

# **Southeast Alaska Power Agency**

**Financial Statements,  
Required Supplementary Information, and  
*Government Auditing Standards* Report**

**For the Years Ended December 31, 2023 and 2022**

**(With Independent Auditor's Report Thereon)**

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



## **Southeast Alaska Power Agency**

---

Financial Statements, Required Supplementary Information, and  
*Government Auditing Standards* Report

For the Years Ended December 31, 2023 and 2022

(With Independent Auditor's Report Thereon)

# Southeast Alaska Power Agency

## Contents

---

	<u>Page</u>
<b>Independent Auditor's Report</b>	1-3
<b>Management's Discussion and Analysis</b>	6-13
<b>Basic Financial Statements</b>	
Statements of Net Position	16
Statements of Revenues, Expenses, and Changes in Net Position	17
Statements of Cash Flows	18-19
Notes to Basic Financial Statements	20-37
<b>Required Supplementary Information</b>	
Schedule of Contributions - National Rural Electric Cooperative Association (NRECA)	40
Schedule of Contributions - Alaska Electrical Pension Plan	41
Notes to Required Supplementary Information	42
<b><i>Government Auditing Standards Report</i></b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44-45
Schedule of Findings and Responses	46



Tel: 907-278-8878  
Fax: 907-278-5779  
www.bdo.com

3601 C Street, Suite 600  
Anchorage, AK 99503

## **Independent Auditor's Report**

The Board of Directors  
Southeast Alaska Power Agency  
Ketchikan, Alaska

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the Southeast Alaska Power Agency (the Agency) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Southeast Alaska Power Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Southeast Alaska Power Agency, as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***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.

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



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 Agency'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 opinion. 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 Southeast Alaska Power Agency'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 Southeast Alaska Power Agency'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.



## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6 through 13 and the Schedules of Pension Contributions and related notes on pages 40-42 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2024 on our consideration of the Southeast Alaska Power Agency'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 Southeast Alaska Power Agency'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 Southeast Alaska Power Agency's internal control over financial reporting and compliance.

BDO USA, P.C.

Anchorage, Alaska  
July 29, 2024

*This page intentionally left blank.*

## **Management's Discussion and Analysis**

---



# **Southeast Alaska Power Agency**

## **Management's Discussion and Analysis** *December 31, 2023; 2022; and 2021*

---

This presentation and analysis are intended to serve as an introduction to and discussion of the financial statements of Southeast Alaska Power Agency (SEAPA) for the fiscal years ended December 31, 2023; 2022; and 2021.

### **Mission Statement**

---

SEAPA's mission is to safely provide clean, reliable, low-cost wholesale power to the communities we serve.

### **Financial Highlights**

---

- Total assets and deferred outflows of resources of \$177.8M in 2023 and \$178.7M in 2022 exceeded total liabilities by \$144.6M and \$143.8M, respectively. As of December 31, 2023, 2022, and 2021; \$35.8M, \$31M, and \$31.1M were unrestricted and available to meet SEAPA's ongoing obligations to customers and creditors, respectively.
- SEAPA's total net position increased \$877K in FY2023, compared to \$639K in FY2022 and \$4.6M in FY21.
- The wholesale power rate was increased a quarter-cent in 2023 and 2022, to 7.3 and 7.05 cents per kWh, respectively, to offset inflationary pressures and support financing for capital projects. The wholesale power rate of 6.8 cents per kWh was in effect in 2021, a rate that held steady for 24 consecutive years.
- Series 2019 Bonds will mature in June 2024. This five-year issuance through the Alaska Municipal Bond Bank refunded the remaining 2009 Bonds. Principal payments will begin on the 2015 Series in 2025.
- SEAPA occupied its new headquarters in Ketchikan during the summer of 2023. Built on property acquired in 2019, the facility includes office space, a Board room, warehouse storage, a lay-down yard, and a standby generator. This project was funded by a bond issuance of \$5.99M through the Alaska Municipal Bond Bank in September 2022.
- A \$489K capital project financed by SEAPA's Renewal & Replacement Fund (R&R Fund) was completed in 2023 and replaced two circuit switchers at the Tyee Lake hydroelectric facility.
- Other income included interest and investment income of \$758K in 2023. SEAPA also netted \$297K in sales of Renewable Energy Certificates in 2023 (and \$168K in 2022) and continues to certify and market new hydropower generation as it becomes eligible.
- SEAPA experienced a fault on the Stikine submarine cable crossing between Woronkofski Island and Vank Island on September 29, 2019. This crossing has three cables in service and one spare. SEAPA was able to isolate the faulted cable and switch over to the spare cable within 24 hours, restoring energy deliveries to Petersburg. Removal and replacement of the submarine cable was completed in the summer of 2021 at a cost of \$11.7M.
- SEAPA utilized its Self-Insured Risk Fund to cover submarine cable expenditures prior to its June 2021 issuance of \$11.33M in Series 2021 Bonds through the Alaska Municipal Bond Bank. These bonds were issued to cover the cost of the submarine cable replacement and other capital improvements as needed.

# Southeast Alaska Power Agency

## Management's Discussion and Analysis December 31, 2023; 2022; and 2021

### Statement of Net Position

Total assets, total liabilities and total net assets as of December 31, 2023; 2022; and 2021 follow:

	December 31, 2023	December 31, 2022	December 31, 2021
<b>Assets:</b>			
Current assets	\$ 29,850,311	\$ 31,910,407	\$ 29,615,963
Capital assets	135,556,204	137,040,940	136,343,266
Noncurrent assets	12,380,034	9,725,546	7,348,299
<b>Total Assets</b>	<b>\$ 177,786,551</b>	<b>\$ 178,676,893</b>	<b>\$ 173,307,528</b>
<b>Liabilities:</b>			
Current liabilities	\$ 2,340,901	\$ 2,459,606	\$ 2,075,395
Noncurrent liabilities	30,796,758	32,445,635	28,099,205
<b>Total liabilities</b>	<b>\$ 33,137,659</b>	<b>\$ 34,905,241</b>	<b>\$ 30,174,600</b>
<b>Net position</b>			
Net investment in capital assets	\$ 104,614,885	\$ 104,609,725	\$ 108,434,672
Restricted for debt service	2,594,125	2,593,000	2,253,788
Restricted under agreements with external parties	1,594,600	5,588,819	1,365,223
Unrestricted	35,845,282	30,980,108	31,079,245
<b>Total net position</b>	<b>\$ 144,648,892</b>	<b>\$ 143,771,652</b>	<b>\$ 143,132,929</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 177,786,551</b>	<b>\$ 178,676,893</b>	<b>\$ 173,307,528</b>

### Discussion of Financial Position

#### Financial Position - FYE December 31, 2023

Current assets decreased overall by nearly \$2M as the 2022 Construction Fund, created to fund the Ketchikan headquarters construction, was drawn down to complete that capital project.

Net capital assets decreased as construction on capital projects was pushed to 2024 and expenditures were offset by depreciation.

The shift in noncurrent assets was due to longer-term maturities in SEAPA's Self-Insured investment fund.

Series 2019 Bonds mature in June 2024 but overall debt service will remain stable as principal payments begin on Series 2015 in 2025.

# **Southeast Alaska Power Agency**

## **Management's Discussion and Analysis** *December 31, 2023; 2022; and 2021*

---

### Financial Position - FYE December 31, 2022

Current assets increased overall by nearly \$2.3M and included unspent proceeds from the 2022 bond issuance (approximately \$4M at year-end) in the form of a dedicated Construction Fund.

Capital assets increased with construction of the Ketchikan headquarters underway and the Wrangell warehouse-office refurbishment completed. A transformer circuit switcher was also updated in Wrangell and the Petersburg substation was refurbished in 2022.

The shift in noncurrent assets was due to longer-term maturities in SEAPA's Self-Insured investment fund.

Liabilities increased with the issuance of 2022 long-term debt.

### Financial Position - FYE December 31, 2021

Current assets increased by over \$9MM. Receipt of \$5MM in submarine cable insurance proceeds contributed to this increase. Restricted funds also increased by \$800K due to issuance of 2021 bonds and establishment of related reserve accounts, and inventory assets increased with the purchase of a spare length of submarine cable valued at \$768K.

