



Willamette Management Associates

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April 27, 2009

Employee Stock Ownership Plan Administrative Committee
c/o Arne Sather
Human Resources Director
Alaska Power & Telephone Company
P.O. Box 3222
Port Townsend, Washington 98368

Dear Mr. Sather:

At your request as Trustee of the Alaska Power & Telephone Company and Subsidiaries Employee Stock Ownership Plan and Trust (the “ESOP”), we conducted a valuation of Alaska Power & Telephone Company and Subsidiaries (“AP&T” or the “Company”). This opinion sets forth our valuation conclusion.

OBJECTIVE AND PURPOSE OF THE ANALYSIS

The objective of our analysis is to estimate the fair market value of the common stock of the Company owned by the ESOP (the “Subject Interest”) as of December 31, 2008 (the “Valuation Date”), for purposes of operation and administration of the ESOP.

The purpose of our analysis is to provide an independent valuation opinion to assist you with the ESOP administration and regulatory compliance. Our analysis was conducted for the stated purpose only. No other purpose is intended or should be inferred.

STANDARD OF VALUE

The standard of value used in this analysis is fair market value. Fair market value is defined as the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.

PREMISE OF VALUE

Our analysis was conducted under the valuation premise of value in continued use, as a going concern. This premise of value assumes that AP&T will continue to operate as an income-producing business enterprise. In our opinion, and based on our analysis, this premise of value represents the highest and best use of the Subject Interest.

SUMMARY DESCRIPTION OF THE COMPANY

AP&T supplies electric and telephone service to several communities in the state of Alaska. AP&T is subject to regulation by the Regulatory Commission of Alaska (“RCA”), the Federal Communications Commission (“FCC”), and the Federal Energy Regulatory Commission (“FERC”) with respect to rates for service and maintenance of accounting records.

The Company’s electric segment provides retail and wholesale electric service, including both hydro electric and diesel generation facilities, in rural portions of Alaska.

The Company’s telecommunications segment provides local telephone service also in rural areas of Alaska. Other sources of telecommunication revenue include Internet, wireless and long-distance resale which are not rate regulated.

The Company’s wholly owned energy subsidiaries include Alaska Power Company, BBL Hydro, Inc., and Goat Lake Hydro, Inc. Its wholly owned telecommunications subsidiaries include Alaska Telephone Company, AP&T Long Distance, Inc., AP&T Wireless, Inc., Bettles Telephone, Inc., and North Country Telephone, Inc. The Company also owns an 80-percent interest in HydroWest International, a Cayman Island Limited Company, which holds the Company’s international investments in hydro electric plants.

For calendar year 2008, the Company reported net income of \$2.6 million on total revenue of \$40.1 million.

As of the Valuation Date, the ESOP owned 43.7 percent of the outstanding common stock.

VALUATION ANALYSIS AND CONCLUSION

Our analysis takes into consideration Internal Revenue Service Revenue Ruling 59-60, which outlines the general factors to consider in the valuation of the common stock of closely held companies and thinly traded public corporations.

This valuation included a review of certain financial data related to the AP&T historical and projected results of operations. These data included, but were not limited to, audited financial statements for the calendar years 2004 through 2008, and management-prepared projected financial statements.

We relied on these data as fairly presenting the AP&T results of operation and financial position. We have not audited these data as part of our analysis. Therefore, we express no opinion or other form of assurance regarding these data.

In addition, our analysis included discussions with Company management regarding the history, current situation, and prospects of AP&T. In connection with a prior analysis, we visited the AP&T corporate headquarters in Port Townsend, Washington.

As part of our analysis, we considered all generally accepted business valuation approaches and methods, including the income approach, the market approach, and the asset-based approach. Based on the quantity

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and quality of available data, we relied on: (1) the income approach—the discounted cash flow method, and (2) the market approach—the guideline publicly traded company method.

Based on our analysis, as more fully described in the attached narrative report, it is our opinion that the fair market value of the common stock of the Company for purposes of operation and administration of the ESOP, as of December 31, 2008, was \$20.26 per share.

A narrative valuation report, which describes the analytical procedures we performed and the value conclusions we reached, accompanies this opinion letter.

We are independent of AP&T, and we have no current or prospective financial interest in the Company stock. Our fee for this appraisal is in no way contingent on the value conclusions reached.

The attached assumptions and limiting conditions, valuation representation, and the qualifications of the principal analysts are integral parts of this valuation opinion.

Very truly yours,

WILLAMETTE MANAGEMENT ASSOCIATES

A handwritten signature in black ink, appearing to read "James G. Rabe". The signature is written in a cursive, flowing style.

James G. Rabe

Attachment