(2,517)	
Increase in net OPEB asset and related deferred accounts	1,870	
		(647)
Change in Net Position of Governmental Activities		$ 52,334

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, 2026

Assets	
Current Assets	
Cash and cash equivalents, restricted	$ 211,561
Escrow - renewable energy credits	18
Operating receivables	348
Other receivables	551
Loans receivable	1,846
Due from federal government	688
Due from State of Alaska	533
Accrued interest receivable	433
Total current assets	215,978
Noncurrent Assets	
Loans receivable, net of allowance	26,284
Capital assets, net of accumulated depreciation	374,956
Total noncurrent assets	401,240
Total Assets	$ 617,218
Liabilities	
Current Liabilities	
Due to federal government	$ 343
Due to State of Alaska	5,585
Due to State of Alaska's component units	40
Due to governmental funds/internal balances	1,259
Accounts payable	6,678
Capital acquisition and construction accounts	2,848
Bonds payable - current portion	4,472
Accrued interest payable	817
Total current liabilities	22,042
Noncurrent Liabilities	
Bonds payable - noncurrent portion	187,144
Arbitrage payable	193
Total noncurrent restricted liabilities	187,337
Total liabilities	209,379
Net Position	
Net investment in capital assets	330,266
Restricted for:	
Capital projects	163,453
Debt service	18,185
Agreements with external parties	30,060
Legislation (Note 8)	16,806
Escrow - renewable energy credits	18
Unrestricted (deficit)	(150,949)
Total net position	407,839
Total Liabilities and Net Position	$ 617,218

See Notes to Financial Statements.

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

Statement of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Fund
(in thousands)
Year Ended June 30, 2026

Operating Revenues		
Revenue from operating plants	$	25,628
Interest on loans		1,082
Other revenues		39
Total operating revenues		26,749
Operating Expenses		
Depreciation		11,677
Grants and projects		993
Plant operations		10,268
General and administrative		3,047
Total operating expenses		25,985
Operating Income		764
Noncapital Subsidies		
State of Alaska appropriations		1,172
Federal grants		583
Federal direct bond interest expense subsidy		939
Transfer to other funds		(126)
Total noncapital subsidies		2,568
Operating income and noncapital subsidies		3,332
Other Nonoperating Revenues (Expenses)		
Investment income, net expenses		6,551
Capital contributions		6,150
Renewable energy credits (REC) revenue		695
Renewable energy credits (REC) expenses		(126)
Interest expense and other charges		(10,975)
Total other nonoperating revenues (expenses)		2,295
Change in Net Position		5,627
Net Position, Beginning of Year		402,212
Net Position, End of Year	$	407,839

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, 2026

Cash flows from operating activities		
Receipts from customers and users	$	26,389
Payments to suppliers		(13,597)
Payments to federal government		51
Payments to State of Alaska's component units		29
Due to other funds		722
Net cash from operating activities		13,594
Cash flows from noncapital financing activities		
Subsidies received from federal grants		583
Subsidies provided to State of Alaska		(595)
Federal direct bond interest expense subsidy		740
Operating subsidies provided-transfer to governmental fund		(126)
Net cash used for noncapital financing activities		602
Cash flows from capital and related financing activities		
Principal paid on bonds		(4,299)
Interest paid on bonds and other charges		(11,008)
Capital asset acquisitions		(4,865)
Net renewable energy credits		551
Net cash used for capital and related financing activities		(19,621)
Cash flows from investing activities		
Interest received from investments		6,744
Net change in loans and accrued interest		1,039
Net cash from investing activities		7,783
Net change in restricted cash and cash equivalents		2,358
Restricted cash and cash equivalents, beginning of year		209,203
Restricted cash and cash equivalents, end of year	$	211,561
Reconciliation of operating income to net cash from operating activities		
Operating income	$	764
Adjustments to reconcile operating income to net cash from (used for) operating activities		
Depreciation		11,677
Changes in assets and liabilities		
Operating receivables		191
Other receivables		(551)
Prepaid assets		1
Due to other funds		722
Due to federal government		51
Due to State of Alaska's component units		29
Operating accounts payable		710
Net cash from operating activities	$	13,594
Noncash investing, capital, and financing activities		
Capital purchases on account	$	2,848
Capital contribution for damaged infrastructure and capital projects	$	6,150
	$	8,998

See Notes to Financial Statements.

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 which changed how AEA operates and is structured. This enacted legislation went into effect, retroactively to July 1, 2024. The main impact to AEA of HB 307 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 (Required Project Work and Cook Inlet PowerLink)

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.

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) 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 BCD 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 July 2031.

Commencing in fiscal year 2025 the Cook Inlet PowerLink (CIPLink) project advanced with the proposed future 200-megawall high-voltage, direct-current connection between the Southern and Central Railbelt into environmental permitting, marine-survey planning, and procurement development. Funding for this project is a 1:1 non-federal match for an awarded federal grant of $206.5 million. In fiscal year 2026, AEA and the U.S. Department of Energy completed a continuation agreement authorizing project activities through June 30, 2027. The estimated completion for this project is 2032.

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. 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.

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.

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.

AEA considers all revenues and expenses except the following to be part of its ongoing operations and classifies them as operating in the statement of revenues, expenses, and changes in fund net position. Noncapital subsidies and capital contributions from the State of Alaska or other sources (which include renewable energy credits from the federal government), investment income and related expenses, interest income and expense related to financing, and resources from the disposal of capital assets.

Fair Value Measurement and Application

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

Cash and Cash Equivalents

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

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 may be 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 Fund Net Position. For purposes of the Statement of Cash Flows, the loan program activities are treated as investing activities.

Allowance for Loan Losses

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

Capital Assets

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

The estimated economic lives of the assets are as follows:

Utility Plant	Life in Years
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's only intangible asset is reported as part of construction in progress. This intangible is solely related to the Susitna Watana Project. This project has not progressed from construction in progress for a few years. More information about the progression and history of this project and its outlook is detailed in Schedule 9.

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

Fund Balance

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

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

All of the Authority's fund balance is restricted.

Net Position

Net position is displayed in three components, as follows:

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

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

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 budget management plan.

Environmental Issues

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

Appropriations and Grants

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

Estimates

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

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

Note 2 – Cash and Investments

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

At June 30, 2026, the AEA's bank and carrying amount of cash and cash equivalents (all of which were restricted for specific purposes) was $335,165.

The restricted cash and cash equivalents and investments were held in trust and restricted accounts for the following activities as of June 30, 2026:

Restricted Cash and Cash Equivalents	Governmental Activities	Business-Type Activities	Totals
Bradley Lake Hydroelectric Project	$ -	$ 186,514	$ 186,514
Alaska Intertie Project	-	2,250	2,250
Power Project Fund	-	14,602	14,602
Power Development and Railbelt Energy Projects	-	8,195	8,195
Rural Energy Projects	43,321	-	43,321
Power Cost Equalization Program	60,944	-	60,944
Renewable Energy Grant Fund	16,888	-	16,888
Emerging Energy Technology Fund	799	-	799
VW Diesel Settlement Fund	832	-	832
Community Contributions Fund	820	-	820
	$ 123,604	$ 211,561	$ 335,165

Restricted Investments	Governmental Activities	Business-Type Activities	Totals
Power Cost Equalization Program	$ 989,446	$ -	$ 989,446
Renewable Energy Grant Fund	17,688	-	17,688
	$ 1,007,134	$ -	$ 1,007,134

Investment Holdings

Beginning July 1, 2023 the Power Cost Equalization Endowment Fund (PCE Fund), created by 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 cash draws from this Fund as required to meet project and program cash flow needs.

The Renewable Energy Grant Fund (RE Fund), created by AS 42.45.045 is under the fiduciary authority of the Treasury. AEA requests cash 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, 2026:

	Governmental Activities	Business-Type Activities	Totals
Cash and cash Equivalents	$ 123,604	$ 211,561	$ 335,165
Investments managed by APFC	989,446	-	989,446
Investments managed by Department of Revenue	17,688	-	17,688
	$ 1,130,738	$ 211,561	$ 1,342,299

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, 2026, AEA's deposits managed by Department of Revenue were collateralized under this same policy.