Capital Assets valued at \$14.7M were placed into service this year, which included replacement of the \$11.7M submarine cable and the \$1.9M station-service switchgear project at the Swan Lake facility. These increases were offset by \$5.1M in annual depreciation.

Noncurrent assets consist of investments held in SEAPA's Self-Insured Risk Fund for which the maturity is longer than one year. The balance of the Self-Insured Risk Fund increased from \$8M to \$13MM in 2022, with the increase funded by the \$5MM insurance proceeds collected for the submarine cable replacement.

**A summary of SEAPA's operational cash, investment and trustee funds follows:**

### **Operating Funds**

Revenue Fund - All revenues from all sources are deposited to the Revenue Fund as required by bond indenture. Withdrawals from the Revenue Fund cover operational costs and fund other accounts as needed.

Commercial Checking - Monies are transferred from the Revenue Fund and corresponding dedicated funds to cover all expenditures which are issued from this account.

### **Dedicated Funds**

R&R Fund - R&R (Renewal and Replacement) funds are dedicated to Board-approved capital projects. A \$1M minimum balance required by bond indenture is maintained in the Required R&R Fund. The R&R Fund is capitalized by an annual levelized payment of \$3M from the Revenue Fund. The amount of the levelized payment is established by the R&R Plan and updated every five years; consequently, it was increased to \$3M in 2022 following the Plan's most recent update.

## **Southeast Alaska Power Agency**

### **Management's Discussion and Analysis**

*December 31, 2023; 2022; and 2021*

---

**New Generation Fund** - Dedicated to funding new energy projects, monies are currently being used to investigate the feasibility of potential renewable energy generation and storage resources.

**Self-Insured Risk Fund** - This is a risk management fund established as coverage for uninsured portions of SEAPA's transmission lines and to pay insurance deductibles and operational costs in the event of a catastrophic event. The fund balance of \$8M was increased by the Board to \$13M in 2022 pursuant to review of the R&R Plan, which was updated in 2021. Any excess earnings from this account are transferred to the R&R Fund at the beginning of each fiscal year.

**Rate Stabilization Fund** - Established in 2018 to reserve a portion of excess revenues to supplement revenue in case of a catastrophic shortfall in income, ensure bond covenants and fund balance minimums are met, reduce the amount of future bond issuances, and to supplement the Dedicated R&R Fund to finance extraordinary capital expenditures. Withdrawals from this fund are authorized by the Board and are ultimately intended to avoid drastic adjustments to the wholesale power rate.

**2022 Construction Fund** - Established in 2022 with proceeds from the September bond issuance for the purpose of funding construction on SEAPA headquarters. Any remaining balance may be applied to other capital projects.

#### **Restricted Funds**

**Trustee Funds** - This includes all bond-related funds: interest, principal, reserve and escrow funds.

**USFS Certificate of Deposit** - This CD is required by the US Forest Service as a land remediation deposit related to the Burnett Peak communication site established during construction of the Swan-Tyee Intertie.

**DNR Reclamation Funds** - This is a reclamation contingency fund established in 2005 and required by the Alaska Department of Natural Resources. SEAPA maintains this trustee account which requires an annual deposit of \$75K, half of which is contributed by Copper Valley Electric Association and Kodiak Electric Association. This fund will be divested amongst the three participants in the first half of 2024.

The remainder of this page intentionally left blank.

# Southeast Alaska Power Agency

## Management's Discussion and Analysis

*December 31, 2023; 2022; and 2021*

### Changes in Net Position

Components of the Agency's operating revenues, operating expenses, and non-operating revenues/expenses for the fiscal periods ended December 31, 2022; 2021; and 2020 follow:

	December 31, 2023	December 31, 2022	December 31, 2021
Operating revenues:			
Power sales revenue	\$ 14,130,366	\$ 13,577,583	\$ 12,213,210
Net Operating Revenues	14,130,366	13,577,583	12,213,210
Operating expenses:			
Operating and maintenance	2,407,288	2,252,627	2,299,657
Transmission operations and maintenance	2,032,894	1,572,238	1,181,877
General and administrative	3,183,515	3,472,327	2,953,676
Depreciation expense	5,237,661	5,097,857	5,103,867
Total operating expenses	12,861,358	12,395,049	11,539,077
Net Operating Income	1,269,008	1,182,534	674,133
Non-operating revenues (expenses):			
Investment income	757,993	(285,045)	(18,269)
Grant revenue	33,225	106,110	199,797
Grant expense	(33,225)	(41,266)	(199,797)
Interest expense	(1,130,998)	(1,080,973)	(705,408)
Other income (expense)	(18,763)	757,363	4,666,186
Net non-operating revenues (expenses)	(391,768)	(543,811)	3,942,509
Change in net position	877,240	638,723	4,615,642
Net Position - beginning of year	143,771,652	143,132,929	138,517,287
Net Position - end of year	\$ 144,648,892	\$ 143,771,652	\$ 143,132,929

# **Southeast Alaska Power Agency**

## **Management's Discussion and Analysis** *December 31, 2023; 2022; and 2021*

---

### **Discussion of Operations**

Operating revenues are derived from power generated at SEAPA's two hydroelectric facilities and sold to its three member-utility customers.

#### Operations - January through December 2023

Power sales of \$14.130M were recorded in 2023 due to record sales of 189,680 MWh and a quarter-cent increase to the wholesale power rate. Sales were more than 6,000 MWh higher than 2022. The increase is primarily due to a temporary outage at one of the Member Utility's legacy hydro plants. During the period that the plant was undergoing a major upgrade, more power was purchased from SEAPA.

2023 net operating income of \$1.2M includes depreciation expense of \$5.2M which is an increase of \$139K over 2022.

Grant revenue and expense of \$33K was recorded in 2023. Funding from the State of Alaska FY13 Alaska DCCED grant continues to be applied toward regional hydro site analysis. A balance of \$37K was still available at the end of the fiscal year. The grant is extended through June 2025 but is expected to be expended in 2024 with the completion of the regional hydro site analysis.

The change in net position was \$877,240 compared to \$638,722 in 2022 with the increase in sales attributed to one customers' temporary unavailable legacy hydroelectric resource.

#### Operations - January through December 2022

Power sales of \$13.578M were recorded in 2022 due to record sales of 183,340 MWh and a quarter-cent increase to the wholesale power rate. Sales were slightly more than 14,000 MWh higher than 2021 and are attributed to a cold snap in December, as well as a trend of small incremental increases in annual sales.

2022 net operating income of \$1.1M includes depreciation expense of \$5.1M and is an increase of \$437K over 2021.

Grant revenue of \$106K and grant expense of \$41K were recorded in 2022. Funding from the State of Alaska FY13 Alaska DCCED grant continues to be applied toward regional hydro site analysis. A balance of \$99K was still available at the end of the fiscal year, and the grant is extended through June 2024. Grant revenue also included \$65K from the Alaska Division of Homeland Security and Emergency Management as reimbursement for expenses incurred during a windstorm that took place in Wrangell in November 2021.

The change in net position was \$638,722 in 2022.

# **Southeast Alaska Power Agency**

## **Management's Discussion and Analysis**

*December 31, 2023; 2022; and 2021*

---

### Operations - January through December 2021

Power sales exceeded \$12.2M in 2021, representing an increase of \$846K over the previous year. Fluctuations in power sales are primarily attributed to annual variations in weather.

Net operating income was \$674K, representing an increase of \$369K over the previous year, and includes \$5.1M in depreciation expense.

Grant revenue and expense of \$199.8K were recorded in 2021, representing funding from the State of Alaska FY13 Alaska DCCED grant. A balance of \$179K was still available at the end of the fiscal year.

The change in net position for the year was \$4.6M, reflecting the receipt of \$5M in submarine cable insurance proceeds, recorded to nonoperating revenue.

