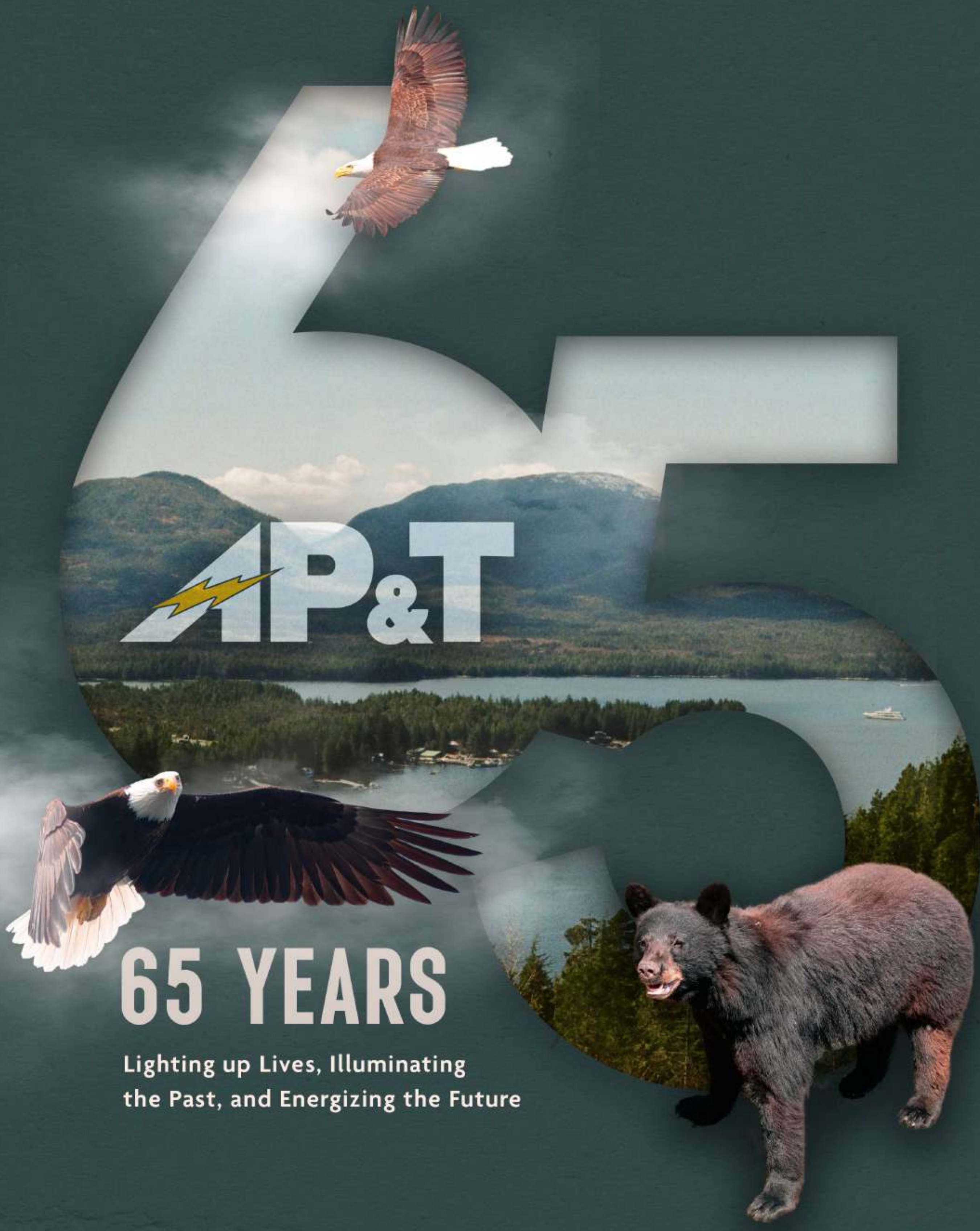


65 YEARS

Lighting up Lives, Illuminating the Past, and Energizing the Future

2022 REWIND

A COMMITMENT TO COMMUNITY

On behalf of the Charitable Contributions Committee & Fund, AP&T is proud to announce the following funding disbursements in 2022:

Gustavus Community Center
Gustavus, Alaska

Boys & Girls Club of Metlakatla
Metlakatla, Alaska

Tok Lions Club
Tok, Alaska

Haines Little League
Haines, Alaska

Southeast Alaska Independent Living
Haines, Alaska

Liberty Church
Craig, Alaska

Helping Hands Food Bank
Tok, Alaska

Haines Hot Shots
Haines, Alaska

Civil Air Patrol
Tok, Alaska

Port Townsend Ballet
Port Townsend, Washington

See Stories
Juneau, Alaska

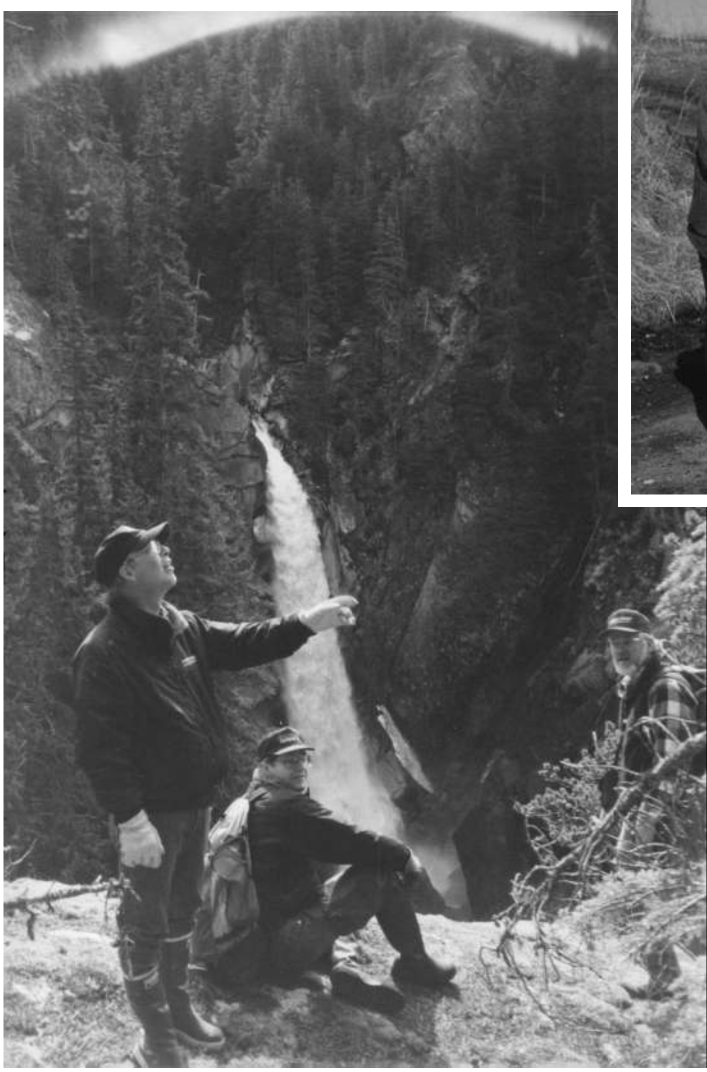
$33,600
Grand Total

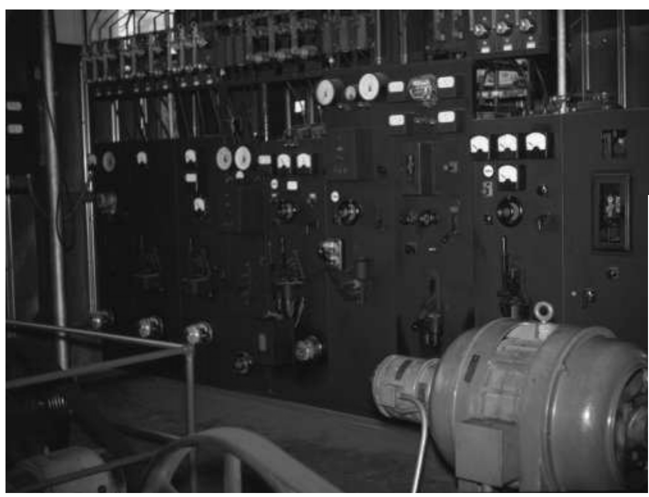
Learn how you can apply today at: **APTalaska.com/community-giving/**

AP&T
65 YEARS
EMPLOYEE-OWNED | COMMUNITY-MINDED

65 YEARS

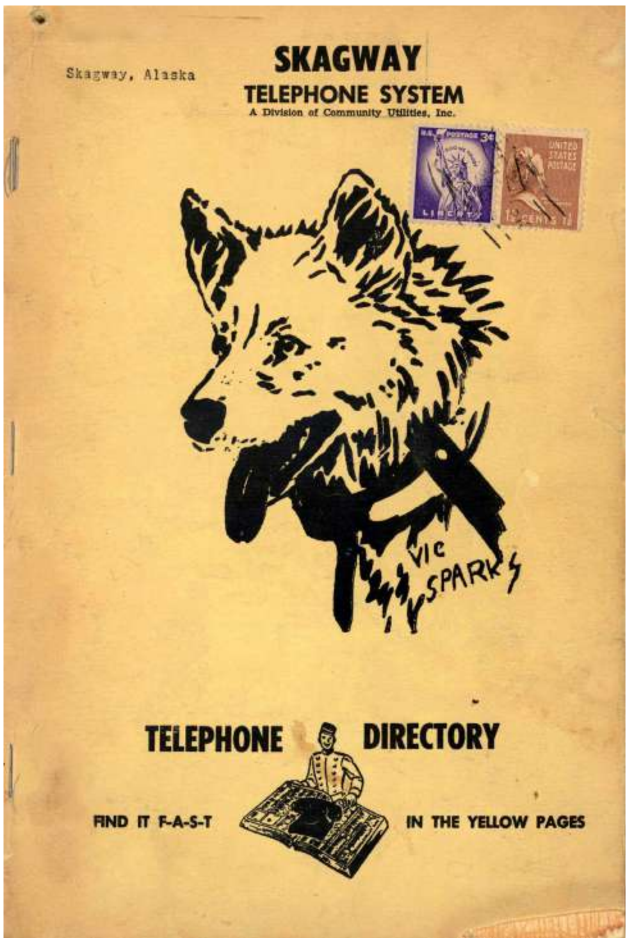
WE ARE *who we are*
BECAUSE OF
who we've been