With respect to AEA managed investments, amounts totaling approximately $287,593 at June 30, 2026 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 conducted 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, 2026, the GeFONSI total for the Renewable Energy Grant Fund was $17,688. 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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At June 30, 2026	AEA (non APFC or Gefonsi)	GeFONSI	Alaska Permanent Fund Corporation	Total
Investment Type				
Cash and cash equivalents	$ 287,593	-	47,572	$ 335,165
Corporate bonds	-	-	103,594	103,594
Mortgage-backed securities	-	-	41,169	41,169
Commingled and exchange traded funds	-	-	284	284
Commercial mortgage / Asset-backed securities	-	-	11,585	11,585
Non-domestic government bonds	-	-	35,763	35,763
Non-domestic corporate bonds	-	-	14,601	14,601
Preferred and common stock	-	-	358,214	358,214
Real estate	-	-	93,059	93,059
Alternative Investments				
Absolute Return	-	-	68,152	68,152
Private Equity	-	-	148,769	148,769
Infrastructure	-	-	43,232	43,232
Distressed and mezzanine debt (Public-private credit)	-	-	31,657	31,657
U.S. Treasury Bills, Notes, Bonds, and TIPS	-	-	39,367	39,367
Pooled investment managed by Department of Revenue	-	17,688	-	17,688
Net Cash and Investments	$ 287,593	17,688	1,037,018	$ 1,342,299

A. ENTITY

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

B. SIGNIFICANT ACCOUNTING POLICIES

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

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.

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.

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, 2026, 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.

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 $23.0 million at June 30, 2026. The current annual interest rates range from 0 to 9.0 percent.

Unit shares

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

Valuation date

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

Withdrawals from investment fund

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

C. CASH AND 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, 2026:

	2026
Cash	$ 4,906
Pooled funds	16,906
U.S. Treasury bills	25,579
FX forward exchange contracts	181
Total cash and temporary investments	**$ 47,572**

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 $4.3 million at June 30,2026.

D. MARKETABLE DEBT SECURITIES

Marketable debt securities categorized by debt instrument type at June 30, 2026 are summarized as follows:

	Cost	Fair value	Unrealized gains (losses)
Mortgage-backed securities	$ 41,271	41,169	(102)
U.S. Treasury and government notes/bonds	39,173	39,367	194
U.S. corporate bonds	104,280	103,594	(686)
U.S. commercial mortgage and asset-backed securities	11,181	11,159	(22)
U.S. exchange traded funds	279	284	5
Non-U.S. government bonds	36,353	35,763	(590)
Non-U.S. corporate bonds	14,531	14,601	70
Non-U.S. commercial mortgage and asset-backed securities	429	426	(3)
Total marketable debt securities	**$ 247,497**	**246,363**	**(1,134)**

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, 2026, 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	$ 9,798	3,650	13,448	5.46%
AA	7,788	6,783	14,571	5.91%
A	28,848	12,404	41,252	16.74%
BBB	43,158	9,807	52,965	21.50%
BB	19,622	4,013	23,635	9.59%
B	4,906	563	5,469	2.22%
CCC	-	6	6	0.00%
CC	-	-	-	0.00%
C	-	-	-	0.00%
D	-	2,575	2,575	1.05%
Total fair value rated debt securities	**$ 114,120**	**39,801**	**153,921**	**62.48%**
Exchange traded funds	284	-	284	0.12%
Not rated	896	10,989	11,885	4.82%
U.S. government explicitly backed by the U.S. government	49,145	-	49,145	19.95%
U.S. government implicitly backed by the U.S. government	31,128	-	31,128	12.64%
Total fair value debt securities	**$ 195,573**	**50,790**	**246,363**	**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, 2026, the effective duration by investment type, based on fair value, is as follows:

	Percentage of holdings	Duration
Domestic bonds		
Mortgage-backed securities	21.05%	5.36
Treasury and government notes/bonds	20.13%	5.65
Corporate bonds	52.97%	6.63
Commercial mortgage and asset-backed securities	5.71%	1.62
Exchange traded funds	0.15%	-
Total domestic bonds	**100.00%**	**5.87**
Non-domestic bonds		
Treasury and government bonds	70.41%	7.00
Corporate bonds	28.75%	5.37
Commercial mortgage and asset-backed securities	0.84%	0.25
Exchange traded funds	0.00%	-
Total non-domestic bonds	**100.00%**	**6.47**

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 $13,000 at June 30, 2026:

		Cost	Fair value	Unrealized gains
Direct investments				
Domestic stock	**$**	**200,606**	**211,404**	**10,798**
Non-domestic stock		**131,179**	**143,811**	**12,632**
Commingled funds		**2,071**	**2,999**	**928**
Total preferred and common stock	**$**	**333,856**	**358,214**	**24,358**

H. FOREIGN CURRENCY EXPOSURE

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

At June 30, 2026, 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	$ 34	(601)	3,742	373	3,548
Brazilian Real	(20)	22	1,258	-	1,260
Canadian Dollar	46	(1,063)	8,356	873	8,212
Chilean Peso	(7)	10	84	-	87
Chinese Yuan Renminbi	71	(5,174)	3,257	5,083	3,237
Colombian Peso	(3)	4	34	-	35
Czech Koruna	1	(123)	16	123	17
Danish Krone	8	(173)	1,040	167	1,042
Egyptian Pound	3	(2)	23	-	24
Euro Currency	803	(13,180)	43,994	10,807	42,424
Hong Kong Dollar	6	(240)	7,996	-	7,762
Hungarian Forint	1	(64)	111	68	116
Indian Rupee	53	-	3,524	-	3,577
Indonesian Rupiah	12	(307)	518	287	510
Israeli New Shekel	9	(83)	797	83	806
Japanese Yen	94	(6,049)	16,546	5,900	16,491
Kuwaiti Dinar	3	-	115	-	118
Malaysian Ringgit	7	(414)	352	409	354
Mexican Peso	1	(253)	840	249	837
New Taiwan Dollar	15	(13)	11,573	-	11,575
New Zealand Dollar	11	(316)	194	286	175
Norwegian Krone	82	(75)	625	-	632
Pakistani Rupee	-	-	21	-	21
Peruvian Sol	5	(211)	-	203	(3)
Philippine Peso	5	-	182	-	187
Polish Zloty	11	(155)	461	146	463
British Pound	209	(3,536)	13,138	2,429	12,240
Qatari Riyal	4	(1)	195	-	198
Romanian Leu	-	(31)	-	26	(5)
Russian Ruble	-	-	2	-	2
Saudi Riyal	(1)	5	763	-	767
Singapore Dollar	20	(216)	1,144	198	1,146
South African Rand	7	(3)	1,170	-	1,174
South Korean Won	(12)	(620)	13,346	655	13,369
Swedish Krona	(5)	(14)	1,745	-	1,726
Swiss Franc	(68)	(176)	5,148	109	5,013
Thai Baht	7	(268)	522	269	530
Turkish Lira	5	(4)	171	-	172
UAE Dirham	5	4	743	-	752
Total foreign currency exposure	**$ 1,422**	**(33,320)**	**143,746**	**28,743**	**140,591**

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, 2026, 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:

	2026
Fair value of securities on loan, secured by cash collateral	$ 52,461
Cash collateral	53,848
Fair value of securities on loan, secured by noncash collateral	123,542
Noncash collateral	135,693

The Fund receives 80 percent of earnings derived from securities lending transactions and the Bank retains 20 percent. During the year ended June 30, 2026, the Fund incurred no losses from securities lending transactions. The Fund received $341 in earnings from securities lending for the year ended June 30, 2026, 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, 2026 ranged between one and 101 days.