### **Economic Factors Influencing 2023 and 2024 Budgets, Rates, and Revenues**

Snowpack levels in SEAPA's hydro project drainages were 136% and 133% above average for Swan Lake and Tyee Lake respectively. In June 2023, sales increased significantly due to increased energy demand from one of SEAPA's Member Utilities, resulting from a temporary outage on their legacy hydroelectric facility. With additional energy capacity available from energy stored in the form of snow, SEAPA made all deliveries on the increased demand, resulting in the highest sales on record at 11% above budget and a 3.5% increase over 2022.

SEAPA's Wholesale Power Rate (WPR) was raised in January 2023 from 7.05 cents/kWh to 7.3 cents/kWh. This was the second rate increase in over 24 years. Record sales in 2023 precluded the need for a rate increase in 2024, however additional small incremental increases are anticipated in the future to address rising overhead costs and debt service for major capital replacements.

The cruise ship industry is a major driver for Southeast Alaska and more ships in history were scheduled daily throughout the 2023 season. Two additional cruise ship berths were completed in Ketchikan near Ward Cove, accommodating large capacity post-Panamax vessels. Ridership has now exceeded pre-pandemic levels, with record numbers of tourists in port. This has boosted Ketchikan's economy and increased population during the tourist season. 2024 is predicted to be the highest passenger (ship-to-shore) count on record.

The overall economics of the State of Alaska is stable. Even though high fuel prices have temporarily boosted State revenue, there is still significant uncertainty surrounding changing Federal policies that are tied directly to oil production.

Energy prices are still extremely high and have impacted space heating costs for residents that utilize petroleum-based heating. It is still anticipated that the State will eventually need to implement alternative revenue streams to achieve long-term fiscal stability. This may include a State income tax which would add downward pressure to the economy.

The Federal Infrastructure Investment and Jobs Act (IIJA) began to inject investments into energy in 2023. Investments in this sector, on the federal level, were in the billions of dollars. The remainder of the appropriated funds will be dispersed over the next four years. As a result, increased demand on the market has resulted in limited supplies, which increased the cost of goods and services. Recruitment has been difficult as a result and may require remote work.

# **Southeast Alaska Power Agency**

## **Management's Discussion and Analysis**

*December 31, 2023; 2022; and 2021*

---

SEAPA applied for competitive grant opportunities under IIJA to support grid reliability and enhance resiliency. Notification of awards are anticipated in 2024. If successful, funding for major infrastructure projects will provide an economic boost to the region.

Population trends typically have a strong correlation to energy sales. The lack of available and affordable housing remains a significant barrier to growth in the region. Inflation has caused increased housing costs, however, wages in the region have nearly caught up with inflation. Housing to wage ratios are anticipated to stabilize over the next few years.

Decarbonization may assume a more prominent role in driving future revenues. Beneficial electrification is expected to increase power sales as electric vehicles are adopted and heating sources shift away from carbon sources. Funding opportunities in IIJA for bus and ferry electrification and EV infrastructure began to roll out in 2023. 2024 should realize greater investment in this sector.

A regional load forecast study was performed in 2023 to ascertain the rate of growth related to beneficial electrification. The results indicated that load growth in Southeast Alaska is occurring at a rapid rate. 50% of residential homes are currently heated with petroleum. Due to technological advancements in heat pumps, loads have been increasing at over 5% per year as homes convert to electric. This trend is anticipated to continue over the next decade.

Ketchikan shipyard activities continue to be mostly limited to maintenance of existing Alaska Marine Highway vessels and no new major ship builds have been announced.

Regional fish processing has shifted to flash-freezing for most species which contributes to power sales in the off-winter months. The fishing industry however was severely impacted by oversupply in 2023. An influx of fish from Russia caused the market to crash nearly 50%. This may cause a reduction in fish processing in 2024, which would reduce summer loads.

Mariculture is gaining traction in the region including oysters and kelp. These products may provide additional work for existing processors allowing them to maximize use of seasonal workers and facilities. Although still in its infancy, the Alaska mariculture industry has the potential to grow significantly over time.

SEAPA's 2024 budget includes continuation of works in progress and several new Renewal & Replacement (R&R) projects. These projects are forward funded through the Dedicated R&R Fund and focus on safety, reliability, generation and transmission assets. Relicensing of the Swan Lake and Tyee Lake hydroelectric facilities will begin in 2024. SEAPA remains proactive and committed to ensuring the long-term health of the generation and transmission system.

### Contacting SEAPA's Financial Management

This financial report is designed to provide SEAPA's customers, creditors, and investors with a general overview of the Joint Action Agency's finances and to demonstrate the Agency's accountability for the money it receives. Questions concerning the information provided in this report or requests for additional information should be directed to Controller, 55 Don Finney Lane, Ketchikan, AK 99901 or call 907-228-2281. This financial report and prior year financial reports are also available on SEAPA's web site at [seapahydro.org/resources](http://seapahydro.org/resources).



*This page intentionally left blank.*

## **Basic Financial Statements**

---

# Southeast Alaska Power Agency

## Statements of Net Position

December 31,	2023	2022
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and cash equivalents, including restricted cash and investments of \$3,697,737 at December 31, 2023, and \$8,136,131 at December 31, 2022	\$ 24,478,033	\$ 25,139,979
Accounts receivable	2,379,558	3,464,854
Grants receivable	-	37,026
Accrued interest receivable	125,375	59,127
Inventory	2,043,752	2,250,448
Prepaid expenses	823,593	958,974
<b>Total Current Assets</b>	<b>29,850,311</b>	<b>31,910,408</b>
<b>Noncurrent Assets</b>		
Investments, long-term	12,357,319	9,680,872
Deferred charges	13,257	12,514
Capital assets, net	135,556,205	137,040,940
<b>Total Noncurrent Assets</b>	<b>147,926,781</b>	<b>146,734,326</b>
<b>Deferred Outflows of Resources - loss on refunding</b>	<b>9,459</b>	<b>32,159</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 177,786,551</b>	<b>\$ 178,676,893</b>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 933,157	\$ 1,149,192
Accrued interest payable	14,533	14,549
Current portion of other long-term liabilities	73,211	40,865
Current portion of long-term debt	1,320,000	1,255,000
<b>Total Current Liabilities</b>	<b>2,340,901</b>	<b>2,459,606</b>
<b>Noncurrent Liabilities</b>		
Other long-term liabilities, net of current portion	1,165,979	1,237,261
Long-term debt, net of current portion	26,515,000	27,835,000
Bond issue premium, net	3,115,779	3,373,374
<b>Total Noncurrent Liabilities</b>	<b>30,796,758</b>	<b>32,445,635</b>
<b>Total Liabilities</b>	<b>33,137,659</b>	<b>34,905,241</b>
<b>Net Position</b>		
Net investment in capital assets	104,614,885	104,609,725
Restricted for debt service	2,594,125	2,593,000
Restricted by agreements with external parties	1,594,600	5,588,819
Unrestricted	35,845,282	30,980,108
<b>Total Net Position</b>	<b>144,648,892</b>	<b>143,771,652</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 177,786,551</b>	<b>\$ 178,676,893</b>

*See accompanying notes to basic financial statements.*

## Southeast Alaska Power Agency

### Statements of Revenues, Expenses, and Changes in Net Position

<i>Years Ended December 31,</i>	2023	2022
<b>Operating Revenues</b>		
Revenue from power sales	\$ 14,130,366	\$ 13,577,583
<b>Operating Expenses</b>		
Operating and maintenance	4,440,182	3,824,865
General and administrative	3,183,515	3,472,327
Depreciation expense	5,237,661	5,097,857
<b>Total Operating Expenses</b>	12,861,358	12,395,049
Operating income	1,269,008	1,182,534
<b>Nonoperating Revenues (Expenses)</b>		
Investment gain (loss)	757,993	(285,045)
Grant revenue	33,225	106,110
Grant expenses	(33,225)	(41,266)
Interest expense	(1,130,998)	(1,007,794)
Bond issuance expense	-	(73,179)
Insurance recovery	-	661,093
Loss on property disposal	(266,858)	(11,372)
Other income	248,095	107,642
<b>Net Nonoperating Revenues (Expenses)</b>	(391,768)	(543,811)
Change in net position	877,240	638,723
<b>Net Position, beginning of year</b>	143,771,652	143,132,929
<b>Net Position, end of year</b>	\$ 144,648,892	\$ 143,771,652