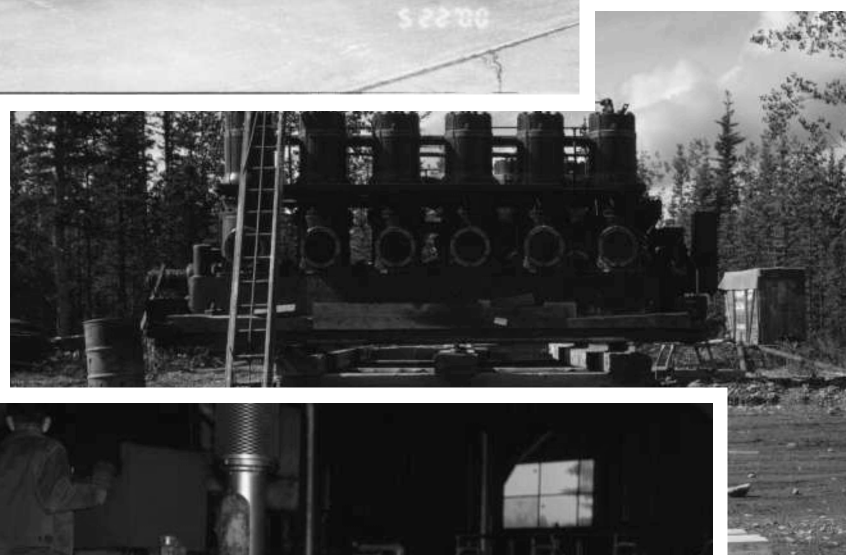


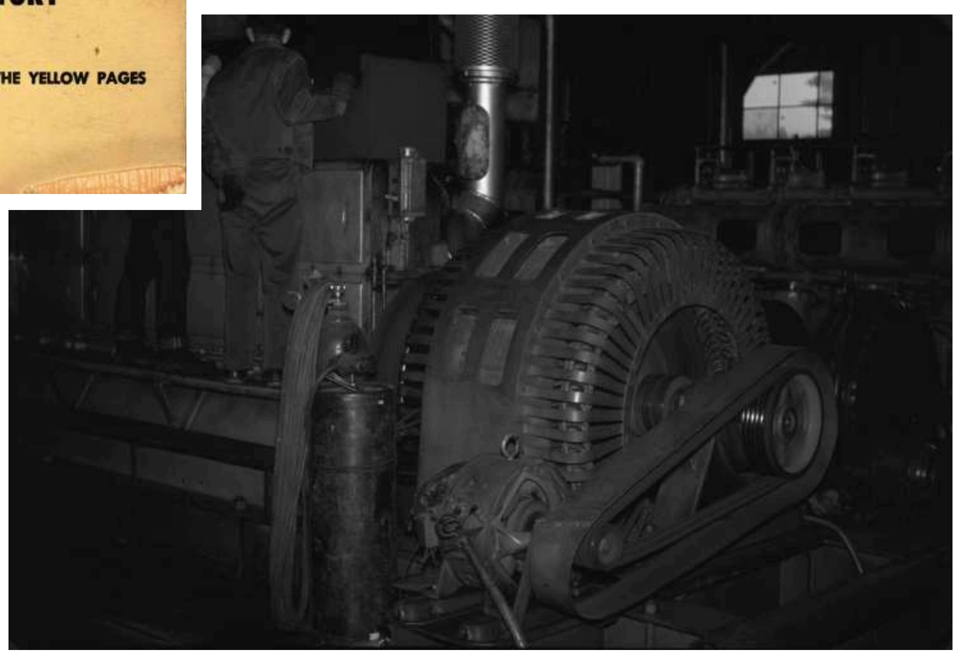


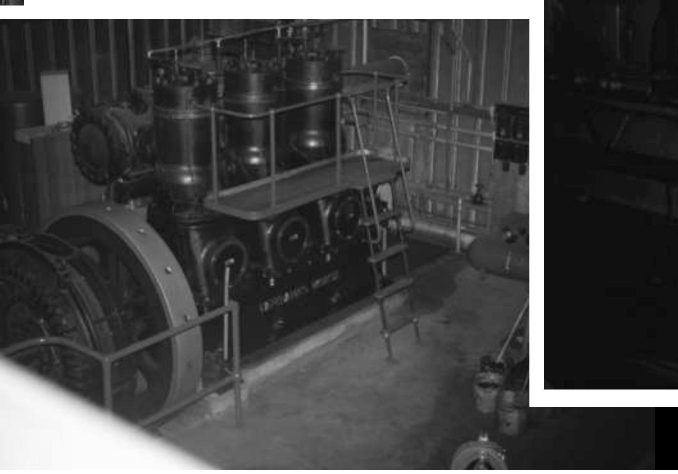
S IN THE MAKING

A LOOKBACK









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65 YEARS OF GREATNESS

RELIABILITY
CONNECTIVITY
COMMITMENT
RESPONSIBILITY
DEPENDABILITY

Photo Credit: Mark Helmer

A MESSAGE FROM THE CHAIR

As we reflect on the past 65 years, we are reminded of Alaska Power & Telephone's long and proud history of fulfilling its mission to provide safe, affordable and reliable energy, telecommunications and broadband services to the residents, businesses, and communities of rural Alaska. Accomplishing that mission over so many years - in good times and bad times - when the macro environment, conditions, technologies, and expectations are changing at an ever-increasing rate, is a formidable task that is only made possible by the commitment of our valued employees to this very special employee-owned organization.

This past year we experienced increasing headwinds created by geopolitical, governmental, economic, monetary, and technological volatility and uncertainties. The impacts of all these forces to our power, telecommunications and broadband businesses vary - and must be met head on through the decisive strategic leadership of our Board of Directors, the unwavering commitment of our employee-owners, the loyalty of the customers and communities we serve, our partnerships with key governmental agencies, and the support of our non-employee shareholders.

Being good stewards of all that is entrusted to the Board of Directors is a task that requires extensive knowledge, experience, and commitment. I am extremely grateful to my fellow directors for their service to and care for Alaska Power & Telephone. They have taken their fiduciary responsibility to continue to advance good governance practices through a thoughtful challenge of what is in the best interests of our many stakeholders. As you can imagine, those stakeholders can, from time to time, have conflicting needs and desires. Finding balance in those situations is one of the greatest challenges of any board or senior leadership team.

As we continue to look to better balance our multitude of responsibilities to so many, I am extremely excited that our Board of Directors has put forth Danny Gonce, AP&T's Director of Safety & Training, for election to fill the open director position being vacated by the retirement of Tom Ervin. As none of the positions on our board are defined as either independent or employee positions - although there are requirements on having a majority of independent directors - it was only through thoughtful consideration and deliberation that Danny's name is being brought forward from amongst a list of strong candidates. We are grateful for the assistance and guidance of the ESOP Trustees for providing Danny's name as their candidate. This shared success is an important outcome of a very productive and ongoing dialogue between the Board and the Committee over this past year. Danny, like Mike Garrett and our independent directors, will now be asked to help us find the right balance in these volatile and uncertain times - not as an employee-owner, or even an employee representative, but as a fiduciary of this organization we are all so proud to be part of.

And speaking of pride, I must extend our deepest thanks and warmest wishes to our colleague, Tom Ervin, on his retirement from AP&T after 39 years of service. Tom embodies all that we look for in a director and an employee-owner!

We move forward into another year of service to our stakeholders from a position of financial strength, strength of purpose, and a resounding commitment to Alaska and the customers and communities we serve.

Robert B. Engel
Chair, Independent Director

WE ARE *stewards* OF THE *environment* AND THESE *lands.*

We demonstrate this commitment in four major areas:

1. RESPONSIBLY REDUCING THE USE OF FOSSIL FUELS.

2. EMPOWERING COMMUNITIES, CONSUMERS & STAKEHOLDERS BY INCREASING ENERGY EFFICIENCY IN OUR NETWORKS.

3. PROTECTING WILDLIFE, MINIMIZING WASTE, & REDUCING POLLUTANT EMISSIONS.

4. MAINTAINING TRANSPARENCY, TRUST, SECURITY & RELIABILITY FOR OUR CUSTOMERS, STAKEHOLDERS AND OURSELVES.

Executive VP/COO, Energy Jeff Rice and former Director Mark Foster survey the Híilangaay hydropower project, co-owned by AP&T and Haida Corp.

Photo Credit: North Creative

ENVIRONMENTAL, SOCIAL + GOVERNANCE

ESG Initiatives

AP&T's culture of service is designed for the betterment of our employees, customers, and communities provides the foundation upon which we are actively building our Environmental, Social and Governance (ESG) program. We are investing in energy facilities upgrades to reduce our carbon footprint, increase our portfolio of renewable energy, and provide our customers options to acquire energy efficient heat pumps and transition away from use of fossil fuels like heating oil and propane. We are dedicated to training and professional development opportunities for our employees and active engagement in the communities we serve. With the encouragement of our Board of Directors, AP&T management is focused on these and future ESG initiatives that will continue to bring value through service.

Our continuing ESG initiatives reflect AP&T's culture and commitment to the communities it serves. In 2022, we expanded projects as good stewards of the land that support environmental quality, and stakeholder environmental and stewardship goals such as regional decarbonization, beneficial electrification, and wise use of local renewable energy resources.

We worked hard to keep our customers' trust, we continued investing in the health and welfare of our employees and Alaska's communities, and have built governance practices ensuring transparency and accountability. Across each category, we continue to raise the bar for how we provide service to community, opportunities for employees, and value for stakeholders.

1. RESPONSIBLY REDUCING THE USE OF FOSSIL FUELS:

We've identifed these actions to convert our commitments into reality.

- Identifying cost-effective opportunities to reduce use of fossil fuels.
- Promoting and research renewable energy sources.
- Developing plans for interties from fossil fuel dependent communities to grids containing renewables.
- Participating in the federal Diesel Emissions Reduction Act program to upgrade diesel plants and reduce their emissions.
- Supporting the development and trade of carbon credits on new and existing renewable energy generation sources.
  - *Working with Greenlight Energy Group we continue to win designation as low impact hydro facilities and trade all the renewable energy credits these systems generate.*
  - *As a joint venture partner in Haida Energy, Inc. we have also established a process of trading its renewable energy credits.*
  - *Working on our success, we have worked with other regional hydro operators to encourage them to trade their credits.*

Michael Garrett, President/CEO overlooks the Híilangaay Intake structure at Copper Mountain on Prince of Wales Island, Alaska.
Photo Credit: North Creative

IMPROVING ENERGY

2. EMPOWERING COMMUNITIES, CONSUMERS & STAKEHOLDERS BY INCREASING ENERGY EFFICIENCY IN OUR NETWORKS:

- **Promoting energy efficiency and alternative heating sources within the communities and partnership with tribal organizations.**
    - *AP&T provides a $500 heat pump incentive. Through an innovative partnership with Sealaska Corporation, a regional ANC, indigenous shareholders are eligible for an additional match.*
    - *Coordination with indigenous non-profits and housing authorities (Spruce Root, THRHA).*
    - *AP&T facilitated donation of a heat pump system to Gustavus City Hall.*
    - *Ensuring equitable inclusion of low- and medium-income families in energy efficiency and beneficial electrification programs.*

Cutting fossil fuel use helps rural Alaskans save money, and live more sustainably. Meanwhile, AP&T employee Matt Steffan cuts and splices fiber in Craig, Alaska.