The counterparties to the FX forward contracts consisted of a diversified group of financial institutions. The Fund is exposed to credit risk to the extent of nonperformance by these counterparties. The Fund's market risk as of June 30, 2026 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 30,2026 are summarized as follows:

	2026
Fair value of FX forward contracts, beginning of year	$ (90)
Net change in fair value of FX forward contracts	271
Fair value of FX forward contracts, end of year	$ 181
Notional amount of FX forward contracts, end of year	$ 28,142

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, 2026 are summarized as follows:

	2026
Fair value of equity index futures, beginning of year	$ (6)
Net change in fair value of equity index futures	19
Fair value of equity index futures, end of year	$ 13
Notional amount of equity index futures, end of year	$ 146

Futures in fixed income accounts during the years ended June 30, 2026 are summarized as follows:

	2026
Fair value of U.S. Treasury index futures, beginning of year	$ (8)
Net change in fair value of U.S. Treasury index futures	4
Fair value of U.S. Treasury index futures, end of year	$ (4)
Notional amount of U.S. Treasury index futures, end of year	$ 1,668

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. An internal real estate program manages two directly owned real estate investments.

Real estate investments at June 30, 2026 are summarized as follows:

2026		Cost	Fair value	Unrealized gains (losses)
Real estate investment trusts	$	5,326	5,841	515
Real estate funds and notes		29,570	27,348	(2,222)
American Homes 4 Rent II		772	803	31
Directly owned real estate				
Retail	$	8,712	14,701	5,989
Office		24,328	21,793	(2,535)
Hotel		776	721	(55)
Industrial		4,546	8,988	4,442
Multifamily		4,627	5,250	623
Development		8,827	7,614	(1,213)
Total directly owned real estate	$	51,816	59,067	7,251
Total real estate	$	87,484	93,059	5,575

As of June 30, 2026, the APFC, on behalf of the Fund, had outstanding future funding commitments of $13.2 million for real estate fund investments.

L. ALTERNATIVE INVESTMENTS

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

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

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

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 30,2026 are summarized as follows:

2026		Cost	Fair value	Unrealized gains
Absolute return	$	58,938	68,152	9,214
Private credit		30,500	31,657	1,157
Private equity		131,768	148,769	17,001
Infrastructure		39,541	43,232	3,691
Total alternative investments	$	260,747	291,810	31,063

As of June 30, 2026, the APFC, on behalf of the Fund, had outstanding future funding commitments of $465 thousand for absolute return, $18.0 million for private credit, $45.5 million for private equity, and $15.9 million for infrastructure investments. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

M. FAIR VALUE MEASUREMENT

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

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

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

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

Investments measured using Net Asset Value (NAV) per share as a practical expedient to fair value are not categorized into input levels. The input levels used to measure Fund's investments at June 30, 2026 are summarized as follows:

	Measured using input levels				
	Level 1	Level 2	Level	Measured using NAV	Total
Marketable debt securities					
Mortgage-backed securities	$ -	41,169	-	-	41,169
U.S. Treasury and government notes/bonds	39,188	179	-	-	39,367
U.S. corporate bonds	161	103,433	-	-	103,594
U.S. commercial mortgage and asset-	-	11,159	-	-	11,159
U.S. exchange traded funds	284	-	-	-	284
Non-U.S. government bonds	-	35,763	-	-	35,763
Non-U.S. corporate bonds	-	14,595	6	-	14,601
Non-U.S. commercial mortgage and asset-backed securities	-	426	-	-	426
Total marketable debt securities	$ 39,633	206,724	6	-	246,363
Preferred and common stock					
Domestic stock	211,162	242	-	-	211,404
Non-domestic stock	143,811	-	-	-	143,811
Commingled funds	1,337	-	-	1,662	2,999
Total preferred and common stock	$ 356,310	242	-	1,662	358,214
Real estate					
Real estate investment trusts	5,841	-	-	-	5,841
Real estate funds and notes	-	-	-	27,348	27,348
American Homes 4 Rent II	-	-	-	803	803
Directly owned real estate	-	-	-	59,067	59,067
Total real estate	$ 5,841	-	-	87,218	93,059
Absolute return	-	-	-	68,152	68,152
Private credit	-	-	-	31,657	31,657
Private equity	-	-	-	148,769	148,769
Infrastructure	-	-	-	43,232	43,232
Total investments	$ 401,784	206,966	6	380,690	989,446

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

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

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 2-100 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.

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Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2026 was as follows:

Business-Type Activities	Balance at July 1, 2025	Additions	Deletions	Balance at June 30, 2026
Capital assets not being depreciated				
Land and rights of way	$ 11,212	$ -	$ -	$ 11,212
Construction in progress				
Intangibles	183,682	-	-	183,682
Other	16,280	11,161	-	27,441
Total capital assets not being depreciated	211,174	11,161	-	222,335
Capital assets being depreciated				
Equipment	8,251	362	-	8,613
Infrastructure	523,625	84	-	523,709
Total capital assets being depreciated	531,876	446	-	532,322
Less accumulated depreciation				
Equipment	(6,684)	(349)	-	(7,033)
Infrastructure	(361,340)	(11,328)	-	(372,668)
Total accumulated depreciation	(368,024)	(11,677)	-	(379,701)
Total capital assets, being depreciated, net	163,852	(11,231)	-	152,621
Capital assets, net	$ 375,026	$ (70)	$ -	$ 374,956

The Authority's intangible asset of $183,682 reported as part of construction in progress is solely related to the Susitna Watana Project. This project has not progressed from construction in progress for a few years. More information about the progression and history of this project and its outlook is detailed in Schedule 9.

Depreciation expense was charged to the functions as follows for the year ended June 30, 2026:

Business-Type Activities	
Bradley Lake Hydroelectric Project	$ 10,880
Alaska Intertie Project	797
	$ 11,677

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, 2026 follows:

Due from other funds	
Due to Special Revenue Fund from Enterprise Fund	$ 1,259

A schedule of interfund transfers as of and for the year ended June 30, 2026 follows:

From Governmental Funds to:	
Enterprise Funds for Capital	$ 126

Note 5 - Long-Term Debt

Long-term debt activity for the year ended June 30, 2026 was as follows:

Business-Type Activities	Balance at July 1, 2025	Additions	Reductions	Balance at June 30, 2026	Due within one year
Power Revenue Bonds					
Bradley Lake					
Eleventh Series	$ 154,830	$ -	$ (2,670)	$ 152,160	$ 2,834
Transmission Line					
Tenth Series	5,346	-	(254)	5,092	263
Bradley Lake - Battle Creek Diversion - Private Placement					
Seventh Series	34,668	-	(1,333)	33,335	1,333
Eighth Series	1,071	-	(42)	1,029	42
Total bonds payable	195,915	-	(4,299)	191,616	4,472
Arbitrage rebate liability	-	193	-	193	-
Total other bond liabilities	-	193	-	193	-
	$ 195,915	$ 193	$ (4,299)	$ 191,809	$ 4,472

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 $351,402. Principal and

interest paid for the current year and total customer revenues from the Bradley Project were $15,310 and $23,158 respectively.

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

As of June 30, 2026, AEA reported total outstanding Power Revenue Bonds of $191,616. Total incurred interest expense for fiscal year 2026 was $10,978. 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.

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

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, 2026, the amount of arbitrage interest payable is $193.

The minimum payments related to all bonds, for the years after June 30, 2026, are as follows:

Years Ending June 30,	Principal	Interest	Total
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	5,275	9,743	15,018
2032-2036	30,148	44,067	74,215
2037-2041	37,983	34,777	72,760
2042-2046	48,645	22,686	71,331
2047-2051	50,531	6,888	57,419
	$ 191,616	$ 159,786	$ 351,402

Note 6 - Loans Receivable

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

	Number of Loans	Amount
Power Project Fund Loan Programs	15	$ 28,568
Less allowance for loan loss		(438)
		$ 28,130

Balance at beginning of year	$ 443
Provision for loan loss (recovery)	(5)
Balance at end of year	$ 438

At year-end, there was one loan that was more than 90 days past due in the amount of $9.2 thousand.