*See accompanying notes to basic financial statements.*

# Southeast Alaska Power Agency

## Statements of Cash Flows

Years Ended December 31,	2023	2022
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 15,215,662	\$ 12,912,657
Payments to suppliers and employees	(7,537,334)	(7,467,529)
Other miscellaneous receipts and disbursements	248,095	107,642
Net cash flows from operating activities	7,926,423	5,552,770
<b>Cash Flows from (for) Noncapital Financing Activities</b>		
Grant and contract receipts	70,251	202,884
Grant and contract expenses	(33,225)	(41,266)
Net cash flows from noncapital financing activities	37,026	161,618
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Purchase of capital assets	(4,019,784)	(5,806,903)
Receipt of insurance payment	-	661,093
Interest payments on long-term debt	(1,365,909)	(1,345,822)
Proceeds from issuance of bonds	-	6,042,405
Payments for cost of issuance of bonds	-	(73,179)
Principal payments on long-term debt	(1,255,000)	(1,195,000)
Net cash flows for capital and related financing activities	(6,640,693)	(1,717,406)
<b>Cash Flows from (for) Investing Activities</b>		
Purchase of investments	(12,164,135)	(16,303,067)
Proceeds from sales of investments	9,969,442	14,286,194
Investment income received	209,991	115,657
Net cash flows for investing activities	(1,984,702)	(1,901,216)
Net increase in cash and cash equivalents	(661,946)	2,095,766
Cash and Cash Equivalents, beginning of year	25,139,979	23,044,213
Cash and Cash Equivalents, end of year	\$ 24,478,033	\$ 25,139,979

# Southeast Alaska Power Agency

## Statements of Cash Flows, continued

<i>Years Ended December 31,</i>	2023	2022
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities</b>		
Operating income	\$ 1,269,008	\$ 1,182,534
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	5,237,661	5,097,857
Other income	248,095	107,642
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Inventory	206,696	(117,945)
Prepaid expenses	135,381	(290,864)
Accounts receivable	1,085,296	(664,926)
Deferred charges	(743)	(5,493)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(216,035)	272,010
Other long-term liabilities	(38,936)	(28,045)
<b>Net Cash Flows From Operating Activities</b>	<b>\$ 7,926,423</b>	<b>\$ 5,552,770</b>

*See accompanying notes to basic financial statements.*

# **Southeast Alaska Power Agency**

## **Notes to Basic Financial Statements Years Ended December 31, 2023 and 2022**

---

### **1. Organization and Operations**

The Southeast Alaska Power Agency (the Agency) is a joint action agency of the State of Alaska and was created pursuant to Alaska Statutes Section 42.45.300. The Agency (formerly known as The Four Dam Pool Power Agency (FDPPA) was established in 2001 to take over ownership from the State (the Alaska Energy Authority) of the Terror Lake, Solomon Gulch, Tyee Lake, and Swan Lake hydroelectric projects. This transaction was completed on January 31, 2002. On February 24, 2009, the Agency completed a restructuring, whereby the Terror Lake and Solomon Gulch projects were transferred to Kodiak Electric Association and Copper Valley Electric Association, respectively. Effective with this transfer, the name of the Agency was changed to the Southeast Alaska Power Agency (SEAPA).

The member cities (Ketchikan, Wrangell, and Petersburg) and utilities purchase power from the Agency at the same wholesale power rate.

The current bylaws that govern SEAPA provide for a total of five board members who are selected from each of the communities being served by the projects. Two board members are appointed by Ketchikan (Swan Lake), one each from Wrangell and Petersburg (Tyee Lake), and a fifth board member that rotates annually between the two projects (Swan Lake and Tyee Lake).

SEAPA is an independent agency of the State. SEAPA has the ability to finance its own projects. This independence was proven during the restructuring, completed in 2009, where SEAPA was able to sell its own bonds, secured by the power sales agreement between SEAPA and Ketchikan, Wrangell and Petersburg.

### **2. Summary of Significant Accounting Policies**

The Agency is a joint action agency under the authority of AS 42.45.300-320, of which all the members are governments. Therefore, the Agency is treated as a special purpose government and financial reporting is in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB).

#### ***Basis of Accounting***

The financial activities of the Agency are reported using the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when goods or services are received, or the related liability is incurred.

#### ***Cash and Cash Equivalents***

For the purpose of the statements of cash flows, cash and cash equivalents consists of cash, demand deposits, money market funds, and short-term commercial paper or certificates of deposit.

# **Southeast Alaska Power Agency**

## **Notes to Basic Financial Statements**

---

### ***Investments***

The Agency's investments are recorded in accordance with the authoritative guidance on fair value measurements and disclosures. Exceptions to fair value measurement in the guidance include valuation of certain investments at amortized cost, including nontradeable certificates of deposit. Unrealized gains and losses are included in earnings and are reported as investment income (loss).

### ***Restricted Assets***

As described in Note 3, assets that are restricted for specific uses by bond indentures or other requirements are classified as restricted assets. When both restricted and unrestricted assets are available for use, it is the Agency's policy to use restricted assets first, then unrestricted assets, as they are required.

### ***Inventory***

Inventory of parts and supplies is valued at cost using the specific identification method.

### ***Prepaid Expenses***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

### ***Capital Assets***

The Agency's capital assets are recorded at cost and depreciation is charged to operations by use of the straight-line method over their estimated useful lives. Repairs and maintenance charges are expensed as incurred.

The estimated useful lives of the capital assets are as follows:

<i>Capital assets</i>	<i>Years</i>
Structures	15 - 50
Infrastructure	5 - 50
Generation and distribution	5 - 35
Furniture, fixtures, and other	3 - 15

### ***Revenue Recognition***

The primary source of the Agency's revenue is from power sales to the Agency's member utilities (the Purchasers). Revenue is recognized on an accrual basis and is recorded monthly, based on the kilowatt-hours (kWh) used by the members as operating revenue.

The Purchasers purchase power from SEAPA pursuant to conditions of the Power Sales Agreement, adopted at the close of Restructuring on February 24, 2009. The SEAPA Board of Directors sets the wholesale power rate annually. The wholesale power rate for the year ended December 31, 2023 was set at 7.3 cents per kWh and 7.05 cents per kWh for year ended December 31, 2022. The member utilities pay for the amount of power used and displaced sales under the Whitman true-up.



# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

---

The Purchasers buy power from the Agency at the same wholesale power rate. Rebates may be awarded at the Board's discretion based on operating results. The following is the percentage of volume sold to each Purchaser:

<i>Year Ended December 31,</i>	2023	2022
Ketchikan Public Utilities	52%	56%
Petersburg Municipal Light and Power	28%	24%
Wrangell Municipal Light and Power	20%	20%
	100%	100%

---

Contract revenue, grant revenue, and investment income are recognized when earned.

### ***Risk Management***

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which it carries commercial insurance, subject to standard deductibles and limitations. Loss that is not covered by insurance, both in the form of uninsured property (transmission lines) and various insurance deductibles and self-insured retentions, are funded by the internal Self-Insured Risk Fund.

### ***Environmental Issues***

The Agency's policy relating to environmental issues is to record a liability when the likelihood of responsibility for clean-up is probable and the costs are reasonably estimable. At December 31, 2023 and 2022, there were no environmental issues that met both of these criteria and, accordingly, no provision has been made in the accompanying financial statements for any potential liability.

### ***Income Taxes***

The Internal Revenue Code provides that gross income for tax purposes does not include income accruing to a state or territory or any political subdivision thereof, which is derived from the exercise of any essential governmental function.

### ***Estimates***

In preparing the financial statements, management of the Agency is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the statement of net position and revenues and expenses for the period. Actual results could differ from those estimates.

### ***Grants***

The Agency recognizes grant revenue when all applicable eligibility requirements, including time requirements, are met.