Photo Credit: North Creative

EFFICIENCY EFFORTS

AP&T employee-owner John Moots concludes a safety demonstration on Prince of Wales Island, Alaska.

Photo Credit: North Creative

- **Supporting equitable consumer renewable generation that does not transfer costs to other rate payers or erode viability of the community's power system.**
- **Broadband and Energy Efficiency:**
  - *Investing in high efficiency rectifiers which reduce energy demand especially in remote sites that rely on fossil fuels.*
  - *Solar is used where feasible to reduce fossil fuels in various remote communities. This also promotes lower emissions.*
  - *Larger battery strings provide better use of energy, keep generation at consistent levels and also lowers fuel usage.*
- **Connecting remote microwave towers to renewable grid power, reducing the fossil fuel use and transfer at remote mountaintop sites within the Tongass region.**
- **Minimizing line losses.**
- **Improving our Vehicle Fleet:**
  - *Our telematics program will help us increase fleet efficiency while working toward improved customer and employee safety.*
  - *Expanding the AP&T fleet to include EVs where appropriate and cost effective.*
- **Upgrading our broadband network infrastructure with the most energy efficient equipment on the market that supports our complex network.**
- **The electrification of transportation will transform how we move in our communities, and we promote EV adoption as well as charging infrastructure.**
- **Supporting changes in energy regulations that will allow entrepreneurs to sell energy via EV charging stations and we are modifying our tariffs accordingly.**
- **Stakeholder Collaboration:**
  - *AP&T built new, meaningful partnerships with environmental organizations such as Sitka Conservation Society, the Sustainable Southeast Partnership, and Spruce Root.*
  - *AP&T is supporting Spruce Root's efforts to develop and capitalize a regional "Tongass Green Bank" for clean energy finance, through a partnership with the Coalition for Green Capital.*

3. PROTECTING WILDLIFE, MINIMIZING WASTE, AND REDUCING POLLUTANT EMISSIONS:

- **Operate low impact hydro facilities:**
  - *Each of our two hydroelectric generation facilities annually receive a certified low impact hydro designation from the Low Impact Hydropower Institute.*
- **Maintain raptor protection in our infrastructure:**
  - *In areas where there is a high degree of raptor activity, like Haines, Alaska and the Chilkat River, we are diligent in deploying raptor protection. In other areas we target where efforts to eliminate injuries to various avian species.*

Photo Credit: North Creative

- **Responsibly monitoring of fish habitats and water levels:**
  - *We meet or exceed the water restriction thresholds, measure and monitor fish habitats in partnership with Fish and Game and promptly report finds with clear solutions when situations arise.*
- **Seeking to lower airborne and land pollutants:**
  - *We meet or exceed Alaska EPA requirements and act to also reduce noise pollution in environments that are sensitive.*
- **Timely and accurately report emissions per regulations.**
- **Actively train personnel on spill response and mitigation, proactively self-report spills consistent with current SPCC plans in place.**

Alaska "The Great Lands"

ARE NOT JUST A TREASURE OF NATURAL BEAUTY,

preserving their integrity

IS NOT JUST A MATTER OF CONSERVATION, BUT IT

is our duty

AND WE OWE IT TO FUTURE GENERATIONS TO PROTECT THEM.

4. TRANSPARENCY, TRUST, SECURITY AND RELIABILITY FOR OUR CUSTOMERS, STAKEHOLDERS AND OURSELVES.

We earn our customers' trust, and we invest in our communities and employees. Our customers are our neighbors, friends, and family, and it is our honor to serve them and serve them well. Meeting and exceeding our standards of care requires the dedication of all employees, which means that people are our most important resource.

NETWORK RELIABILITY & RESILIENCE

- Network service levels are designed to the highest carrier grade standards (99.999% reliable).
- When feasible we build in physical redundancy of transport networks and computing systems.
- Web based services like email are hardened for reliability and backed up to ensure data integrity.
- We constantly evolve our network infrastructure to adapt to different threats like denial-of-service attacks and other cyber threats.

Just like Tim Benolken of Craig, Alaska, AP&T is ready for anything – especially the future!

Photo Credit: North Creative

POWER SYSTEM RELIABILITY & RESILIENCE

- Track and Monitor reliability metrics (SAIDI, SAIFI, CAIDI) and strive to reduce outage time, even for our most remote customers.
- Maintain critical backup systems in remote communities to reduce outage time.
- Automate remote generation to allow immediate restoration of critical service where possible.

ESG INITIATIVES IN ACTION

- Our seven member board is comprised of men and women representing a wide variety of skills and perspectives.
- A diverse group of employees' that are elected as AP&T's ESOP Trustees with support from 3rd party professionals.
- Encouragement and strict adherence to company policies that promote loyalty, honesty, full disclosure, good faith, and fair dealing.

PROTECTING OUR CUSTOMERS

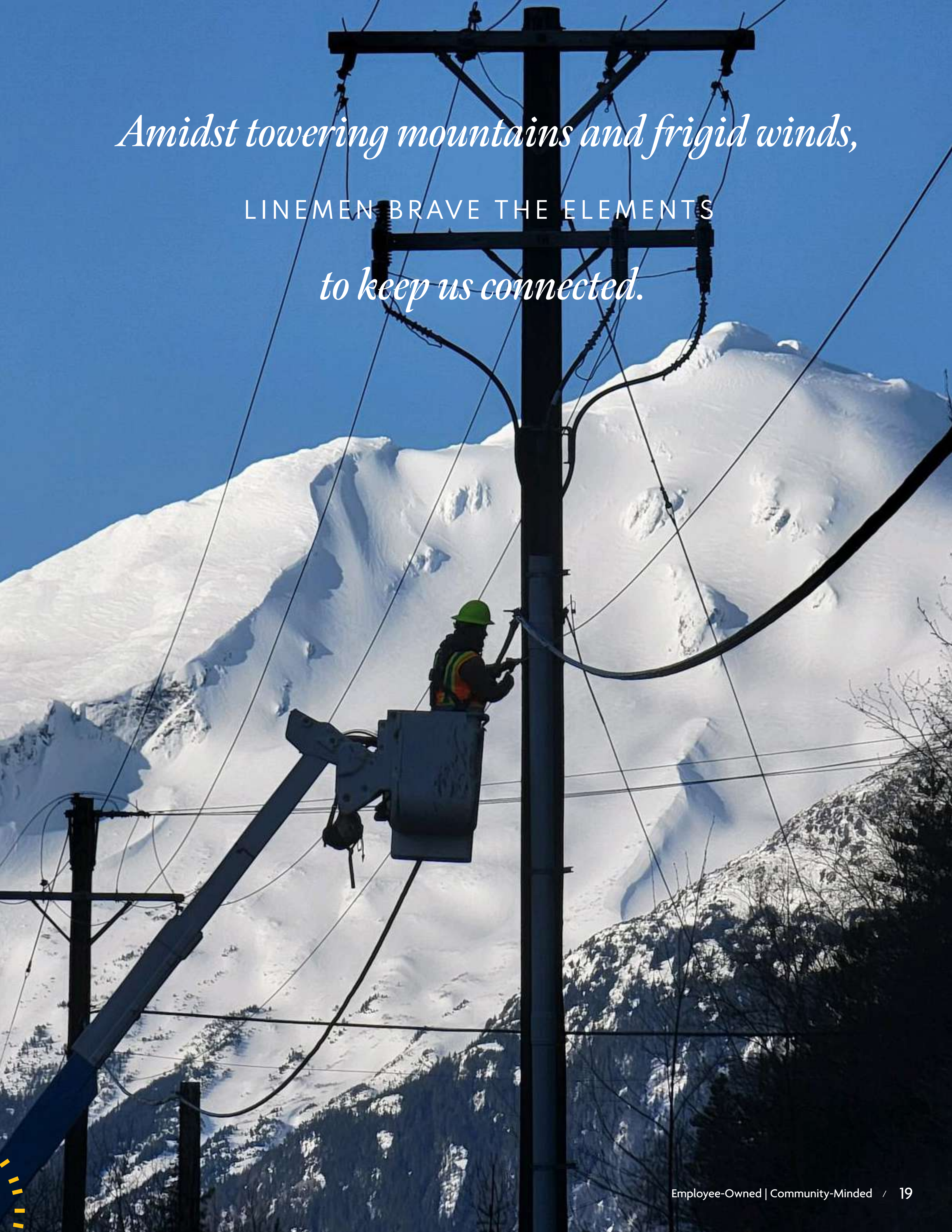
- Security council contains a core group of technical staff that are actively focused on the following items:
  - *The protection of customers', employees', and other stakeholders' information and data.*
  - *Continued development and implementation of a cybersecurity policy that strives to meet the evolving landscape of cyber security.*

- **Empower rural Alaskans to participate in cost-saving programs for telecom and energy services (Lifeline / Linkup, Affordable Connectivity Program, PCE, Heating Assistance Programs):**
  - *The protection of customers', employees', and other stakeholders' information and data.*
  - *Continuing to develop and implement a cybersecurity policy that strives to meet the evolving landscape of cyber security.*
- **Charitable contributions are made annually.**
- **Emergency Assistance Program for employees and customers in need.**
- **Employee Advisory Committee:**
  - *Maintaining an employee advisory committee seeking feedback on business and employee issues.*
- **Supporting indigenous values and tribal stakeholder objectives:**
  - *Hydropower production on ANCSA land (BBL, Southfork, Haida Energy)*
  - *Our Joint Venture with Haida Corporation has brought additional renewable energy resources to the Prince of Wales Island.*
  - *Our relationship with Central Council of Tlingit and Haida Indian Tribes of Alaska (CCTHITA) has developed into a win/win relationship in the deployment of broadband by both organizations in Southeast Alaska.*
  - *Working in tandem has helped the Skagway Tribal Council provide a Tribal Affordability Program providing tribal members with no-cost access to broadband.*
- **Local organization involvement/volunteerism:**
  - *Our employees volunteer locally throughout the spectrum of possibilities, including but not limited to, emergency response and EMT service, religious service, service organization like Rotary, Elks and Eagles.*
- **Supporting individual rights and promote inclusivity.**
- **Rural workforce development:**
  - *Establishing a robust apprenticeship program to train individuals who have an interest in the communities we serve. This supports the development of youth for trade work.*
  - *Enhancing our ability to onboard new talent quicker by having an employee dedicated to recruitment. We are also developing media to further enhance employment requirements.*
- **Executive Safety Review Committee works with safety director and local safety representatives to monitor and improve safety policies in our dangerous work environment.**

Amidst towering mountains and frigid winds,

LINEMEN BRAVE THE ELEMENTS

to keep us connected.



A MESSAGE FROM THE PRESIDENT & CEO

Michael Garrett, CPA *(Inactive)*
CEO, President

Fellow Shareholders,

Thank you for a wonderful 65th anniversary at AP&T in 2022. Looking back, 2022 was a monumental year. In 2022 we began laying the path of growth as we focused on building a foundation for the future. Each business line saw substantial investment in critical infrastructure.