During fiscal year 2026, two loans were paid in full. Also, during fiscal year 2026 two new loans were issued for a total of $226.5 thousand.

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 $1.672 million for which AEA has allowed $4.0 thousand 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.

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. Peace officers and firefighters are required to contribute 7.50% 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.

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, 2026 were determined in the June 30, 2024 actuarial valuations. The Authority's contribution rates for the 2026 fiscal year were as follows:

	ARM Board Adopted Rate	State Contribution Rate
Defined benefit plans:		
Pension	21.43%	6.33%
Postemployment healthcare (ARHCT)	-%	-%
Defined contribution - Pension	6.90%	-%
Total Contribution Rates	28.33%	6.33%

Alaska Statute 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.

In 2026, the Authority was credited with the following contributions to the pension plan:

	Measurement Period July 1, 2024 to June 30, 2025	Authority Fiscal Year July 1, 2025 to June 30, 2026
Employer contributions (including DBUL)	$ 388	$ 856
Nonemployer contributions (on-behalf)	128	376
Total Contributions	$ 516	$ 1,232

In addition, employee contributions to the Plan totaled $73 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, 2026, 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	$	6,310
State's proportionate share of NPL associated with the Authority		-
Total Net Pension Liability	$	6,310

The total pension liability for the June 30, 2025 measurement date was determined by an actuarial valuation as of June 30, 2024 rolled forward to June 30, 2025 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, 2025 measurement date, the Authority's proportion was 0.12709 percent, which was an increase of 0.06299 from its proportion measured as of June 30, 2024.

For the year ended June 30, 2026, the Authority recognized pension expense of $340 and on-behalf revenue of $0 for support provided by the State. At June 30, 2026, 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	$ -	$ (157)
Authority contributions subsequent to the measurement date	856	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions	$ 856	$ (157)

The $856 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, 2027.

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,		
2027	$	245
2028		(154)
2029		(145)
2030		(103)
2031		-
Thereafter		-
Total Amortization	$	(157)

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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2024, using the actuarial assumptions listed below, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025:

Actuarial cost method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	Increases range from 6.75% to 2.85% based on service.
Allocation methodology	Amounts for the June 30, 2025 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 2026 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	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.

The total pension liability was determined by an actuarial valuation as of June 30, 2024, rolled forward to the measurement date of June 30, 2025. The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021.

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 2.51%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2025 are summarized in the following table:

Asset Class	Target Allocation	Range	Long-Term Expected Real Rate of Return
Domestic equity	26%	+/- 6%	5.74 %
Global equity (non-U.S.)	17%	+/- 4%	6.37 %
Global equity	-%	-%	5.88 %
Aggregate bonds	23%	+/- 10%	2.30 %
Multi-asset	6%	+/- 4%	- %
Real assets	14%	+/- 7%	4.54 %
Private equity	14%	+/- 7%	9.28 %
Cash equivalents	-%	-%	0.60 %

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.

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	0.12709%	$ 8,627	$ 6,310	$ 4,347

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, 2026 to cover a portion of the Authority's employer match contributions. For the year ended June 30, 2026, forfeitures reduced pension expense by $0.

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, 2026, 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, 2026 were $242 and $388, 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, 2026 were as follows:

	Other	Peace/Fire
Alaska Retiree Healthcare Trust	-%	-%
Retiree Medical Plan	0.86%	0.86%
Occupational Death and Disability	0.24%	0.69%
Total Contribution Rates	1.10%	1.55%

In 2026, the Authority was credited with the following contributions to the OPEB plans:

	Measurement Period July 1, 2024 to June 30, 2025	Authority Fiscal Year July 1, 2025 to June 30, 2026
Employer contributions – ARHCT	$ 17	$ 26
Employer contributions - RMP	5	11
Employer contributions - ODD	3	(3)
Nonemployer contributions (on-behalf)	-	-
Total Contributions	$ 25	$ 34

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

At June 30, 2026, 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	$ 3,384
Authority's proportionate share of NOA - RMP	80
Authority's proportionate share of NOA – ODD	92
Total Authority's Proportionate Share of Net OPEB Asset	$ 3,556
State's proportionate share of the ARHCT NOA associated with the Authority	-
Total Net OPEB Asset	$ 3,556

The total OPEB liability for the June 30, 2025 measurement date was determined by an actuarial valuation as of June 30, 2024 rolled forward to June 30, 2025 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.

	June 30, 2024 Measurement Date Employer Proportion	June 30, 2025 Measurement Date Employer Proportion	Change
Authority's proportionate share of the net OPEB assets:			
ARHCT	0.06411%	0.12716%	0.06304%
RMP	0.06228%	0.12648%	0.06420 %
ODD	0.06371%	0.12968%	0.06596 %

For the year ended June 30, 2026, the Authority recognized OPEB expense of $(336). Of this amount, $0 was recorded for on-behalf revenue and expense for support provided by the ARHCT plan. OPEB expense and on-behalf revenue is listed by plan in the table below:

Plan	OPEB Expense (Benefit)	On-behalf Revenue
ARHCT	$ (338)	$ (-)
RMP	6	-
ODD	(4)	-
Total	$ (336)	$ (-)

At June 30, 2026, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

Deferred Outflows of Resources	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	$ -	$ 6	$ -	$ 6
Changes in assumptions	-	16	-	16
Authority contributions subsequent to the measurement date	26	11	(3)	34
Total Deferred Outflows of Resources Related to OPEB Plans	$ 26	$ 33	$ (3)	$ 56

Deferred Inflows of Resources	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	$ -	$ (5)	$ (18)	$ (23)
Changes in assumptions	-	(39)	-	(39)
Changes in benefits	-	-	-	-
Net difference between projected and actual investment earnings	(134)	(7)	(2)	(143)
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	(1)	(2)	(3)
Total Deferred Inflows of Resources Related to OPEB Plans	$ (134)	$ (52)	$ (22)	$ (208)

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, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	ARHCT	RMP	ODD	Total
2027	$ 199	$ (3)	$ (4)	$ 192
2028	(129)	(12)	(5)	(146)
2029	(121)	(9)	(5)	(135)
2030	(83)	(7)	(4)	(94)
2031	-	1	(2)	(1)
Thereafter	-	-	(2)	(2)
Total Amortization	$ (134)	$ (30)	$ (22)	$ (186)

Actuarial Assumptions

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2025:

Actuarial cost method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	Increases range from 6.75% to 2.85% based on service.
Allocation methodology	Amounts for the June 30, 2025 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 2026 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%.
Healthcare cost trend rates (ARHCT and RMP Plans)	Pre-65 medical: 6.2% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Rx/EGWP: 8.5% grading down to 4.5% Initial trend rates are from FY 2026 Ultimate trend rates reached in FY 2050
Mortality 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 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.
ODD Plan	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, 2024, rolled forward to the measurement date of June 30, 2025. The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. For the ARHCT and RMP plans, the per capita claims costs were updated to reflect recent experience for the June 30, 2024 actuarial valuation. Employer Group Waiver Program (EGWP) subsidies were updated to reflect higher expected subsidies due to the Inflation Reduction Act. Because of the significant increase in the EGWP subsidy for FY25 and beyond due to the Inflation Reduction Act, and uncertainty regarding future subsidy levels, the ARMB has adopted a smoothing of EGWP subsidy estimates over five years. In addition, the prescription drug and EGWP trend assumption was updated to reflect recent survey information indicating higher than initial trend rates in part due to the recent higher-than-expected inflationary environment.

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 2.51%, for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2025 are summarized in the following table:

Asset Class	Target Allocation	Range	Long-Term Expected Real Rate of Return
Domestic equity	26%	+/- 6%	5.74 %
Global equity (non-U.S.)	17%	+/- 4%	6.37 %
Global equity	-%	-%	5.88 %
Aggregate bonds	23%	+/- 10%	2.30 %
Multi-asset	6%	+/- 4%	- %
Real assets	14%	+/- 7%	4.54 %
Private equity	14%	+/- 7%	9.28 %
Cash equivalents	-%	-%	0.60 %

Discount Rate

The discount rate used to measure the total OPEB liability for each plan as of June 30, 2025 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 or 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.