### ***Subsequent Events***

The Agency has evaluated subsequent events through July 26, 2024, the date on which the financial statements were available to be issued.

# **Southeast Alaska Power Agency**

## **Notes to Basic Financial Statements**

---

### ***Reclassification***

Certain prior year amounts included in the comparative financial statements have been reclassified to achieve comparability with current year presentation.

### ***Accounting Pronouncements Implemented***

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 Agency for 2023 reporting:

GASB Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements - Effective for year-end December 31, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs), and also provide guidance for accounting and financial reporting for availability payment arrangements (APA). The Agency does not currently provide services or share facilities with any other partnerships with any other private or public entities.

GASB Statement No. 96 - Subscription-Based Information Technology Arrangements - Effective for year-end December 31, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement, among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA. The Agency reviewed its 2023 subscription-based IT arrangements and determined that they qualify as short-term agreements that are not subject to GASB 96 capitalization criteria.

GASB Statement No. 99 - Omnibus 2022 - Provisions of this Statement address requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, classification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63, which are effective upon issuance. The effective date for the provisions of this Statement related to leases, PPPs, and SBITAs are to be implemented for year-end December 31, 2023. The effective date for the provisions of this Statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53, are to be implemented for year-end December 31, 2024. The Agency evaluated the impacts of GASB Statement 99 and determined there to be no impact to the Agency's financial statements for the current fiscal year.

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. 100 - Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62 - Effective for year-end December 31, 2024. Earlier application is encouraged. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

# Southwest Alaska Power Agency

## Notes to Basic Financial Statements

---

GASB Statement No. 101 - Compensated Absences - Effective for year-end December 31, 2024. Earlier application is encouraged. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

GASB Statement No. 102 - Certain Risk Disclosures - Effective for year-end December 31, 2025. Earlier application is encouraged. The objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

### 3. Cash and Investments

#### *Restrictions and Designated Funds*

All revenues, including revenue received from the utilities for the purchase of power pursuant to the Long-Term Power Sales Agreement, are deposited into the Revenue Fund. The Revenue Fund is held by the Agency. The Revenue and Replacement (R&R) Fund is also an Agency-held fund. The R&R Fund is used to fund renewal and replacement projects, and the bond indenture requires that the account balance in this fund shall never be less than \$1,000,000.

The Agency established a Self-Insured Risk Fund, which is an investment fund to cover SEAPA's uninsured transmission lines, insurance deductibles and operational costs in the event of a catastrophic event. This Fund was established by the Board and is based upon a risk assessment performed in 2022.

The Agency established a Rate Stabilization Fund in 2018 and may at any time, from time to time, as determined by the Agency, deposit available revenues in the Rate Stabilization Fund.

The Agency has also established a Commercial Account from which all payments and obligations are paid.

The Bond Fund, consisting of the Interest Account and the Principal Account (for the 2015, 2019, 2021 and 2022 bonds), is held by the Trustee. The Bond Reserve Fund is also held by the Trustee and is required to be maintained at all times at not less than the Bond Reserve Requirement.

The Reclamation Contingency Fund is an Agency-held, restricted fund, used to satisfy certain conditions of the lease and easement agreements between the Agency and the Department of Natural Resources (DNR). The FDPPA (pre-restructured) is required to deposit \$75,000 annually into this fund, half of which is contributed by Copper Valley Electric Association and Kodiak Electric Association. DNR and the Agency have been in discussions to amend this agreement to reflect the change in ownership of the projects.

All restricted funds are kept in current cash accounts and short-term investments such as money market funds.

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

The cash and investments were held in accounts for the following activities:

<i>December 31,</i>	2023	2022
Unrestricted:		
Internal renewal and replacement fund	\$ 1,001,226	\$ 1,000,526
Dedicated renewal and replacement fund	8,514,759	4,649,564
Revenue fund	6,673,128	4,586,559
Self-insured risk fund	13,055,778	12,557,353
Commercial checking account	1,164	1,262
New generation fund	1,885,498	1,884,392
Rate stabilization fund	2,006,062	2,004,658
<b>Total unrestricted</b>	<b>33,137,615</b>	<b>26,684,314</b>
Restricted:		
Reclamation contingency fund	1,572,796	1,431,047
2015 Trust series bond interest	2,193	659
2015 Trust series bond principal	585,358	207,087
2019 Series bond interest fund	4,123	215
2019 Series bond principal fund	1,619	81
2019 Series bond reserve fund	232,685	1,276,271
2021 Series bond interest fund	1,751	1,280
2021 Series bond principal fund	410	297
2021 Series bond reserve fund	793,831	789,257
2022 Series bond interest fund	14,434	85
2022 Series bond principal fund	207	135
2022 Series bond COI fund	-	4,246
2022 Series capitalized interest fund	-	268,105
2022 Series Bond Reserve Fund	466,689	-
STI-USFS CD	21,641	21,641
Construction Fund	-	4,136,131
<b>Total restricted</b>	<b>3,697,737</b>	<b>8,136,537</b>
<b>Total Cash And Investments</b>	<b>\$ 36,835,352</b>	<b>\$ 34,820,851</b>

Cash and investments are reported as follows on the Statements of Net Position:

<i>December 31,</i>	2023	2022
Cash and cash equivalents, including restricted		
cash and investments	\$ 24,478,033	\$ 25,139,979
Investments, long-term	12,357,319	9,680,872
<b>Total Cash And Investments</b>	<b>\$ 36,835,352</b>	<b>\$ 34,820,851</b>

# **Southeast Alaska Power Agency**

## **Notes to Basic Financial Statements**

---

### ***Investment Securities***

#### ***General - Investment Policies, Portfolio Information, and Restrictions***

The Agency's investments are governed by the terms of the Agency's Investment Policy. The Agency's cash and investments are either governed by long-term debt agreements or the Agency's Investment Policy. The Investment Policy for Agency-held funds was amended and adopted by the Board of Directors in June 2009. The following Agency-held securities are eligible for investment under the Investment Policy:

1. Obligations of, or obligations insured or guaranteed by, the United States;
2. Obligations of United States agencies or instrumentalities;
3. Corporate debt securities with a minimum rating of "A" or the equivalent by a nationally recognized rating organization;
4. United States Agency mortgage-backed securities issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or Government National Mortgage Association;
5. Uncollateralized deposits at banks, to the extent that the deposits are insured by the Federal Deposit Insurance Corporation (FDIC);
6. Prime commercial paper bearing the highest rating of a nationally recognized rating organization; and
7. Money market mutual funds, whose portfolios consist entirely of instruments specified in 1 and 2 above and who meet the definition of SEC 2a-7 money-market fund.

Investments shall be diversified to minimize the risk of loss resulting from over concentration of investments in a specific issuer, maturity, or class of security. At the time of purchase, corporate securities may not exceed 25% of the market value of the total portfolio. With the exception of U.S. Agency mortgage-backed securities, no security may have a final maturity greater than five years. To further control interest rate risk, the overall duration of the portfolio may not exceed 120% of the Barclays 1-3 Year Governmental Index. Should any security be downgraded below Investment Grade (BAA or equivalent) by a nationally recognized rating organization, the security will be sold in an orderly manner within 90 days of such downgrade.

*The remainder of this page intentionally left blank.*

# **Southeast Alaska Power Agency**

## **Notes to Basic Financial Statements**

---

The following Trustee-held securities are eligible for investment under the Bond Indenture of Trust:

1. Obligations of the United States or of an agency or instrumentality of the United States;
2. Repurchase and reverse repurchase agreements secured by the Treasury of the United States or obligations of an agency or instrumentality of the United States; certificates of deposit, bankers' acceptances, and other similar obligations of a bank domiciled in the United States that has on the date of purchase:
  - Outstanding debt rated Aa or AA or higher by at least one of the nationally recognized rating services, including dollar-denominated obligations issued by a United States branch of a foreign bank, if the debt of the parent is rated A or higher; and
  - A combined capital and surplus aggregating at least \$500,000,000;
3. Commercial paper and other short-term taxable instruments that maintain the highest rating by at least two nationally recognized rating services on the date of purchase;
4. Obligations of a corporation domiciled in the United States or obligations of a municipality, if the obligations are rated on the date of purchase Aa or AA or higher by at least two nationally recognized rating services;
5. Certificates of deposit issued by a state or federally chartered financial institution that is a commercial or mutual bank, savings and loan association, or credit union, but only if, and to the extent, the institution's accounts are insured through the appropriate federal insuring agency of the United States;
6. Money market funds in which the securities of the fund consist of obligations listed above; and
7. Any other investment permitted under the Issuer's investment policy, as amended, from time to time in writing, which will not adversely affect the ratings of the Outstanding Bond.