The power and telecom divisional reports discuss the progress made in integrating energy generation projects and fiber facilities into our core business. We were laser focused on completing these initiatives on time and on budget. Please see the body of this report for more details.

> WE HAD MANY SUCCESSES IN 2022 THAT WERE ONLY *Achieved by the Dedication* OF OUR EMPLOYEE-OWNERS WILLING TO MEET THE CHALLENGES HEAD-ON.

There will never be enough praise for our employee-owners (past and present). We would not be in the position we are today without the leaders of the past. Those who lead the company today and into the future are motivated to live up to our vision of being a growing and innovative leader in the energy and telecommunications industry.

Our motto, "Employee-Owned and Community-Minded," inherently implies our goal is to be a good corporate citizen. We act and treat our customers and stakeholders as we would want to be treated. We are good stewards of the environment we are allowed to use in providing essential services. In today's parlance this philosophy is called following best practices of environmental, social and governance ("ESG"). As you read AP&T's annual report you will find details on how the company applies these and other best practices in everything we do.

On to our goals and a highlight of our financial results. **Our primary objectives for 2022 were:**

- Integrate the Híilangaay hydroelectric project into the POW grid.
- Complete the subsea portion of our SEALink Project.
- Capitalize on strategic transport development opportunities, including new grant opportunities.
- Grow shareholder value with strong financial performance.
- Integrate the best practices of enterprise risk management ("ERM") and ESG into the AP&T achievement framework.

As we worked to reach our goals, AP&T adapted to a new work environment caused by COVID-19. Our day-to-day interactions within the teams and with outside stakeholders will never be the same. In many ways this new way of working isn't so new. We have dealt with distance challenges since our inception in 1957 and these new methods have made it much more efficient.

Below I will touch on segmented financial performance for each division, primarily Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") and operating income. Additionally, the audited financials and the Management Discussion and Analysis ("MD&A") provide additional information.

Performance by Division

ENERGY

In 2022, our energy division's EBITDA increased by 1% and operating income decreased by 5.8% (note that 2021 results were adjusted for two one-time events as outlined in the MD&A). Energy sales increased by 5.6% as we saw tourism return in full force and as other resource industries maintained operations. Operating income between 2021 and 2022 declined as labor and labor-related costs grew by 11%. EBITDA and operating income for prior years is shown in the table below.

ENERGY	2022	2021	2020	2019	2018
EBITDA	$ 8,812,857	$ 8,713,063	$ 8,076,457	$ 6,902,071	$ 8,030,114
Operating Income	$ 4,576,386	$ 4,885,434	$ 4,538,000	$ 3,538,000	$ 4,574,000

This data excludes two 2021 One-Time events and Hiilangaay in 2020 and 2019.

We continue our efforts to lower operating costs by making prudent investments in generation and distribution plant in our core energy business. We also strive to provide a competitive wage to compete for our most valuable resource, the efforts of our employee-owners.

TELECOM

We have changed our presentation of telecom operations in the financial statements and in the MD&A of the annual report as it no longer separates regulated telecom activities from non-regulated activities. In practice, regulated and non-regulated services are dependent upon each other. The two services combined encompass traditional voice services, as well as broadband and data transport services. The year-over-year results for telecom are shown below.

TELECOM	2022	2021	2020	2019	2018
EBITDA	$ 14,245,284	$ 13,680,838	$ 13,629,905	$ 14,701,362	$ 13,702,763
Operating Income	$ 8,044,409	$ 8,313,037	$ 8,603,257	$ 10,223,412	$ 7,640,619

EBITDA grew between 2021 and 2022 primarily due to increases in transport revenue which offset slight declines in regulated telecom revenue. Operating income declined due to an increase in labor related costs and direct costs which predominately include data transport purchased from other providers. The investments in fiber we are making today are expected to reduce the growth of transport costs in the future as customer broadband usage increases.

Results of telecom operations are influenced by federal and state regulation. In 2022, we continued to see the effects of lower Alaska Universal Service Fund ("AUSF") revenue and a change in cost study results which affect revenue from federal sources. Data transport and broadband demand remains strong but the market is experiencing some compression. Market compression means that customers are demanding more capacity for a lower cost per megabit therefore, growth will be much more challenging.

We are evolving our businesses and strategy to meet market challenges. We have seen some of the metrics decline in 2022 based on the ever-changing market however, the AP&T board continually reinforces the mantra that if we expend efforts to do a task, we need to perform with excellence. Despite these challenges we had many successes in 2022 that were only achieved by the dedication of our employee-owners willing to meet the challenges head-on.

"WE ARE *good stewards of the environment* WE ARE ALLOWED TO USE IN PROVIDING ESSENTIAL SERVICES."

A totem pole stands as a testament to the rich cultural connection and history of the indigenous peoples of these lands in Ketchikan, Alaska.

Photo Credit: North Creative

Customer service is who we are,

and we are lucky to have quality employees at AP&T.

- Mary Jo Quandt

Photo Credit: Matt Groshek

CUSTOMER SERVICE

Service is not what we do, but who we are.

This phrase has great meaning to me when I look at our group of caring and committed Customer Service Representatives (CSRs). Although our office locations vary, our CSR group is connected and willing to help each other should any issue arise. We have welcomed many new CSRs over the last couple of years and they have benefited from their interactions with our veteran CSRs. Our monthly zoom meetings offer a wonderful way to see smiling faces and connect on current issues.

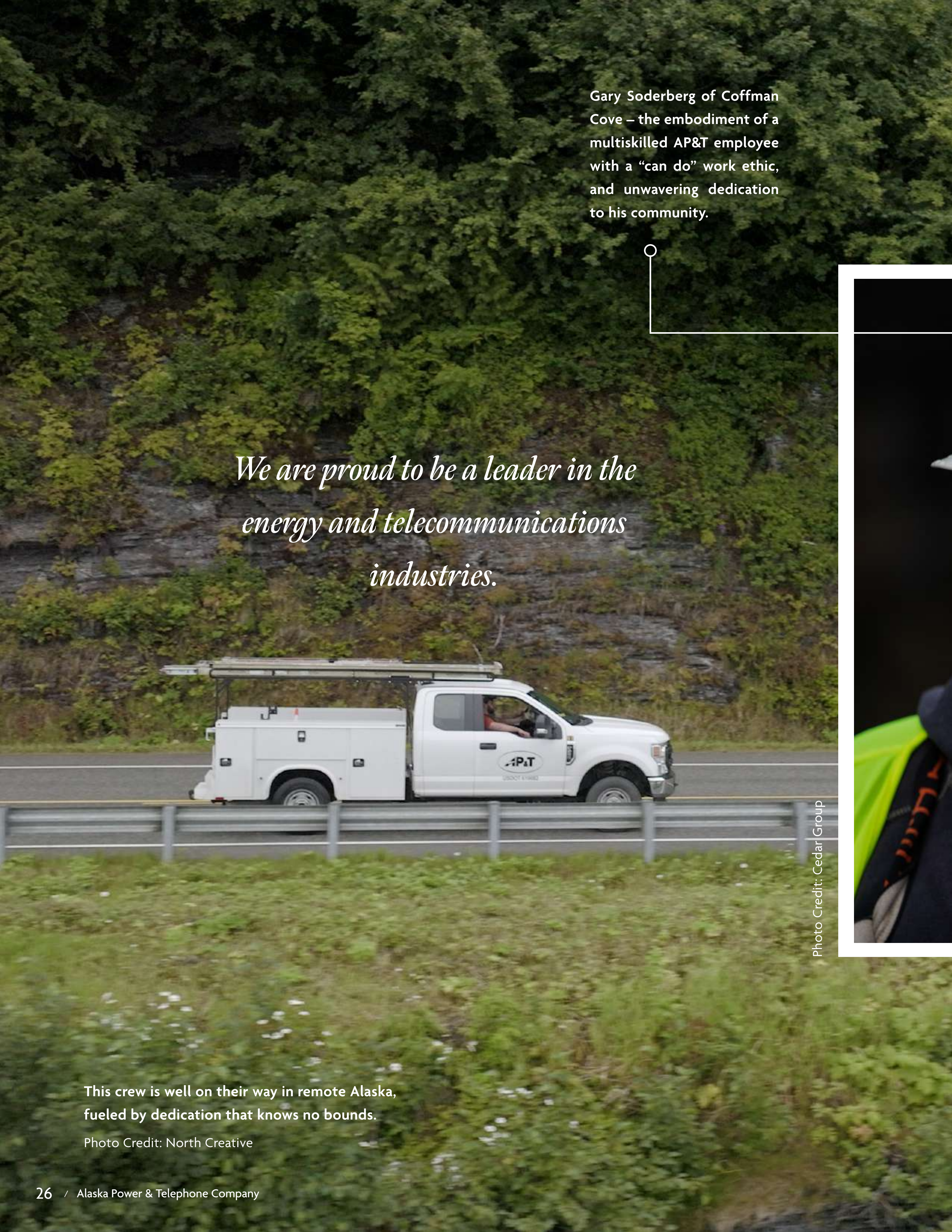
When dealing with many different customer personalities, a day never promises to be "routine" (*if there is such a thing in customer service*). Even after 25 years, I periodically find myself saying, "I have never heard of that situation before." That says a lot about the variety of topics that can develop with our customers. Some days, having a sense of humor goes a long way in getting us through the day. Even though some days can be challenging, I know that our CSRs love our customers and strive to make them feel important.

I appreciate our CSR group immensely for their care, concern, and dedication when dealing with a diverse group of customer personalities. They do their best to let our customers know they care and are here to help.

One of the highlights this past year was attending the National Information Solutions Cooperative (NISC) annual Member Information Conference (MIC) in Nashville, Tennessee. Four of our CSRs, the Billing Manager and myself, attended this training. The conference center/hotel was huge. While searching for her class, one of our CSRs mentioned that the center was larger than the town she lived in. Once we conquered finding our way around the conference buildings, it ended up being an unbelievably valuable trip. We returned much more knowledgeable; ready and willing to share new information with our co-workers. The additional bonus of this trip was connecting, exchanging ideas and problem solving. We appreciate AP&T giving us the opportunity to experience this training with one another.

Customer Service is who we are, and we are lucky to have quality employees at AP&T. As Maya Angelou once said, "people will forget what you said, they will forget what you did, but they will never forget how you made them feel." We work hard so our customers leave with a good memory of AP&T, our employee-owned, community-minded company.

Mary Jo Quandt
V/P Chief Customer Operations



Gary Soderberg of Coffman Cove – the embodiment of a multiskilled AP&T employee with a "can do" work ethic, and unwavering dedication to his community.

Photo Credit: Cedar Group

We are proud to be a leader in the energy and telecommunications industries.

This crew is well on their way in remote Alaska, fueled by dedication that knows no bounds.