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	0.12716%	$ 2,365	$ 3,384	$ 4,243
RMP	0.12648%	$ 2	$ 80	$ 140
ODD	0.12968%	$ 87	$ 92	$ 96

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 2024 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	0.12716%	$ 4,341	$ 3,384	$ 2,250
RMP	0.12648%	$ 148	$ 80	$ (10)
ODD	0.12968%	$ 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.

(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, 2025, 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 $1.58 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In fiscal year 2026, the Authority contributed $94 in DC OPEB costs. This amount has been recognized as expense/expenditures.

Note 8 Net Position and Fund Balance

Governmental Activities and Governmental Fund

Net position reported in the aggregate on the statement of net position as restricted for legislation and fund balance in the aggregate on the balance sheet as restricted for legislation have the following constraints:

Purpose	Statement of Net Position Amount	Balance Sheet Governmental Fund Amount
Power Cost Equalization Program	$ 1,043,196	$ 1,043,196
Renewable Energy Grant Fund	33,769	33,769
Emerging Energy Technology Fund	864	864
Rural Energy Projects	12	(49)
	$ 1,077,841	$ 1,077,780

Business-type Activities and Enterprise Fund

Net position reported in the aggregate on the statement of net position and on the balance sheet of the business-type activities and enterprise fund as restricted for legislation have the following constraints:

Purpose	Amount
Power Project Fund	$ 14,812
Power Development and Railbelt Energy Projects	1,994
	$ 16,806

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.

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 2026 this amount was $46.

For the year ended June 30, 2026, AEA had $339 payable to AIDEA for services. Payments to AIDEA for personnel services support AEA's internal service activities. At the year ended June 30, 2026, AEA had $8 receivable 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 $318 during fiscal year 2026 for administrative services.

Bradley Lake Project Management Committee

Homer Electric Association (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 $828 for these services during fiscal year 2026.

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 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 2026 total reimbursed costs from the Railbelt Utilities under this cost share agreement was $1,059.

State of Alaska

In accordance with GAAP, AEA has recognized its proportion of the PERS net pension liability, which totals $6,310. AEA has also recorded a net OPEB asset of $3,556 as of June 30, 2026.

Total due from the State of Alaska for various receivables such as cash advances and reimbursable service agreements totals $2,310. Total due from the State of Alaska for various payables such as cash advances, reimbursable service agreements, and other payables totals $44,066.

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, 2026, AEA had Power Project Fund loan commitments of $490.

At June 30, 2026, AEA had cumulative prior year commitments from grant awards that are funded by State appropriations and federal awards; the amounts committed were $86,868.

Note 12 – New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new accounting standards with upcoming implementation dates. The following new accounting standards were implemented by the Authority for 2026 reporting:

GASB Statement No. 103 – Financial Reporting Model Improvements – Effective for year-end June 30, 2026. 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. This statement resulted in changes in the presentation of the management discussion and analysis and changes in presentation of certain items reported as operating and nonoperating revenues including addition of a new category of amounts reported as noncapital subsidies.

GASB Statement No. 104 – Disclosure of Certain Capital Assets – Effective for year-end June 30, 2026. 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. This statement did not have a material impact on the Authority's financial statements.

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. 105 – Subsequent Events – Effective for year-end June 30, 2027. Earlier application is encouraged. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

Alaska Energy Authority

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

Years Ended June 30,	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Authority's Proportion of the Net Pension Liability	0.12709%	0.06410%	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	$ 6,310	$ 3,516	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State of Alaska Proportionate Share of the Net Pension Liability	-	-	-	-	-	-	-	-	-	-
Total Net Pension Liability	$ 6,310	$ 3,516	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's Covered Payroll	4,366	4,371	-	-	-	-	-	-	-	-
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	144.53%	80.44%	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%	67.81%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule of the Authority's Contributions

Years Ended June 30,	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually Required Contributions	$ 856	$ 388	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions Relative to the Contractually Required Contribution	856	388	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's Covered Payroll	5,600	4,366	-	-	-	-	-	-	-	-
Contributions as a Percentage of Covered Payroll	15.29%	8.89%	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)

Years Ended June 30,	2026	2025	2024	2023	2022	2021	2020	2019	2018
Authority's Proportion of the Net OPEB Asset	0.12716%	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	$ (3,384)	$ (1,412)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State of Alaska Proportionate Share of the Net OPEB Asset	-	-	-	-	-	-	-	-	-
Total Net OPEB Asset	$ (3,384)	$ (1,412)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's Covered Payroll	977	979	-	-	-	-	-	-	-
Authority's Proportionate Share of the Net OPEB Asset as a Percentage of Payroll	-346.20%	-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	136.81%	130.59%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule of the Authority's Contributions

Years Ended June 30,	2026	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contributions	$ 26	$ 17	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions Relative to the Contractually Required Contribution	26	17	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's Covered Payroll	1,025	988	-	-	-	-	-	-	-
Contributions as a Percentage of Covered Payroll	2.542%	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)

Years Ended June 30,	2026	2025	2024	2023	2022	2021	2020	2019	2018
Authority's Proportion of the Net OPEB Asset	0.12648%	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	$ (80)	$ (29)	-	-	-	-	-	-	-
State of Alaska Proportionate Share of the Net OPEB Asset	-	-	-	-	-	-	-	-	-
Total Net OPEB Asset	$ (80)	$ (29)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's Covered Payroll	3,388	3,392	-	-	-	-	-	-	-
Authority's Proportionate Share of the Net OPEB Asset as a Percentage of Payroll	-2.36%	-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	123.73%	119.87%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule of the Authority's Contributions

Years Ended June 30,	2026	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contributions	$ 11	$ 5	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions Relative to the Contractually Required Contribution	11	5	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's Covered Payroll	4,575	3,388	-	-	-	-	-	-	-
Contributions as a Percentage of Covered Payroll	0.230%	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)

Years Ended June 30,	2026	2025	2024	2023	2022	2021	2020	2019	2018
Authority's Proportion of the Net OPEB Asset	0.12968%	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	$ (92)	$ (38)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State of Alaska Proportionate Share of the Net OPEB Asset	-	-	-	-	-	-	-	-	-
Total Net OPEB Asset	$ (92)	$ (38)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's Covered Payroll	4,366	4,371	-	-	-	-	-	-	-
Authority's Proportionate Share of the Net OPEB Asset as a Percentage of Payroll	-2.11%	-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	353.09%	346.81%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule of the Authority's Contributions

Years Ended June 30,	2026	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contributions	$ (3)	$ 3	$0	$0	$0	$0	$0	$0	$0
Contributions Relative to the Contractually Required Contribution	(3)	3	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's Covered Payroll	5,600	4,366	-	-	-	-	-	-	-
Contributions as a Percentage of Covered Payroll	-0.050%	0.068%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying notes to Required Supplementary Information.

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, 2026, the Plan measurement date is June 30, 2025.

Changes in Assumptions:

The total pension liability was determined by an actuarial valuation as of June 30, 2024, rolled forward to the measurement date of June 30, 2025. The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021.

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. However, until a full 10 years of information is available, the Authority will present only those years for which information is available.

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, 2026, the Plan measurement date is June 30, 2025.

Changes in Assumptions:

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2024, rolled forward to the measurement date of June 30, 2025. The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. For the ARHCT and RMP plans, the per capita claims costs were updated to reflect recent experience for the June 30, 2024 actuarial valuation. Employer Group Waiver Program (EGWP) subsidies were updated to reflect higher expected subsidies due to the Inflation Reduction Act. Because of the significant increase in the EGWP subsidy for FY25 and beyond due to the Inflation Reduction Act, and uncertainty regarding future subsidy levels, the ARMB has adopted a smoothing of EGWP subsidy estimates over five years. In addition, the prescription drug and EGWP trend assumption was updated to reflect recent survey information indicating higher than initial trend rates in part due to the recent higher-than-expected inflationary environment.