Provided that it is expressly understood that the definition of Permitted Investments shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to this Indenture by a Supplemental Indenture, thus permitting investments with different characteristics from those permitted above, which the Issuer deems from time to time to be in the interest of the Issuer to include as Permitted Investments, if at the time of inclusion such inclusion will not, in and of itself, adversely affect the rating on the Outstanding Bonds.

*The remainder of this page intentionally left blank.*

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

### *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of the investment's fair value to changes in the market interest rates. Investment maturities are as follows:

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1-5
<i>December 31, 2023</i>			
U.S. government bonds	\$ 10,590,867	\$ -	\$ 10,590,867
Corporate bonds	321,715	221,749	99,966
U.S. agency obligation	587,327	243,660	343,667
Certificates of deposit	1,523,136	200,317	1,322,819
Total investments	13,023,045	665,726	12,357,319
Cash and cash equivalents:			
Certificates of deposit	21,805	-	-
Money market	3,708,829	-	-
Demand deposits	20,081,673	-	-
Total cash and cash equivalents	23,812,307	-	-
Total	\$ 36,835,352	\$ 665,726	\$ 12,357,319

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1-5
<i>December 31, 2022</i>			
U.S. government bonds	\$ 11,236,195	\$ 2,007,607	\$ 9,228,588
Corporate bonds	233,395	-	233,395
U.S. agency obligation	729,936	729,936	-
Certificates of deposit	318,456	99,567	218,889
Total investments	12,517,982	2,837,110	9,680,872
Cash and cash equivalents:			
Certificates of deposit	21,641	-	-
Money market	4,018,135	-	-
Demand deposits	18,263,093	-	-
Total cash and cash equivalents	22,302,869	-	-
Total	\$ 34,820,851	\$ 2,837,110	\$ 9,680,872

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The credit quality ratings of the Agency's investments, as described by nationally recognized statistical rating organizations, are shown below (using Standard & Poor's Corporation rating scale unless otherwise noted):

Investment Type	Rating	Percent of Total	
		December 31, 2023	December 31, 2022
U.S. government bonds	AAA	0%	95.32%
U.S. government bonds	AA+	92.10%	0%
U.S. government agencies	AA+	5.10%	1.98%
Corporate bonds	AA-	0.87%	0%
Corporate bonds	A	0%	0.84%
Corporate bonds	A-	1.93%	1.86%
Corporate bonds	Not rated	0%	0%
<b>Total</b>		<b>100%</b>	<b>100%</b>

### Custodial Credit Risk

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. The Agency has not established a formal policy for custodial credit risk over its investments. However, the Agency has a custodial agreement in place with their primary banking institution. At December 31, 2023 and 2022, the Agency had no uncollateralized or uninsured bank deposits. The Agency also has money market fund investments it considers to be cash which are not included in the evaluation of bank deposits. These funds are AAA rated and have no restrictions. Certificates of deposit held as investments are fully insured, as they do not exceed the \$250,000 limit per underlying institution by the Federal Deposit Insurance Corporation.

### Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of the Agency's investment in a single issuer. Concentration limits are not established in the bond indentures and governing agreements for trust investments. None of SEAPA's investments (other than those issued or guaranteed by the U.S. government) represent more than 5% of total investments.

The Agency's investments included the following concentrations greater than 5%:

Investment Type	2023		2022	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
U.S. government bonds and agency securities	\$ 11,178,194	97.20%	\$ 11,236,195	95.32%



# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

---

### *Fair Value Measurement*

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Agency has the following recurring fair value measurements as of December 31, 2023 and 2022:

- U.S. government agency securities of \$587,327 and \$729,936 as of December 31, 2023 and 2022, respectively, are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs).
- U.S. government bonds, corporate bonds, and long-term certificates of deposit investments of \$10,590,867 and \$11,554,651 as of December 31, 2023 and 2022, respectively, are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs).

The Agency has investments in money market funds and certificates of deposits totaling \$32,732 and \$39,370 as of December 31, 2023 and 2022, respectively, that are not held at fair value, but instead recorded at amortized cost. Management believes that these values approximate fair value.

### **4. Capital Assets**

The components of the Agency's capital assets are as follows:

<i>Year Ended December 31,</i>	2023	2022
Tyee Lake	\$ 44,716,432	\$ 45,638,584
Swan Lake	37,636,248	36,396,739
Swan-Tyee Intertie	115,330,568	115,329,753
General plant	6,556,325	5,322,534
	204,239,573	202,687,610
Less accumulated depreciation	(68,683,368)	(65,646,670)
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 135,556,205</b>	<b>\$ 137,040,940</b>

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

Capital asset activity for the Agency for the year ended December 31, 2023 follows:

	Balance at December 31, 2022	Additions	Transfers and Deletions	Balance at December 31, 2023
Capital assets not being depreciated:				
Swan Lake construction in progress	\$ 138,804	\$ 1,300,025	\$ (22,664)	\$ 1,416,165
Tyee Lake construction in progress	73,903	815,902	(641,748)	248,057
Other construction in progress	3,910,740	1,903,857	(5,814,597)	-
Land	474,953	-	-	474,953
Total capital assets not being depreciated	4,598,400	4,019,784	(6,479,009)	2,139,174
Capital assets being depreciated:				
Structures	24,825,304	5,435,483	(31,344)	30,229,443
Infrastructure	11,164,892	819,395	(42,355)	11,941,931
Generation and distribution	160,036,320	-	(2,298,488)	157,737,832
Furniture, fixtures and other	1,971,762	224,849	(5,458)	2,191,153
Leasehold improvements	90,932	-	(90,932)	-
Total capital assets being depreciated	198,089,210	6,479,727	(2,468,578)	202,100,359
Less accumulated depreciation:				
Structures	(9,461,425)	(834,552)	3,552	(10,292,425)
Infrastructure	(3,208,748)	(456,969)	42,355	(3,623,361)
Generation and distribution	(51,775,344)	(3,830,737)	2,110,838	(53,495,243)
Furniture, fixtures and other	(1,162,416)	(114,030)	4,866	(1,271,580)
Leasehold improvements	(38,737)	(1,374)	40,110	-
Total accumulated depreciation	(65,646,670)	(5,237,661)	2,201,722	(68,683,368)
Capital assets being depreciated, net	132,442,540	1,242,065	(266,856)	133,416,991
<b>Total Capital Assets, net</b>	<b>\$ 137,040,940</b>	<b>\$ 5,261,849</b>	<b>\$ (6,745,865)</b>	<b>\$ 135,556,205</b>

*The remainder of this page intentionally left blank.*

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

Capital asset activity for the Agency for the year ended December 31, 2022 follows:

	Balance at December 31, 2021	Additions	Transfers and Deletions	Balance at December 31, 2022
Capital assets not being depreciated:				
Swan Lake construction in progress	\$ 119,319	\$ 234,459	\$ (214,974)	\$ 138,804
Tyee Lake construction in progress	124,055	2,033,801	(2,083,953)	73,903
Other construction in progress	284,787	3,670,491	(44,538)	3,910,740
Land	474,953	-	-	474,953
Total capital assets not being depreciated	1,003,114	5,938,751	(2,343,465)	4,598,400
Capital assets being depreciated:				
Structures	23,827,438	997,866	-	24,825,304
Infrastructure	10,758,181	414,740	(8,029)	11,164,892
Generation and distribution	159,419,694	667,809	(51,183)	160,036,320
Furniture, fixtures and other	1,849,560	122,202	-	1,971,762
Leasehold improvements	90,932	-	-	90,932
Total capital assets being depreciated	195,945,805	2,202,617	(59,212)	198,089,210
Less accumulated depreciation:				
Structures	(8,708,015)	(753,410)	-	(9,461,425)
Infrastructure	(2,770,136)	(395,268)	(43,344)	(3,208,748)
Generation and distribution	(48,036,370)	(3,839,158)	100,184	(51,775,344)
Furniture, fixtures and other	(1,055,692)	(106,724)	-	(1,162,416)
Leasehold improvements	(35,440)	(3,297)	-	(38,737)
Total accumulated depreciation	(60,605,653)	(5,097,857)	56,840	(65,646,670)
Capital assets being depreciated, net	135,340,152	(2,895,240)	(2,372)	132,442,540
<b>Total Capital Assets, net</b>	<b>\$ 136,343,266</b>	<b>\$ 3,043,511</b>	<b>\$ (2,345,837)</b>	<b>\$ 137,040,940</b>

*The remainder of this page intentionally left blank.*

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

### 5. Other Long-term Liabilities

In 2015, the Agency assumed operations of the Tyee facility from the City and Borough of Wrangell and the Petersburg Borough. As part of the transition of the operations, the Agency assumed long-term liabilities related to long-term employee benefit payments to the State of Alaska Public Employees' Retirement System (PERS). While the Agency is not an employer in PERS itself, the Agency has assumed responsibility for the payments of retirement benefits for certain former employees as part of the transaction.

The Reclamation Contingency liability was established as part of the conditions of the lease and easement agreements between the Agency and the Department of Natural Resources (DNR). An annual deposit of \$75,000 is required to be added to a cash reserve, half of which is contributed by Copper Valley Electric Association and Kodiak Electric Association. The liability carried at SEAPA represents the portion of the contributions received into this fund from Copper Valley Electric Association and Kodiak Electric Association, and would be used to cover eligible costs at those companies. DNR and the Agency have held discussions to investigate the option of each project owner individually covering the cost of reclamation of their projects. In 2018, SEAPA conducted a full review of the balances in the reclamation liability back to the original establishment of the fund in 2002. It was determined that certain balances associated with the restructuring of FDPPA in 2009 would be reallocated to the other companies, and an additional accrual of \$166,471 was made to the liability to reflect this change in estimate.

The following reflects the changes in other long-term liabilities for the year ended December 31, 2023:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
PERS Unfunded Liability	\$ 562,602	\$ -	\$ (109,810)	\$ 452,792	\$ 73,211
DNR Reclamation	715,524	70,874	-	786,398	-
<b>Total Other Long-Term Liabilities</b>	<b>\$ 1,278,126</b>	<b>\$ 70,874</b>	<b>\$ (109,810)</b>	<b>\$ 1,239,190</b>	<b>\$ 36,600</b>

The following reflects the changes in other long-term liabilities for the year ended December 31, 2022:

	Balance at December 31, 2021	Additions	Reductions	Balance at December 31, 2022	Due Within One Year
PERS Unfunded Liability	\$ 634,379	\$ -	\$ (71,777)	\$ 562,602	\$ 40,865
DNR Reclamation	671,792	43,732	-	715,524	-
<b>Total Other Long-Term Liabilities</b>	<b>\$ 1,306,171</b>	<b>\$ 43,732</b>	<b>\$ (71,777)</b>	<b>\$ 1,278,126</b>	<b>\$ 40,865</b>

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

### 6. Long-term Debt

In May 2019, previously issued and outstanding Series 2009 bonds were advance refunded, and the Agency issued \$4.245 million in Series 2019 (Tax-Exempt) electric revenue refunding bonds. Interest is payable on these bonds on May 1 and November 1, commencing November 1, 2019 at an interest rate of 5.00%. The refunding also resulted in a bond issue premium of \$398,863 that is being amortized over the life of the bonds. The remaining Series 2009 bonds have been defeased. A loss on refunding of \$111,609 was recorded as a deferred outflow of resources and is being amortized to interest expense over the life of the original bonds. The bonds mature June 1, 2024.

In addition, the Agency issued general obligation bonds, Series 2015, denominations of \$5,000, dated May 6, 2015, total issue of \$10,295,000. The bond proceeds were used to pay for capital improvements, provide for current refunding of a portion of the Series 2009 Bonds, fund the Bond Reserve Requirement, and pay the cost of issuing the Series 2015 Bonds. Interest rates range from 3.875% to 5.250%; principal payments commence in 2025. The bonds mature June 1, 2033.

To fund repairs of a submarine transmission cable, the Agency issued a Series 2021 bond through the Alaska Municipal Bond Bank in the amount of \$11,330,000 on June 16, 2022. The bond bears an annual interest rate between 4-5% and has a 24-year payback period.

On September 29, 2022, the Agency issued a Series 2022 bond through the Alaska Municipal Bond Bank in the amount of \$5,990,000. The bond bears an annual interest rate between 4-5% and has a 24-year payback period. Combined annual debt service requirements for these bonds as of December 31, 2023 follow:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 1,320,000	\$ 1,297,251	\$ 2,617,251
2025	1,370,000	1,231,501	2,601,501
2026	1,440,000	1,160,588	2,600,588
2027	1,510,000	1,086,051	2,596,051
2028	1,600,000	1,007,888	2,607,888
2029-2033	8,845,000	3,804,766	12,649,766
2034-2052	11,750,000	4,649,191	16,399,191
	<b>\$ 27,835,000</b>	<b>\$ 14,237,236</b>	<b>\$ 42,072,236</b>

The following reflects the changes in long-term debt for the year ended December 31, 2023:

	Balance at December 31, 2022		Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Series 2019 Bonds	\$ 1,825,000	\$	-	\$ (890,000)	\$ 935,000	\$ 935,000
Series 2015 Bonds	10,295,000		-	-	10,295,000	-
Series 2021 Bonds	11,070,000		-	(270,000)	10,800,000	285,000
Series 2022 Bonds	5,900,000		-	(95,000)	5,805,000	100,000
<b>Total</b>	<b>\$ 29,090,000</b>	<b>\$</b>	<b>-</b>	<b>\$ (1,255,000)</b>	<b>\$ 27,835,000</b>	<b>\$ 1,320,000</b>

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

The following reflects the changes in long-term debt for the year ended December 31, 2022:

	Balance at December 31, 2021	Additions	Reductions	Balance at December 31, 2022	Due Within One Year
Series 2019 Bonds	\$ 2,670,000	\$ -	\$ (845,000)	\$ 1,825,000	\$ 890,000
Series 2015 Bonds	10,295,000	-	-	10,295,000	-
Series 2021 Bonds	11,330,000	-	(260,000)	11,070,000	270,000
Series 2022 Bonds	-	5,990,000	(90,000)	5,900,000	95,000
<b>Total</b>	<b>\$ 24,295,000</b>	<b>\$ 5,990,000</b>	<b>\$ (1,195,000)</b>	<b>\$ 29,090,000</b>	<b>\$ 1,255,000</b>

Bond premiums and discounts are as follows:

<i>December 31,</i>	2023	2022
Premium	\$ 4,370,449	\$ 4,370,449
Less accumulated amortization	(1,254,670)	(997,075)
<b>Net Premiums</b>	<b>\$ 3,115,779</b>	<b>\$ 3,373,374</b>

The Agency recorded \$257,595 and \$259,342 as amortization to interest expense for the years ended December 31, 2023 and 2022, respectively.

### 7. Operating Lease

The Agency entered into a lease agreement for office space in Ketchikan, Alaska that expired on January 15, 2022. The lease then converted to a month-to-month basis with rent escalations of \$0.05 per month per square foot through January 15, 2023, or a monthly increase of \$141. The lease was terminated on June 15, 2023.

The Agency expensed \$37,686 and \$64,665 under this noncancelable lease obligation for the years ended December 31, 2023 and 2022, respectively.

The Agency also holds a month-to-month lease for apartment space. Rent expense for the years ended December 31, 2023 and 2022 totaled \$18,900 and \$18,300 per year, respectively.