Photo Credit: North Creative

HUMAN RESOURCES

Christina Hamlin,
VP of Human Resources

At Alaska Power & Telephone Company, we are proud to be a leader in the energy and telecommunications industries. A critical part of that is our workforce who work around the clock to improve the quality of life for our rural Alaskan communities. The success of AP&T can be attributed in part to the ownership of the company, by the people employed within it.

In 2022, as part of our strategic plan, we focused much of our drive on the recruitment of talent, building a federally recognized telecommunications apprenticeship program, implementing key role succession planning initiatives, and finalizing a comprehensive market compensation analysis.

With the addition of a Talent Acquisition Specialist on our team, we were successful in filling several vacant positions, focusing on local hires, electrical and telecommunications line school graduates and experienced professionals. Our operations and human resource teams worked together to review and build our expectations of program and policy initiatives. Our team was successful in reducing expenses by way of evaluating and updating our current medical, dental, and ancillary benefit plans. These efforts focused on adding value to our employees and shareholders.

As we look to the future of Alaska Power & Telephone, we must also embrace our past. In 2022, AP&T celebrated 65 years as an energy and telecommunications provider. Many of our long-tenured employees are the backbone of our success, and we look to them to be the coaches of the generation of AP&T employee-owners to come.

USDA Rural Utility Services General Field Representative Natalie Kovach – a key partner, supporting the success of AP&T's ReConnect-funded projects.

Photo Credit: Cedar Group

TELECOM DIVISON

Zachary Layman,
Executive VP / COO, Telecom

With significant federal funding available for new broadband projects, these are exciting times for the telecom industry. As this funding enables new entities and competitors to enter the broadband market, it also creates uncertainty within the industry. AP&T has been very successful in receiving funding awards that are now aiding us in the expansion of our fiber network. While we recognize every year is significant in contributing to the success of our Company, 2022 will be remembered for two main events that will impact the telecom side of AP&T's business for years to come.

The first significant event is the introduction of Low Earth Orbit (LEO) satellites into the market. The LEO company with the most satellites started offering service over 2 years ago, and they began actively marketing service and shipping equipment to customers in lower Southeast during the later part the summer of 2022. They are currently offering service across the entire state of Alaska. Reports are that the service works well in lower Southeast but is more intermittent further north. This is a groundbreaking competitor, and AP&T will need to adapt to remain the predominant player in our communities. This is our goal, and we have been preparing for several years.

Fiber to the home with competitive pricing, good customer service, local technicians, and more reliable service are all keys to our success. Approximately 32% of our voice customers and 44% of our broadband customers are on fiber today. This is tremendous progress over the past 6 years that we have been deploying fiber, as we are doing this with our current personnel. We continue to improve our productivity and efficiency as the crews gain more experience and are actively converting more customers to fiber right now.

The second monumental event was the completion of the subsea and terrestrial fiber that connects Juneau to Petersburg and Coffman Cove. This was the first phase of the ReConnect Round 2 grant that AP&T was awarded in 2021; we affectionately call this "SEALink." The project included a new hut in Coffman Cove, three new beach landings, ~8.5 miles of bored fiber, ~18 miles of aerial fiber, and nearly 200 miles of subsea fiber optic cable. The construction was completed in early November, and the electronics were installed and configured in February of 2023. At the end of February, AP&T started passing traffic over this new, 100Gb/s network. This is the first time in history that the Prince of Wales Island has been connected to the rest of North America by a fiber optic cable. It is also the first time AP&T has used 100Gb/s ethernet interfaces in our transport network. This project took significant cooperation between AP&T, the USDA, and our contractors. Many employees, from nearly every department within AP&T, were involved in making this project tremendously successful.

The teamwork, dedication and "can do" attitude that helped us get the first phase of SEALink built will be what is necessary for AP&T to prosper as we navigate these challenging times within the telecom industry. I am looking forward to what 2023 will bring.

There's no better feeling than helping to improve the quality of life in your own community. Wade Adamson of Klawock, Alaska smiles with the satisfaction of a job well-done.

Photo Credit: Cedar Group

ENERGY DIVISON

Jeff Rice, P.E.
Executive VP / COO, Energy

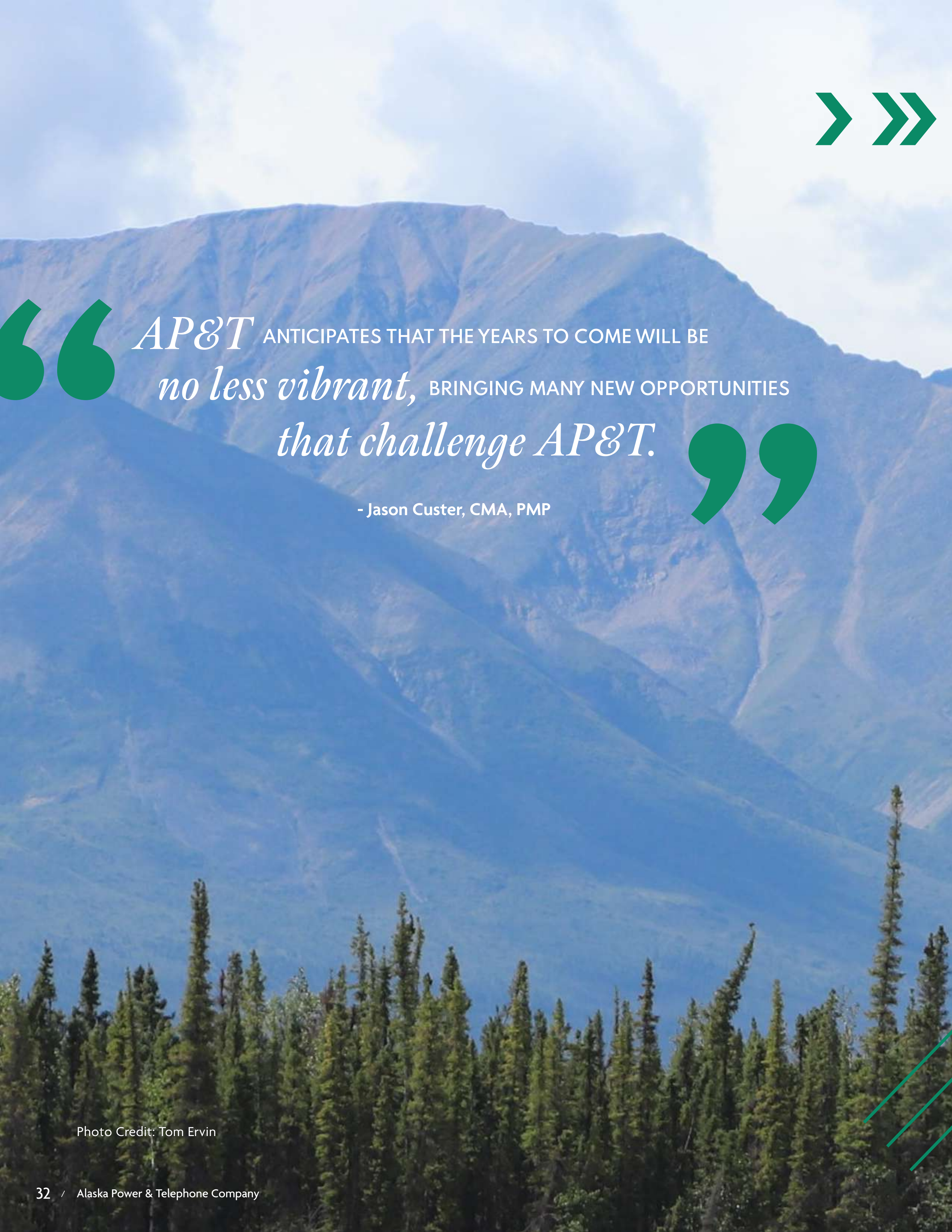
In the last two years AP&T staff has led a surge of activity in building telecom and power facilities that will carry our business into the next decade. This rapid infrastructure replacement and growth occurred during the challenges of a business landscape reshaped by the pandemic and amidst the challenges of constrained supply. We are all proud of the dedication and flexibility of AP&T employees as we tackle a heavy workload.

Our power utility is entering a period of new opportunities, both in our youthful employee base and in the technologies and equipment we use to produce and deliver energy. Our Southeast service areas are seeing steady growth in heat pump (electric heating) systems, as well as the beginnings of transportation electrification. Our largest interior community, Tok, is experiencing rapid growth from the nearby Manh Choh gold deposit, developed by Peak Gold.

The 5MW Hiílangaay hydro power project, which was completed in 2021 as a partnership with Haida Corporation, produced nearly two times the energy in 2021 as in the previous year -- both due to increased uptime and the growing demand of the local communities. The operations department continues to make improvements and fine-tune plant systems that allow the system to operate reliably and with minimal intervention. We anticipate it will continue to dispatch more energy in future years.

This year, we also began significant long-term maintenance efforts on several of our existing hydro generation fleet. The majority of AP&T owned hydro facilities were built between 1990 – 2008 and several require repair and refurbishment. A stabilization project was completed to repair erosion undermining the Black Bear Lake Hydro penstock, and a concrete diversion structure refurbishment was completed for South Fork Hydro. Goat Lake Hydro turbine is presently having a new runner forged to replace the runner with nearly 30 years of wear. Many hydro turbines underwent or will soon undergo control surface and seal replacements. In Southeast Alaska, hydro is our lowest cost and most reliable power. We are beginning preliminary planning and gathering data to determine how we can increase storage and output of both of our major storage hydro projects.

As the grid connected majority of the US turns to nuclear, wind, solar and energy storage to meet growing needs for sustainable electricity, we likewise find ourselves needing to accelerate our investigation and integration of similar technologies. In the year ahead we plan to begin efforts to further stretch our hydro power and develop solar in Tok. We are pursuing grants to investigate a Tok intertie, and we will concentrate on additional grant opportunities through various federal and state programs that focus on rural and/or renewable energy. In terms of reliability, we have implemented a new maintenance system and are developing improved maintenance plans for our equipment. It is an exciting time of change, and the enthusiasm we share in a job well done will keep us 'hopping' in the year ahead.



AP&T ANTICIPATES THAT THE YEARS TO COME WILL BE *no less vibrant,* BRINGING MANY NEW OPPORTUNITIES *that challenge AP&T.*

- Jason Custer, CMA, PMP

Photo Credit: Tom Ervin

REGULATORY & GOVERNMENT AFFAIRS

Jason Custer, CMA, PMP
VP, Regulatory & Government Affairs

Diverse forms of regulation guide the types of projects AP&T can and must undertake. At the same time, regulation ensures the company has a reasonable opportunity to recover its investment with an appropriate risk-adjusted return. Through the years, policy developments have presented AP&T with excellent growth opportunities – as well as challenges – and 2022 was no exception.