GASB requires ten years of information be presented. However, 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. However, until a full ten 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, 2026

	Power Cost Equalization Program	Renewable Energy Grant Fund	Emerging Energy Technology Fund	Rural Energy Projects	Volkswagen Diesel Settlement Fund	Community Contributions Fund	Totals
Assets							
Cash and cash equivalents, restricted	$ 60,944	$ 16,888	$ 799	$ 43,321	$ 832	$ 820	$ 123,604
Receivables for investments	20,967	-	-	-	-	-	20,967
Operating receivables	-	-	-	263	8	-	271
Prepaid expenses	-	-	-	61	-	-	61
Due from federal government	-	-	-	9,660	-	-	9,660
Due from State of Alaska	-	1,008	-	769	-	-	1,777
Due from State of Alaska's component units	-	-	-	8	-	-	8
Due from other funds/internal balances	(48)	(88)	87	1,314	(6)	-	1,259
Securities lending collateral	53,848	-	-	-	-	-	53,848
Investments, restricted	989,446	17,688	-	-	-	-	1,007,134
Total assets	$ 1,125,157	$ 35,496	$ 886	$ 55,396	$ 834	$ 820	$ 1,218,589
Liabilities and Fund Balance							
Due to federal government	$ -	$ -	$ -	$ 16	$ -	$ -	$ 16
Due to the State of Alaska	36	(1,536)	22	39,959	-	-	38,481
Due to State of Alaska's component units	-	-	-	452	-	-	452
Due to local governments	1,247	1,358	-	256	-	-	2,861
Accounts payable	26,830	1,905	-	11,201	2	-	39,938
Other liabilities	-	-	-	-	-	820	820
Unearned revenue - grant match from outside entities	-	-	-	-	832		832
Securities lending collateral	53,848	-	-	-	-	-	53,848
Advance from State of Alaska component unit	-	-	-	3,500	-	-	3,500
Total liabilities	81,961	1,727	22	55,384	834	820	140,748
Fund Balance							
Nonspendable	-	-	-	61	-	-	61
Restricted (Note 8)	1,043,196	33,769	864	(49)	-	-	1,077,780
Total fund balance	1,043,196	33,769	864	12	-	-	1,077,841
Total Liabilities and Fund Balance	$ 1,125,157	$ 35,496	$ 886	$ 55,396	$ 834	$ 820	$ 1,218,589

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, 2026

	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	$ -	$ -	$ -	$ 17,661	$ -	$ -	$ 17,661
State of Alaska appropriations	-	3,314	-	13,186	-	-	16,500
Revenue from operating plants	-	-	-	2,349	-	-	2,349
Other revenues	-	-	-	11	115	-	126
Investment income, net expenditures	119,851	1,041	-	-	-	-	120,892
Total Revenues	119,851	4,355	-	33,207	115	-	157,528
Expenditures							
Grants and projects	1,272	7,735	56	22,676	79	-	31,818
Power cost equalization grants	46,092	-	-	-	-	-	46,092
General and administrative	2,561	188	-	10,645	36	-	13,430
State of Alaska contribution	13,333	-	-	-	-	-	13,333
Total Expenditures	63,258	7,923	56	33,321	115	-	104,673
Excess (deficiency) of revenues over expenditures	56,593	(3,568)	(56)	(114)	-	-	52,855
Other financing sources (uses)							
Transfers (to) from other funds	(6,316)	6,316	-	126	-	-	126
Total other financing sources (uses)	(6,316)	6,316	-	126	-	-	126
Change in Fund Balance	50,277	2,748	(56)	12	-	-	52,981
Fund Balance, Beginning of Year	992,919	31,021	920	-	-	-	1,024,860
Fund Balance, End of Year	$ 1,043,196	$ 33,769	$ 864	$ 12	$ -	$ -	$ 1,077,841

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, 2026

	Bradley Lake Hydroelectric Project	Alaska Intertie Project	Susitna-Watana Hydroelectric Project	Power Project Fund	Power Development and Railbelt Energy Projects	Totals
Assets						
Current assets						
Cash and cash equivalents, restricted	$ 186,514	$ 2,250	$ -	$ 14,602	$ 8,195	$ 211,561
Escrow - renewable energy credits	18	-	-	-	-	18
Operating receivables	-	348	-	-	-	348
Other receivables	551	-	-	-		551
Loans receivable	-	-	-	1,846	-	1,846
Due from federal government	688	-	-	-	-	688
Due from State of Alaska	-	533	-	-	-	533
Accrued interest receivable	-	-	-	433	-	433
Total current assets	187,771	3,131	-	16,881	8,195	215,978
Noncurrent assets						
Loans receivable, net of allowance	-	-	-	26,284	-	26,284
Capital assets, net of accumulated depreciation	179,961	11,313	183,682	-	-	374,956
Total noncurrent assets	179,961	11,313	183,682	26,284	-	401,240
Total Assets	$ 367,732	$ 14,444	$ 183,682	$ 43,165	$ 8,195	$ 617,218

See Independent Auditor's Report.

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

(in thousands)
Year Ended June 30, 2026

Liabilities and Net Position	Bradley Lake Hydroelectric Project	Alaska Intertie Project	Susitna-Watana Hydroelectric Project	Power Project Fund	Power Development and Railbelt Energy Projects	Totals
Liabilities						
Current liabilities						
Due to the federal government	$ 343	$ -	$ -	$ -	$ -	$ 343
Due to the State of Alaska	(614)	(2)	-	-	6,201	5,585
Due to State of Alaska's component units	7	-		33	-	40
Due to other funds/internal balances	1,362	107	-	(210)	-	1,259
Accounts payable	3,677	3,001	-	-	-	6,678
Capital acquisition and construction accounts	2,820	28	-	-	-	2,848
Bonds payable – current portion	4,472	-	-	-	-	4,472
Accrued interest payable	817	-	-	-	-	817
Total current liabilities	12,884	3,134	-	(177)	6,201	22,042
Noncurrent liabilities						
Bonds payable – noncurrent portion, net	187,144	-	-	-	-	187,144
Arbitrage payable	193	-	-	-	-	193
Total noncurrent restricted liabilities	187,337	-	-	-	-	187,337
Total liabilities	200,221	3,134	-	(177)	6,201	209,379
Net Position						
Net investment in capital assets	135,299	11,285	183,682	-	-	330,266
Restricted for capital projects	163,453	-	-	-	-	163,453
Restricted for debt service	18,185	-	-	-	-	18,185
Restricted by agreements with external parties	1,505	25	-	28,530	-	30,060
Restricted by legislation (Note 8)	-	-	-	14,812	1,994	16,806
Escrow - renewable energy credits	18	-	-	-	-	18
Unrestricted (deficit)	(150,949)	-	-	-	-	(150,949)
Total net position	167,511	11,310	183,682	43,342	1,994	407,839
Total Liabilities and Net Position	$ 367,732	$ 14,444	$ 183,682	$ 43,165	$ 8,195	$ 617,218