*The remainder of this page intentionally left blank.*

# **Southeast Alaska Power Agency**

## **Notes to Basic Financial Statements**

---

### **8. Employee Benefits**

#### ***Union Agreements***

The Agency entered into a union agreement with the International Brotherhood of Electrical Workers (IBEW) that became effective July 1, 2018 and will expire December 31, 2025. This agreement has distinct insurance and retirement programs and covers employees located in Wrangell and both hydroelectric facilities at Tyee Lake and Swan Lake, excluding managerial and administrative employees.

#### ***Defined Benefit Pension Plans***

Pension benefits for substantially all employees are provided through participation in the National Rural Electric Cooperative Association (NRECA) and Alaska Electrical Trust Fund retirement programs. Both plans are master multi-employer defined benefit plans qualified under Section 401 and tax exempt under Section 501(a) of the Internal Revenue Code.

A unique characteristic of a multi-employer plan compared to a single-employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

#### ***NRECA Retirement Security Plan Information***

The Retirement Security Plan (RS Plan), sponsored by the National Rural Electric Cooperative Association (NRECA), is a defined benefit pension plan. It is considered a multi-employer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

SEAPA's contributions to the RS Plan in 2023 and in 2022 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. For the years ended December 31, 2023 and 2022, SEAPA made contributions to the RS Plan of \$298,894 and \$370,764, respectively.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2023 and January 1, 2022, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the Plan and may change as a result of plan experience.

#### ***Alaska Electrical Pension Plan Information***

The Alaska Electrical Pension Plan sponsor's Employer Identification Number is 92-6005171 and the Plan Number is 001. The Agency's contributions to the Plan in 2023 and in 2022 represented less than 5% of the total contributions made to the Plan by all participating employers. For the years ended December 31, 2023 and 2022 SEAPA made contributions to the Plan of \$195,996 and \$160,798, respectively. The collective bargaining agreement in place related to this Plan expires in June 2025.

# Southwest Alaska Power Agency

## Notes to Basic Financial Statements

---

In total, the Alaska Electrical Pension Plan was more than 80% funded at December 31, 2023 and 2022 as certified by the Plan actuary. The Plan is not subject to funding improvement plans or rehabilitation plans and as a result, the Association is not subject to contribution surcharges. There are no minimum funding commitments as negotiated contributions currently satisfy SEAPA's commitment towards meeting the annual minimum funding requirement for the Alaska Electrical Pension Plan. Future contribution requirements are determined each year as part of the actuarial valuation of the Plan and may change as a result of plan experience.

### 9. Commitments and Contingencies

During the normal course of business, the Agency may be subject to various claims and disputes related to the conduct of its business. Management believes the resolution of these matters will not have a material effect on financial position, results of operations, or cash flows.

### 10. Rate Stabilization

The Agency established a Rate Stabilization Fund in fiscal year 2019, transferring \$2 million as an initial deposit into a separate investment account. Funds are intended to improve SEAPA's long-term fiscal health by reserving a portion of excess revenues. Proceeds may be used to minimize the impact on future rates of an unforeseen extraordinary expenditure, or to ensure bond covenant compliance is maintained.

### 11. Related Parties

SEAPA is an agency of the state that sells power to three member cities; thus, revenue is generated solely through these three cities. Its Board of Directors are made up of board members from Ketchikan, Petersburg and Wrangell. The following table reflects the percentage of revenue each related party makes up during the year and the percent of accounts receivable from members at the end of the year.

Related Party	Percent of Revenue/Accounts Receivable	
	December 31, 2023	December 31, 2022
Ketchikan	52%/63%	56%/69%
Petersburg	28%/14%	24%/12%
Wrangell	20%/23%	20%/19%

### 12. Insurance Recovery

In 2022, the Agency received insurance recovery funds of \$661,093 for the destruction of a warehouse and office building in Wrangell.

### 13. Subsequent Events

SEAPA maintained a Reclamation Contingency Fund, required by Alaska Department of Natural Resources, since 2005. SEAPA, Kodiak Electric Association (KEA), and Copper Valley Electric Association (CVEA) contributed annually to this fund. In 2024, after each entity reached independent agreements with DNR, the Reclamation Contingency Fund was dissolved, with the \$1.6MM fund balance distributed to KEA (25%), CVEA (25%), and SEAPA (50%). SEAPA now maintains a \$3.6MM surety bond to meet DNR reclamation requirements.



*This page intentionally left blank.*

## Required Supplementary Information

---

**Southeast Alaska Power Agency**  
**National Rural Electric Cooperative Association (NRECA)**  
**Schedule of Contributions**

<i>Period Ended</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2023	\$ 298,894	\$ 298,894	\$ -	\$ 716,773	42%
December 31, 2022	370,764	370,764	-	915,694	40%
December 31, 2021	363,439	363,439	-	915,694	40%
December 31, 2020	350,119	350,119	-	908,692	39%
December 31, 2019 (six months)	152,895	152,895	-	456,807	33%
June 30, 2019	274,519	274,519	-	868,855	32%
June 30, 2018	267,892	267,892	-	915,321	29%
June 30, 2017	271,275	271,275	-	905,489	30%
June 30, 2016	272,999	272,999	-	839,014	33%
June 30, 2015	221,899	221,899	-	781,056	28%
June 30, 2014	210,410	210,410	-	661,818	32%
June 30, 2013	155,947	155,947	-	574,652	27%

*See accompanying notes to Required Supplementary Information.*

# Southeast Alaska Power Agency

## Alaska Electrical Pension Plan

### Schedule of Contributions

<i>Period Ended</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2023	\$ 195,996	\$ 195,996	\$ -	\$ 1,405,089	13.95%
December 31, 2022	160,798	160,798	-	1,236,603	13.00%
December 31, 2021	143,236	145,236	(2,000)	1,241,875	11.53%
December 31, 2020	136,321	136,321	-	1,343,140	10.15%
December 31, 2019 (six months)	76,284	76,284	-	652,735	11.69%
June 30, 2019	77,678	77,678	-	625,764	12.41%
June 30, 2018	86,859	86,859	-	831,118	10.45%
June 30, 2017	75,425	75,425	-	768,526	9.81%
June 30, 2016	73,698	73,698	-	804,889	9.16%
June 30, 2015	57,945	57,945	-	992,299	5.84%
June 30, 2014	*	*	*	*	*
June 30, 2013	*	*	*	*	*

\* Employees covered by the AEPP were first hired in FY2015.

*See accompanying notes to Required Supplementary Information.*

# **Southeast Alaska Power Agency**

## **Notes to Required Supplementary Information Years Ended December 31, 2023 and 2022**

---

### **1. National Rural Electric Cooperative Association (NRECA)**

#### ***Schedule of Contributions***

- This table is based on SEAPA's contributions based on SEAPA's fiscal years ended. All contributions are recognized in expense/expenditures when paid. There is no net pension liability associated with this plan at this time.

### **2. Alaska Electrical Pension Plan**

#### ***Schedule of Contributions***

- This table is based on SEAPA's contributions based on SEAPA's fiscal years ended. All contributions are recognized in expense/expenditures when paid. There is no net pension liability associated with this plan at this time.

## ***Government Auditing Standards Report***

---



Tel: 907-278-8878  
Fax: 907-278-5779  
www.bdo.com

3601 C Street, Suite 600  
Anchorage, AK 99503

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

The Board of Directors  
Southeast Alaska Power Agency  
Ketchikan, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Southeast Alaska Power Agency as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Southeast Alaska Power Agency's basic financial statements, and have issued our report thereon dated July 29, 2024.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Southeast Alaska Power Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Southeast Alaska Power Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southeast Alaska Power Agency's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southeast Alaska Power Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

Anchorage, Alaska  
July 29, 2024



# Southeast Alaska Power Agency

## Schedule of Findings and Responses Year Ended December 31, 2023

---

### Section I - Summary of Auditor's Results

#### *Financial Statements*

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ yes

☒ no

Significant deficiency(ies) identified?

☐ yes

☒ (none reported)

Noncompliance material to financial statements noted?

☐ yes

☒ no

### Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.