USDA ReConnect Projects. The federal government has prioritized closing the "digital divide" through construction of broadband infrastructure in rural areas, and is making grant funds for special projects available through numerous sources, including USDA and NTIA. AP&T began utilizing USDA RUS ReConnect funds in 2020, and currently has $84m in RUS-funded work in progress under 3 projects: SEALink, SEALink South, and Klukwan-Skagway Fiber. AP&T is providing a 25% match, making these projects – estimated to last through 2028 – the company's largest ever construction program. AP&T has two additional ReConnect requests under review in Round 4, totaling approximately $25m, that propose to extend fiber to the home to all locations in Thorne Bay, Hydaburg, and Whale Pass. Additionally, AP&T has been collaborating with tribal entities to support their NTIA-funded projects. AP&T must remain mindful that accepting funds for capital projects results in long-term performance obligations and operational costs that ultimately will depend on sustained support from other mechanisms. This dynamic will be a major consideration as AP&T weighs whether it can participate in upcoming grant funding opportunities, such as the State of Alaska's BEAD program.

Universal Service Fund (USF). Only a portion of AP&T's regulated telecommunication revenue comes from its local customers. A significant degree comes from federal programs that facilitate "Universal Service"– a cornerstone of America's telecom policy since the 1930s. Customers across the country contribute to federal programs that support the expense of operations in remote, high-cost communities such as those AP&T serves. Otherwise, rural utility service would not be sustainable. AP&T currently receives significant support through the Alternative Connect America Cost Model, or ACAM program. ACAM is set to expire in 2026, but will likely be extended or replaced. AP&T anticipates it will be able to participate in an updated version of the ACAM program, or similar programs such as the "Alaska Plan." While the details of these replacement programs are likely to remain unknown for some months, AP&T will track progress and ultimately select the approach best supporting its customers and operations. Similarly, as AP&T continues to evolve, it will be evaluating whether it remains advantageous to continue to recover interstate access changes through the National Exchange Carrier Association pool, or if exiting the pool would present improved opportunities.

Power Cost Equalization. Support from Alaska's

Power Cost Equalization (PCE) program, which helps equalize residential energy costs between Alaska's rural and urban locations, is the most robust it has been in decades. A 2021 lawsuit established the fund does not require annual legislative action to remain in effect, resolving longstanding political uncertainties. Additionally, Alaska's legislature increased the amount of PCE support made available to residential energy consumers by 50%, from 500 kWh per month to 750 kWh per month. Meanwhile, the PCE base amount was adjusted downwards, increasing the per kWh benefit that AP&T's residential customers receive.

AP&T's Next Rate Case. AP&T's power operations are subject to "Cost of Service" regulation, which ensures energy charges treat both customers and investors in a fair manner. Unlike its suppliers and vendors, AP&T cannot freely update energy rates to account for inflation. Rather, AP&T must obtain approval from the Regulatory Commission of Alaska (RCA) – a public process typically requiring months of preparation, and over a year to resolve. As a result, power rates respond to inflation on a delay. AP&T is preparing to file a rate case for its power subsidiaries by August 14th, 2023, and anticipates requesting an interim rate increase reflecting recent inflation. As always, this process will involve substantial disclosures verifying AP&T's operational costs. It will also include a Cost of Service study, presenting analysis to help determine that utility costs are fairly distributed between different customer types. In any event, the Power Cost Equalization fund will help soften the impacts of rate increases to residential consumers. AP&T hopes to engage proactively with stakeholders to identify common goals and priorities, maximize alignment, and minimize legal costs, which AP&T ultimately recovers through customer charges.

Clean Energy Initiatives. AP&T's heat pump incentive program (a partnership with Sealaska, an Alaska Native Corporation) and electric vehicle incentives have helped to encourage initial interest in "beneficial electrification" technology within its service areas. AP&T is hopeful that federal programs established through the Inflation Reduction Act and Bipartisan Infrastructure Law will build upon the success of these efforts, and significantly accelerate adoption of beneficial electrical technology in AP&T's service areas. To that end, AP&T has been partnering with tribal, local government, and non-profit entities as they apply for grants that would support accelerated deployment of beneficial electrification technology. We hope to see federal agencies such as the National Park Service and US Forest Service respond to federal clean energy policy and guidance by converting to heat pumps and EVs at their facilities. The National Park Service initiated use of the Gustavus intertie in December of 2022, and is now powering Glacier Bay National Park using renewable energy from the Falls Creek hydropower project.

Government Policy. Government policy weighs heavily on AP&T's organic growth prospects. State jobs, construction spending, the Alaska Marine Highway System, and contributions to municipal government continue to drive the economies of rural communities AP&T serves. Tribal governments also play a critical and increasing role in shaping the regional economy. Alaska's strategic importance has become more pronounced due to the rising value of its fossil fuel reserves, and proximity to China and Russia, which merits continued concentration of military resources and spending. In the Tongass National Forest, the federal government is seeking to invest in new, diverse industries that can provide family-wage jobs within the context of the Roadless Rule, and the decline of legacy natural resource-based industries.

2022 was a dynamic year in government policy. AP&T anticipates that the years to come will be no less vibrant, bringing many new opportunities that challenge AP&T to adapt and invest in providing important societal benefits, while earning a fair return on its investment. Importantly, no matter what awaits, AP&T remains secure in its ability to change.