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, 2026

	Bradley Lake Hydroelectric Project	Alaska Intertie Project	Susitna-Watana Hydroelectric Project	Power Project Fund	Power Development and Railbelt Energy Projects	Totals
Operating revenues						
Revenue from operating plants	$ 23,158	$ 2,470	$ -	$ -	$ -	$ 25,628
Interest on loans	-	-	-	1,082	-	1,082
Other revenues	3	17	-	19	-	39
Total operating revenues	23,161	2,487	-	1,101	-	26,749
Operating expenses						
Depreciation	10,879	798	-	-	-	11,677
Grants and projects	993	-	-	-	-	993
Plant operating	8,302	1,966	-	-	-	10,268
General and administrative	2,376	671	-	-	-	3,047
Total operating expenses	22,550	3,435	-	-	-	25,985
Operating Income (Loss)	611	(948)	-	1,101	-	764
Noncapital Subsidies						
State of Alaska appropriations	856	316	-	-	-	1,172
Federal grants	583	-	-	-	-	583
Federal direct bond interest expense subsidy	939	-	-	-	-	939
Transfer (to) from other funds	-	-	-	(126)	-	(126)
Total noncapital subsidies	2,378	316	-	(126)	-	2,568
Operating income and noncapital subsidies	2,989	(632)	-	975	-	3,332
Other nonoperating revenues (expenses)						
Investment income, net expenses	6,131	61	-	359	-	6,551
Capital contributions	5,595	555	-	-	-	6,150
Interest expense and other charges	(10,975)	-	-	-	-	(10,975)
Renewable energy credits (REC) revenues	695	-	-	-	-	695
Renewable energy credits (REC) expenses	(126)	-	-	-	-	(126)
Total other nonoperating revenues (expenses) before	1,320	616	-	359	-	2,295
Change in Net Position	4,309	(16)	-	1,334	-	5,627
Net Position, Beginning of Year	163,202	11,326	183,682	42,008	1,994	402,212
Net Position, End of Year	$ 167,511	$ 11,310	$ 183,682	$ 43,342	$ 1,994	$ 407,839

See Independent Auditor's Report.

Schedule 5 – Bradley Lake Hydroelectric Project Trust Account Activities (Unaudited)
(in thousands)
June 30, 2026

	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	Escrow Renewable Energy Credits	Total
Balance at July 1, 2025	$ 158,730	$ 2,479	$ 16,035	$ 757	$ 156	$ 203	$ 1,542	$ 3,114	$ 61	$ 1,548	$ -	$ 184,625
Interest received	5,394	21	545	52	12	6	118	106	4	41	-	6,299
Bond principal paid	-	(4,299)	-	-	-	-	-	-	-	-	-	(4,299)
Bond interest paid	-	(11,012)	-	-	-	-	-	-	-	-	-	(11,012)
IRS Interest subsidy received	-	-	-	1,387	-	-	-	-	-	-	-	1,387
Operating budget surplus paid	-	-	-	(155)	(17)	-	(395)	(1,402)	-	-	-	(1,969)
Capital expenditures	(5,134)	-	-	-	-	-	-	(86)	-	-	-	(5,220)
Operating revenue received	-	-	-	3,113	-	-	22,509	-	-	-	-	25,622
Operating expenses paid	(1,676)	-	-	(474)	(514)	-	(7,260)	-	-	-	-	(9,924)
Proceeds from sale of capital asset	-	-	-	-	-	-	3	-	-	-	-	3
Proceeds from sale of renewable energy credits	-	-	-	-	-	-	-	-	-	-	18	18
Renewable energy fund grant match	-	-	-	-	-	-	1,000	-	-	-	-	1,000
Capital credit	-	-	-	-	-	-	2	-	-	-	-	2
Transfers between funds	439	15,265	(610)	(4,670)	839	(34)	(14,574)	3,157	76	112	-	-
Balance at June 30, 2026	$ 157,753	$ 2,454	$ 15,970	$ 10	$ 476	$ 175	$ 2,945	$ 4,889	$ 141	$ 1,701	$ 18	$ 186,532

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, 2026

	Balance at July 1, 2025	Additions	Deletions	Balance at June 30, 2026
Capital assets				
Intangible	$ 183,682	$ -	$ -	$ 183,682
Production	332,250	7,958	-	340,208
Transmission	219,377	2,888	-	222,265
General	7,741	761	-	8,502
Total capital assets	743,050	11,607	-	754,657
Less accumulated depreciation				
Production	(190,886)	(8,448)	-	(199,334)
Transmission	(171,304)	(3,104)	-	(174,408)
General	(5,834)	(125)	-	(5,959)
Total accumulated depreciation	(368,024)	(11,677)	-	(379,701)
Capital assets, net	$ 375,026	$ (70)	$ -	$ 374,956

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, 2026

Operating Data	As of June 30, 2025	As of June 30, 2026	Variance
Project costs			
Operations and maintenance	$ 4,635	$ 4,581	$ 54
Repairs	61	-	61
General and administrative	1,872	1,480	392
Insurance	1,213	1,537	(324)
Capital purchases	323	252	71
Contributions to/(from) capital reserve fund	(80)	(74)	(6)
Contributions to/(from) renewal and contingency fund and operating reserve account	1,246	1,444	(198)
	9,270	9,220	50
Debt service	15,299	15,245	54
Less federal direct bond interest expense subsidy	(1,031)	(948)	(83)
Less investment income	(527)	(353)	(174)
Total cost of power	$ 23,011	$ 23,164	$ (153)

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, 2026

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Beginning 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
Inflows										
Annual investment earnings (losses)	112,331	76,602	74,142	48,303	150,299	(143,842)	88,405	69,285	96,155	119,503
Transfer from AEA interest earnings and prior years appropriations	-	-	-	-	-	-	-	11,712	107	295
Total inflows	112,331	76,602	74,142	48,303	150,299	(143,842)	88,405	80,997	96,262	119,798
Outflows										
Transfers to AEA for PCE payments (1)	(34,956)	(25,595)	(29,719)	(27,000)	(28,237)	(24,000)	(54,139)	(45,505)	(48,666)	(49,083)
Transfers to other funds	-	-	(44,000)	(14,867)	(49,164)	(12,140)	(53,775)	-	-	(5,001)
State of Alaska contribution	-	-	-	-	-	-	-	-	(30,000)	(13,333)
Renewable energy fund contribution	-	-	-	-	-	-	-	-	-	(6,316)
Program administration - AEA	(243)	(624)	(444)	(575)	(737)	(602)	(214)	(616)	(737)	(985)
Administrative fee - Regulatory Commission	(112)	(113)	(102)	(108)	(123)	(135)	(126)	(167)	(105)	(179)
Management fee - Department of Revenue or APFC (2)	(393)	(458)	(430)	(421)	(1,030)	(1,030)	(970)	(1,901)	(2,029)	(2,013)
Total outflows	(35,704)	(26,790)	(74,695)	(42,971)	(79,291)	(37,907)	(109,224)	(48,189)	(81,537)	(76,910)
Ending cash and investment balance	$ 1,023,566	$ 1,073,378	$ 1,072,825	$ 1,078,157	$ 1,149,165	$ 967,416	$ 946,597	$ 979,405	$ 994,130	$ 1,037,018

(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.

Organization and Operations

The Alaska Energy Authority (AEA) is the state's energy office and lead agency for statewide energy policy and program development. AEA is an independent public corporation governed by a board of directors. AEA's mission is advancing affordable, reliable energy in Alaska. AEA owns and manages energy assets, administers energy programs and funding initiatives, and supports energy planning and infrastructure development throughout Alaska.

- **Owned Assets:** AEA owns and operates 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 connecting the Southern and Central Railbelt regions.

- **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 serves more than 80,000 residents in 193 communities.

- **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, supporting safe and reliable operation of community energy infrastructure. 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 works with utilities, governments, tribal organizations, nonprofits, and independent power producers on renewable energy solutions. These efforts include biomass, hydroelectric, solar, wind, and electric vehicles initiatives. AEA provides technical assistance, funding programs, and training related to these technologies.

- **Planning:** AEA's Planning Team manages grant and loan programs, coordinates energy project planning activities, and provides technical assistance and training. The team works with state, federal, and private-sector partners to identify funding opportunities and support energy project development. It also coordinates technical assistance services and funding resources available through federal agencies such as the Department of Energy, Tribal and Indian Energy programs, and National Laboratories.

- **Railbelt Transmission Organization (RTO):** AEA provides administrative support to the RTO as it develops a unified Open Access Transmission Tariff for the Railbelt electric system.