SERVICE AREA MAP

Power Services

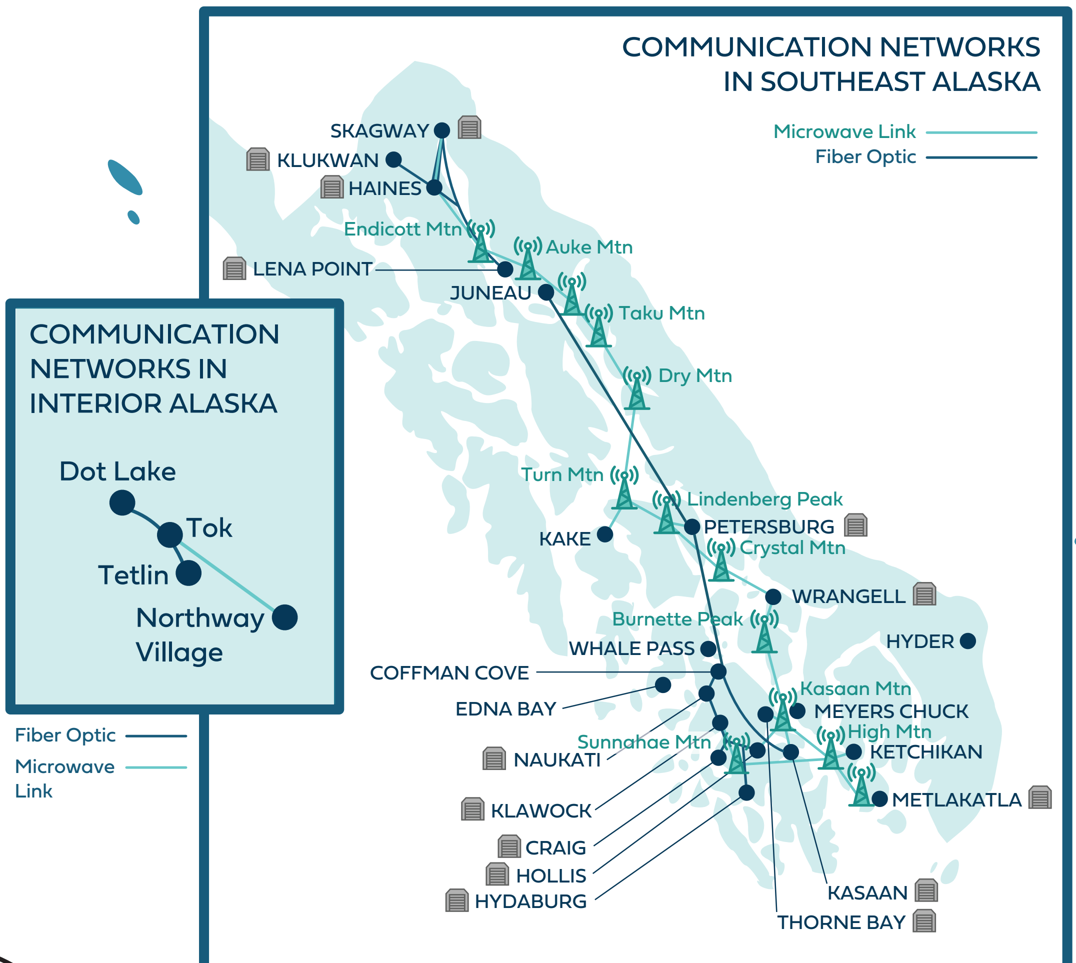
Data Services

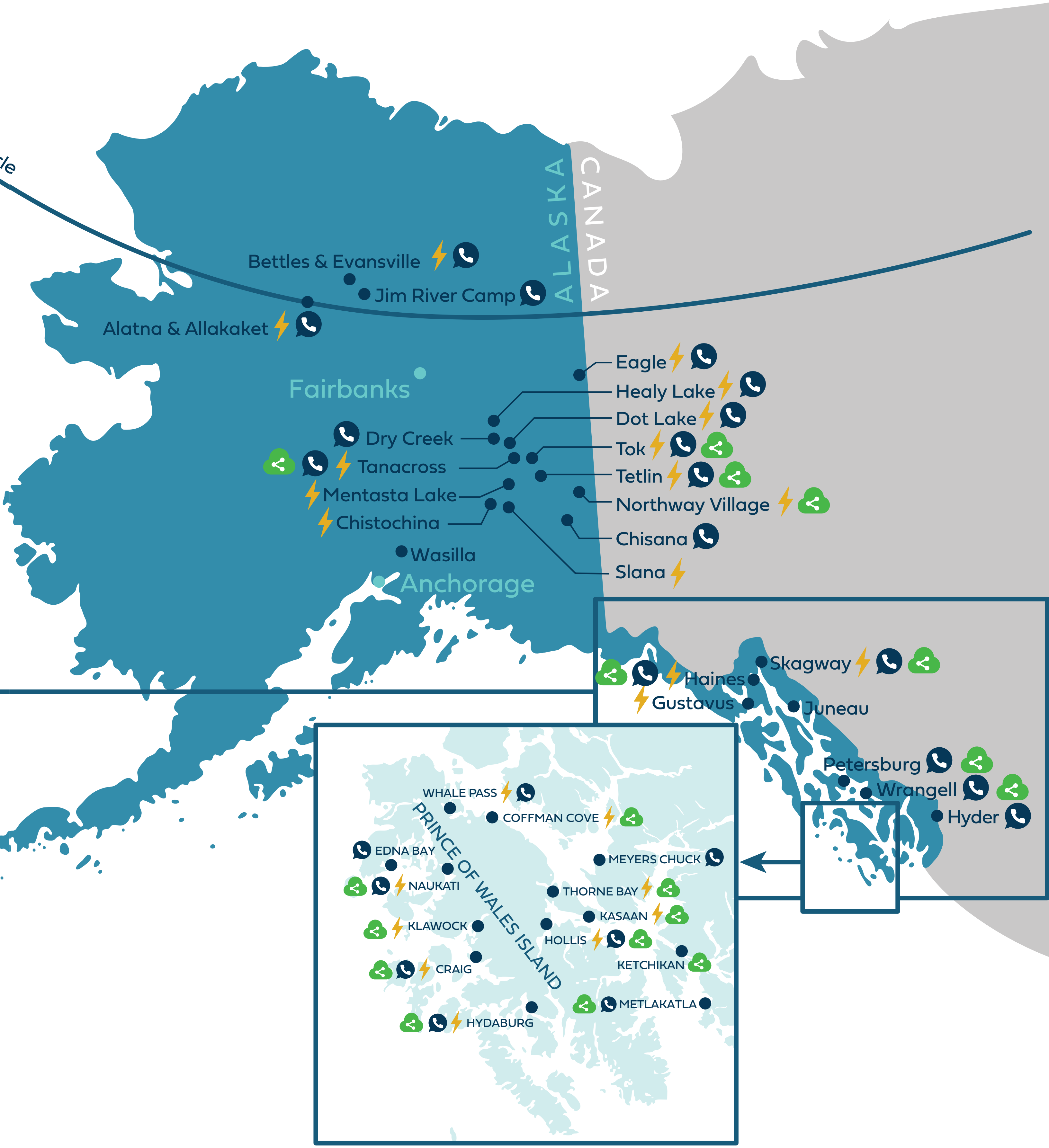
Telecom Services

Communications Facility

SAMN Tower

AP&T's service area spans a distance from the Arctic Circle to the southern tip of Alaska. This is this equivalent of the distance between Seattle and Denver, approximately 1,100 miles. AP&T's energy generation portfolio is approximately 75% clean renewable hydro, and 25% fossil-fuel based. The Southeast Alaska Microwave Network (a 350-mile facility), and the 86-mile undersea Lynn Canal Fiber between Juneau, Haines and Skagway comprise the core infrastructure of AP&T's transport network.




ALASKA
CANADA
Bettles & Evansville
Jim River Camp
Alatna & Allakaket
Fairbanks
Eagle
Healy Lake
Dot Lake
Dry Creek
Tok
Tanacross
Tetlin
Mentasta Lake
Northway Village
Chistochina
Chisana
Wasilla
Slana
Anchorage
Skagway
Haines
Gustavus
Juneau
Petersburg
Wrangell
Hyder
WHALE PASS
COFFMAN COVE
PRINCE OF WALES ISLAND
EDNA BAY
MEYERS CHUCK
NAUKATI
THORNE BAY
KASAAN
KLAWOCK
HOLLIS
CRAIG
KETCHIKAN
METLAKATLA
HYDABURG

ALASKA POWER & TELEPHONE COMPANY

Management's Discussion and Analysis of Financial Condition and Results of Operations

Company Overview

Alaska Power & Telephone (AP&T), through its subsidiaries, delivers strong and consistent shareholder returns by being an innovative leader in the energy and telecommunications industries. AP&T is organized geographically along the energy and telecommunications business lines. Approximately 62% of consolidated operating income is generated from telecom services. Total assets at the end of 2022 are evenly split between the energy and telecommunications sectors and is a shift from the end of 2021 with the energy sector representing 53% of assets. We expect the ratio of assets between these two sectors to continue to shift as more investment due to USDA ReConnect awards flows to the telecommunications sector.

The year ending 2022 saw the Company turn its focus to vastly expanding its transport capabilities. With the benefit of a $21.5 million ReConnect Round 2 grant from the USDA, AP&T's SEALink project included the successful installation of 196 miles of subsea fiber optic cable, 17 miles of aerial cable and 9 miles of underground cable. The SEALink project includes the construction of fiber-to-the-home (FTTH) to over 200 customers in Coffman Cove and Kasaan, Alaska. Two additional ReConnect grant awards were approved in Round 3. The grant awards for AP&T Wireless, Inc. and Alaska Telephone Company are $29,344,717 and $33,017,636 respectively.

The additional infrastructure investment in the energy segment was also substantial. In 2021 new energy plant investment was $7.8 million while in 2022 it was $9.4 million. Investment focused on replacement of the subsea cable connecting Skagway to Haines and Kasidaya Hydro plant, installation of four new diesel generating units, repair of the South Fork Hydro headworks structure, and a slope stabilization to protect the Black Bear Hydro penstock.

Consolidated Results of Operations

Total revenue from all operations during 2022 was $61.7 million, a decrease of $1.8 million from the previous year. During 2021, the Company benefitted from a special construction contract which provided $6.1 million in additional revenue. On a normalized basis, revenue from ongoing operations increased by $4.3 million year-over-year. Net Income for the year decreased to $9 million from $12.85 million for 2021, a decrease of $3.85 million. The primary source of this change was related to extraordinary gains for the forgiveness of the PPP loan and recovery of taxes from a non-recurring line extension project in 2021 (see the "Other Income and Expense" section of this report). The Company generated $20.2 million of cash from operations and invested $25.6 million into property plant and equipment, net of grant funds. Total long-term debt (including the current portion) increased by $15.1 million to a total of $53.2 million as of December 31, 2022. Stockholder's equity increased by $5.7 million to a total of $71.6 million, giving AP&T an equity to capitalization ratio of 41.2%, a decrease of 6.9%. Total dividends to shareholders declared during the year were $2.9 million. Based on a weighted average of 1.246 million shares, the Company generated earnings per share of $7.23.

Operations by Segment

Electric Operations — Total 2022 sales for electric operations were 73.7 GWh, an increase of 5.6% from the previous year's results. Hydroelectric resources provided 57 GWh of generation, a 3.6% increase over the previous year. Gross revenue generated by power operations was $26.5 million, a 14.7% increase from 2021. Year-over-year kWh sales in Skagway and Gustavus increased by 25.3% and 11.3% respectively. Sales on Prince of Wales Island and in the Tok region both increased by 5%, while sales in Haines decreased by 5%. Total operating expenses for the year increased by $3.5 million or 24% primarily due to a higher cost of power. Operating income for the year decreased by 7.5% to $4.6 million, vs. $4.9 million the prior year. Energy sales have improved across our service areas due to improvements in the economy or a shift in energy usage compared to 2021. Mining, fishing, and other resource activities on the Prince of Wales Island have improved. Tourism in the Upper Lynn Canal has also improved from 2021. The Interior has seen energy usage rise due to improved economic conditions.

Telecommunications Operations — Gross revenues for regulated and non-regulated telecommunications operations remained relatively constant year-over-year with 2022 revenue at $34.3 million. Operating expenses were constant year-over-year at $20.1 million mainly due to a reduction in contributions to USAC. The USAC contribution reduction was a result of the correction of a prior miscalculation. Depreciation expense increased by $800 thousand or 14.8% as additional plant, mainly SEALink was placed into service. As a result, telecom revenue decreased by $200 thousand year-over-year to $8 million.

Other Operations — Other operations are mainly AP&T's contract services. AP&T's contract services totaled $500 thousand, a decrease from the prior year of $6 million. This decrease was due to a non-recurring line extension construction contract in 2021 which added $6.1 million in gross revenue.

Other Income and Expense

AP&T receives patronage-based dividends from CoBank, its primary lender. CoBank bases its patronage on .95% of AP&T's average outstanding loan balances. CoBank also made a special patronage distribution resulting in AP&T receiving a total of 1.285% and 1.14% patronage on its outstanding loan balances for the years 2022 and 2021 respectively. The Company recorded patronage dividends of $614 thousand for 2022, and $472 thousand for 2021.

The Company routinely re-evaluates the functionality and viability of its various assets and projects in order to determine the proper valuation of the balance sheet. When appropriate, AP&T will write down or retire those assets. Accordingly, the Company recorded miscellaneous charges of $307 thousand and $498 thousand in 2022 and 2021 respectively.

Accounting Policies and Estimates

The preparation of the Company's financial statements in conformity with generally accepted accounting principles (GAAP) requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's critical accounting policies and estimates have not changed significantly from December 31, 2021. See Note 1 "The Company and Summary of Significant Accounting Policies" in the Company's 2021 Annual Report.

During 2022, AP&T adopted ASC 842-10-15-1 which replaced the prior GAAP lease accounting standard (ASC 840). Under the prior standard certain leases may have been classified as "operating leases" and not capitalized to the balance sheet. Under ASC 842 organizations following GAAP are required to categorize leases as both liabilities and right-of-use assets and AP&T has chosen to show the impact of adoption of ASC 842 on the face of the balance sheet.

Financial Condition

During 2022, AP&T's investment in gross plant in service increased by $38 million or 15.7% to a total of $281 million. Additions to plant of 66% were directed towards the telecommunications sector as the Company greatly expanded its reach and ability to provide high speed broadband to its customers. Telecommunication related construction focused on new installations, service upgrades and additional transport facilities (subsea and terrestrial) necessary to fulfil our grant award objectives and improve service to our customers while meeting the requirements required for the Company's participation in the Alternate Connect America Cost Model (ACAM). Current assets increased by $3.9 million year-over-year. A decrease in accounts receivables was a result of collecting payment for a large line extension contract at the end of 2021. Inventory and other current assets increased by $2.1 million as the Company continued acquiring the materials necessary for the upcoming construction season in the face of supply chain disruptions.

Total stockholders' equity increased by 8.6% or $5.6 million after a reduction of $2.9 million in declared dividends to shareholders. Common stock transactions led to a decrease of 0.3% or 7,488 in shares outstanding. The increasing interest rate environment and the reduced balance of the Company's interest rate swap resulted in a $283 thousand positive adjustment to "accumulated other comprehensive loss." Long-term interest-bearing liabilities at year-end 2022 were $53.2 million, an increase of 39.5% or $15.1 million.

Liquidity and Capital Resources

Operating Activities — Cash flows provided by ongoing operating activities during 2022 increased by $1 million or 5.4% to a total of $20.2 million. The fluctuations in cash flow from operating activities are derived from our operating performance as well as from changes in current assets and current liabilities.

Investing Activities — Cash used for the acquisition of plant during 2022 was $40 million, an increase of $22.2 million or 125% over the previous year. The large increase is the direct result of being awarded a grant under ReConnect Round 2. The Company's obligations under the grant award include a 25 percent matching requirement and a commitment to finish the project in five years. To meet the matching requirements for Round 2, the Company contributed $1.6 million and $5.6 million in 2021 and 2022 respectively. The Company is also on pace to finish the project a year ahead of schedule. AP&T also received $12.3 million in grant funding related to Round 2 during 2022.

Financing Activities — The Company raised $30 million and $12.3 million in proceeds through the issuance of long-term debt during 2022 and 2021 respectively. Outstanding balances on the Company's line of credit were reduced by $4.1 million. AP&T used $639 thousand of cash to settle stock transactions with the Company's Employee Stock Ownership Program during the year, up from $267 thousand in 2021. Cash payments of dividends increased by $328 thousand or 12.7% to a total of $2.9 million. Net cash from financing activities during 2022 was $7.4 million, an increase of $10 million year-over-year. AP&T ended the year with $1.1 million of cash on hand, a $925 thousand reduction from the previous year.