High-Impact Infrastructure Initiatives

Cook Inlet PowerLink (CIPLink)

CIPLink is a high-voltage direct current transmission project designed to connect the Southern and Central Railbelt regions. The project includes a 35-mile subsea transmission cable across Cook Inlet, associated overland facilities, and converter stations on each end of the system. The planned system will include converter stations at each end to support a bidirectional power flow of up to 200 megawatts. The initial system will provide 100 megawatts of bidirectional transfer capacity and is designed for future expansion to 200 megawatts.

As of June 30, 2026, the total estimated project cost was approximately $413 million. AEA had secured $206.5 million through a U.S. Department of Energy Grid Resilience and Innovation Partnerships (GRIP) award and identified $64.2 million in non-federal matching funds. Approximately $142 million in additional funding remains to be secured.

AEA continued environmental review, permitting, and project development activities during fiscal year 2026. Major construction activities are anticipated to begin in 2028 following permitting and procurement activities, with project completion and commissioning targeted for 2032.

Bradley Lake Expansion Project

The Bradley Lake Hydroelectric Project is owned by AEA and has 120 megawatts of installed generating capacity. The project provides hydroelectric power to Railbelt utilities and has been operated under contract by Homer Electric Association since commercial operations began in 1991.

AEA is advancing the Bradley Lake Expansion Project, which includes the Dixon Diversion and dam raising. The proposed project would divert water from Dixon Glacier into Bradley Lake through a 4.6-mile tunnel system and raise the existing dam and spillway. Preliminary estimates indicate the project could increase annual energy production by approximately 40 percent, adding up to 167,000 megawatt-hours of generation annually. This additional generation is estimated to provide enough electricity to serve up to 30,000 homes and offset approximately 1.5 billion cubic feet of natural gas annually, equal to approximately 7.5 percent of Alaska's projected unmet natural gas demand in 2030.

As of June 30, 2026, the estimated project cost was $420.7.9 million. AEA had secured $32.7 million to support project development. AEA anticipates funding the remainder through revenue bonds and other mechanisms. During fiscal year 2026, AEA continued engineering, permitting, and licensing activities. The Final License Amendment Application was submitted to the Federal Energy Regulatory Commission (FERC) in June 2026. Construction is anticipated to begin in 2028, with commercial operation targeted for 2031.

Railbelt Transmission Upgrades

In November 2022, AEA issued $166 million in Eleventh Series revenue bonds to fund transmission, energy storage, and related infrastructure projects supporting the Bradley Lake Hydroelectric Project and the Railbelt electric system. The bonds are supported by participating Railbelt utilities through ongoing payments authorized under existing agreements.

A significant portion of the bond proceeds has been allocated to the Soldotna-Sterling-Quartz Creek (SSQ) Transmission and Substation Upgrades Project. The project includes upgrades to 53 miles of transmission infrastructure on the Kenai Peninsula and associated substation improvements. AEA owns and manages the 39-mile Sterling-Quartz Creek segment, while Homer Electric Association owns the 14-mile Soldotna-Sterling segment.

The project replaces aging transmission infrastructure with upgraded transmission lines, structures, substations, and related equipment designed to increase transmission capacity along the corridor connecting the Bradley Lake Hydroelectric Project to Railbelt communities.

As of June 30, 2026, the estimated project cost was $178.5 million. AEA had secured $90.0 million in funding and approximately $88.5 million in additional funding remained to be secured. Approximately $14.2 million in project work had been completed. During fiscal year 2026, AEA continued design, environmental review, permitting, procurement, and construction activities associated with the project.

Alaska Intertie Project

The Alaska Intertie spans 170 miles between Willow and Healy. The transmission line was designed for 345 kilovolts and currently operates at 138 kilovolts. The Intertie connects electric utilities in Southcentral Alaska and the Fairbanks area and allows participating utilities to transfer power between the two regions.

AEA and the Intertie Management Committee (IMC) manage the Alaska Intertie under the Alaska Intertie Agreement. AEA contracts with Golden Valley Electric Association (GVEA), Chugach Electric Association, and Matanuska Electric Association for operations and maintenance. These organizations are referred to as the participating utilities. The Intertie supports power transfers during normal operations and system disturbances and provides GVEA access to power generated by the Bradley Lake Hydroelectric Project.

During a January 2025 winter storm, an avalanche and associated debris damaged Structure 616 near Cantwell. GVEA initially stabilized the structure and subsequently completed repairs under its operations and maintenance responsibilities. The emergency response and repair costs exceeded $530,000 and were reimbursed through the IMC budget during fiscal year 2026. On June 10, 2026, the governor amended the January 2025 disaster declaration to authorize reimbursement of eligible costs through the State of Alaska Disaster Relief Fund. Reimbursement was in process as of June 30, 2026.

During fiscal year 2026, AEA also provided GVEA a $10.3 million subaward through the U.S. Department of Energy's Infrastructure Investment and Jobs Act Section 40101(d) Grid Resilience Formula Grant Program. The project will renovate and reinforce a section of the Intertie affected by unequal snow loading and address conductor ground-clearance and separation issues. The signed grant agreement identifies the project's purpose as reducing the likelihood and consequences of disruptive events associated with snow loading.

Under the Second Amended and Restated Alaska Intertie Agreement, executed March 11, 2014, AEA and the IMC oversee Intertie operations, maintenance, repairs, and capital improvements. The IMC includes representatives from AEA and each participating utility and operates under AEA oversight.

Susitna-Watana Hydroelectric Project

The Susitna-Watana Hydroelectric Project is a proposed 618-megawatt hydroelectric facility on the upper Susitna River, roughly halfway between Anchorage and Fairbanks. AEA identified the proposed dam site within a steep-sided valley below Watana Creek at River Mile 184, approximately 22 miles upstream of Devil's Canyon. The project design includes a 705-foot roller-compacted concrete dam with a nominal crest elevation of 2,050 feet above mean sea level, a 42.5-mile-long reservoir covering approximately 23,546 acres, and associated transmission facilities connecting to the Alaska Intertie. The project is designed to generate approximately 2.8 million megawatt-hours annually, which AEA estimates could meet roughly 50 percent of projected Railbelt electricity demand.

AEA began preliminary planning and conceptual design work in 2010 and subsequently selected Susitna-Watana as the state's primary large hydroelectric development initiative. In December 2011, AEA filed a Notice of Intent and Pre-Application Document with the Federal Energy Regulatory Commission (FERC) to begin the licensing process. FERC approved 58 environmental study plans in 2013, and AEA completed extensive engineering, environmental, fisheries, wildlife, and cultural resource studies. On June 3, 2014, AEA submitted a nearly 7,000-page Initial Study Report summarizing the first year of field studies.

The Alaska State Legislature appropriated approximately $192 million for planning, design, environmental studies, and licensing activities. In December 2014, Gov. Bill Walker issued Administrative Order 271, suspending discretionary spending on the project, and FERC subsequently placed the licensing process in abeyance. Limited activities resumed from 2015 to 2017 to preserve prior state investments and complete regulatory milestones. In June 2017, FERC issued its determination on the Initial Study Report. Following completion of authorized work, AEA terminated remaining contracts by Sept. 30, 2017, and returned approximately $1.9 million in remaining funds to the state.

The project remains in the FERC pre-application process. Preliminary engineering, feasibility studies, environmental investigations, dam siting evaluations, and reservoir design work have been completed. AEA estimates that approximately $200 million has been invested in licensing, engineering, environmental studies, and related development activities. AEA estimates the project's current capital cost at approximately $8.7 billion.

As Alaska's energy office and the agency responsible for the Susitna-Watana Hydroelectric Project under Alaska Statute 44.83.080, AEA maintains project records, technical information, and licensing materials associated with prior project activities. As of June 30, 2026, no additional project development activities had been authorized or funded. Further advancement of the project would require policy direction and funding authorization from the governor and Alaska State Legislature. Based on prior FERC determinations, AEA believes portions of the completed licensing, engineering, and environmental work may remain applicable if the project is reconsidered in the future.