Grant Obligations — During 2022, the Company made significant progress on the SEALink project related to its ReConnect round 2 award. The Company fulfilled the $7.2 million 25% matching requirement of the award and subsequently received $12.3 million of the $21.5 million (75%) grant funds awarded. USDA will issue additional grant funds as expenditures are submitted and approved for reimbursement. The ReConnect Round 3 grant awards require a matching capital investment obligation over the five-year construction cycle. The total estimated capital outlay for the five years beginning 2023 is $2.5 million; 2024 is $6.3 million; 2025 is $4.5 million; 2026 is $4.8 million and 2027 is $2.7 million. This schedule may change as the project proceeds and evolves.

ESG Initiatives

AP&T's culture of service is designed for the betterment of our employees, customers, and communities provide the foundation upon which we are actively building our Environmental, Social and Governance (ESG) program. In 2022, we expanded projects as good stewards of the land that support environmental quality such as regional decarbonization, beneficial electrification, and wise use of local renewable energy resources.

We worked hard to keep our customers' trust and we continued investing in the health and welfare of our employees and the Alaska's communities our teammates call home. Our social efforts include providing a safe work environment, increasing network reliability, investing in cybersecurity to protect customer and corporate data, giving back to communities through charitable contributions, maintaining a collaborative work environment, and partnering with tribal organizations.

Our governance practices ensure transparency and accountability. Our seven-member board, which includes five independent directors, oversees the strategy and operation of the Company, aided by the work of three standing committees: Audit and Risk, Governance and Nominating, and Compensation. Each committee is comprised of independent directors. The AP&T directors collectively honor the employee-owned and community-minded Company culture and are committed to effective governance, active review, and continual improvement. Across the Company, we continue to raise the bar for how we provide service to community, opportunities for employees, and value for stakeholders.

Issues, Risks and Challenges

There will always be risks and challenges facing a business. AP&T has adopted an Enterprise Risk Management (ERM) framework to assist in the appropriate identification, reporting and planning related to the various risks assumed by the Company. These include the effects and uncertainties of future events, some of which have been identified below:

- The fundamental strength of AP&T is rooted in our ownership structure as an employee-owned organization. Our employee shareholders demonstrate the alignment and commitment that is necessary for us to fulfill our mission of providing vital services and products to our customers in our service territory. Our ability to continue to source highly skilled new employees, especially those needed to replace retiring employees, will be critical to our future success.
- Changes in Alaska's economic environment could have a negative impact resulting in decreases in existing revenues restricting opportunities for future growth.

- Reliance on government subsidies to our regulated electric and telecommunications customers could be affected by legislative or regulatory changes.
- Deterioration in the financial condition of AP&T could result in the violation of the financial covenants of its Master Loan Agreement with CoBank, causing a default in the terms of the Agreement.
- Risks related to our operations include failure to comply with existing processes, policies and procedures designed to optimize business operations; unexpected changes in compliance regulations; political, legal and economic instability; seasonal factors affecting hydrology; the impact of unanticipated changes in weather, or weather-related disasters, and unforeseen adverse tax consequences.
- Other risks include existing competition from alternate service providers using disruptive technologies such as Low Earth Orbit (LEO) satellites. Customer churn impacts both regulated and non-regulated telecom segments.
- During 2022, inflationary pressures impacted cost of operations in a way that we have not experienced for over a decade. While the Company continues to proactively manage our costs and expenses, continued upward inflationary pressures will result in increases in our cost of operations that may not be able to be fully passed along to our customers.

Michael Garrett
Michael Garrett,
CEO, President

H. A
Hank Altschuler,
Controller

Scaling new heights together! These employee-owners show that teamwork makes the dream work in ensuring uninterrupted service.

5 Year Summary

$ Expressed in thousands except per share data

	2018	2019	2020	2021	2022

Operating Results

	2018	2019	2020	2021	2022
Operating Income					
Electric Services	$ 4,574	$ 3,538	$ 4,538	$ 4,885	$ 4,576
Telecommunications	9,372	10,224	8,604	8,313	8,044
Other	(1,024)	(10,281)	689	557	349
Total Operating Income	$ 12,922	$ 3,481	$ 13,831	$ 13,755	$ 12,969
Total Operating Margin	23.1%	6.3%	25.0%	21.7%	21.0%
Cash Flow from Operations	$ 15,970	$ 12,064	$ 13,208	$ 19,251	$ 20,206
Net Income	$ 6,452	$ 917	$ 8,740	$ 12,852	$ 9,017
Earnings (loss) per Share - Basic	$ 5.01	$ 0.72	$ 6.94	$ 10.27	$ 7.23

Financial Position

	2018	2019	2020	2021	2022
Total Capitalization	$ 100,093	$ 90,666	$ 91,974	$ 104,135	$ 124,909
Weighted-Average Shares Outstanding	1,286,718	1,273,448	1,259,089	1,251,812	1,246,438
Book Value per Share - Basic	$ 40.80	$ 39.39	$ 44.34	$ 52.77	$ 57.66
Share Price per Valuation	$ 61.80	$ 65.82	$ 74.14	$ 82.73	TBD

Key Ratios

	2018	2019	2020	2021	2022
Cash from Operations/Revenue	28.6%	21.8%	23.8%	30.4%	32.7%
EBITDA	$ 21,399	$ 11,951	$ 22,909	$ 28,132	$ 24,812
EBITDA / Revenue	38.3%	21.6%	41.3%	44.4%	40.2%
Debt / Capitalization	47.7%	45.1%	39.6%	36.6%	42.6%
Equity / Capitalization	52.3%	54.9%	60.4%	63.4%	57.4%
Return on Assets	5.2%	0.8%	7.0%	9.4%	5.2%
Return on Equity	12.3%	1.8%	15.7%	19.5%	12.6%
Dividends Declared / Share	$ 1.86	$ 1.92	$ 1.92	$ 2.13	$ 2.39

Together, the US Forest Service and National Park Service administer over 20 million acres of public land in southeast Alaska – an area the size of South Carolina. AP&T is privileged to provide services to support the needs of villages and communities in the region.

Photo Credit: North Creative

Report of Independent Auditors
and Consolidated Financial Statements

**Alaska Power & Telephone Company
and Subsidiaries**

December 31, 2022 and 2021

MOSSADAMS

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MOSSADAMS

Report of Independent Auditors

The Board of Directors
Alaska Power & Telephone Company and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Alaska Power & Telephone Company and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Alaska Power & Telephone Company and Subsidiaries as of December 31, 2022 and 2021, and the results of their operations and their cash flows 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). 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 Alaska Power & Telephone Company and Subsidiaries 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, Alaska Power & Telephone Company and Subsidiaries adopted Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Alaska Power & Telephone Company and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, 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 Alaska Power & Telephone Company and Subsidiaries' 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 Alaska Power & Telephone Company and Subsidiaries' 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.

Moss Adams LLP

Spokane, Washington
March 31, 2023

Consolidated Financial Statements

Alaska Power & Telephone Company
Consolidated Balance Sheets
December 31, 2022 and 2021

	2022	2021
ASSETS		
PROPERTY, PLANT, AND EQUIPMENT		
Electric	$ 135,356,921	$ 125,911,274
Telecommunications	135,753,605	110,642,720
Nonutility	10,258,996	6,788,825
	281,369,522	243,342,819
Less accumulated depreciation and amortization	154,148,259	148,049,310
	127,221,263	95,293,509
Utility plant under construction	9,268,661	11,705,048
Total property, plant, and equipment	136,489,924	106,998,557
OTHER ASSETS		
Investments	5,279,649	5,336,642
Goodwill, net of amortization	60,811	121,355
Rate stabilization asset	4,450,509	4,629,219
Operating lease right-of-use asset	2,333,807	-
Other assets	3,174,780	1,931,006
Total other assets	15,299,556	12,018,222
CURRENT ASSETS		
Cash and cash equivalents	3,128,132	1,102,425
Receivables, less allowance for doubtful accounts of $26,728 in 2022 and $28,419 in 2021	10,836,607	11,341,171
Inventory and other current assets	7,881,940	5,732,173
Income tax refunds receivable	329,665	83,469
Total current assets	22,176,344	18,259,238
Total assets	$ 173,965,824	$ 137,276,017

See accompanying notes.

Alaska Power & Telephone Company
Consolidated Balance Sheets
December 31, 2022 and 2021

	2022	2021
LIABILITIES AND STOCKHOLDERS' EQUITY		
STOCKHOLDERS' EQUITY		
Common stock, $1 par value, 10,000,000 shares authorized, 1,242,694 and 1,250,182 shares issued and outstanding in 2022 and 2021, respectively	$ 1,242,694	$ 1,250,182
Additional paid-in capital	438,455	1,070,052
Retained earnings	69,969,193	63,937,025
Accumulated other comprehensive loss	(317)	(283,954)
Total stockholders' equity	71,650,025	65,973,305
LONG-TERM DEBT, less current portion and unamortized loan fees	46,413,305	30,606,779
INTEREST RATE SWAP	1,239	393,600
OTHER LIABILITIES AND DEFERRED CREDITS		
Deferred income taxes	16,960,509	15,900,984
Noncurrent operating lease liability	2,076,026	-
Deferred revenue	13,590,579	-
Other deferred credits	1,040,697	802,339
Total other liabilities and deferred credits	33,667,811	16,703,323
CURRENT LIABILITIES		
Accounts payable and other accrued liabilities	11,192,242	8,665,257
Billings in excess of construction	110,913	138,021
Line of credit	3,163,418	7,240,744
Current deferred revenues	660,000	-
Current portion of long-term debt	6,845,310	7,554,988
Current operating lease liability	261,561	-
Total current liabilities	22,233,444	23,599,010
Total liabilities and stockholders' equity	$ 173,965,824	$ 137,276,017

See accompanying notes.

Alaska Power & Telephone Company
Consolidated Statements of Income
Years Ended December 31, 2022 and 2021

	2022	2021
REVENUE		
Electric	$ 26,579,066	$ 23,090,844
Telecommunications	34,368,321	33,825,685
Other	830,042	6,617,410
	61,777,429	63,533,939
EXPENSES		
Electric	18,044,254	14,563,615
Telecommunications	20,107,605	20,098,178
Other	107,927	5,655,047
Operations and maintenance expense	38,259,786	40,316,840
Depreciation and amortization expense	10,548,457	9,461,667
	48,808,243	49,778,507
Income from operations	12,969,186	13,755,432
OTHER INCOME (EXPENSE)		
Dividend income	990,207	489,289
Gain from extinguishment of debt	-	2,617,185
Amortization of goodwill	(60,544)	(60,544)
Excess contribution in aid of construction	-	2,307,448
Miscellaneous	304,454	(498,939)
Total other income	1,234,117	4,854,439
Interest income	26,223	7,926
Interest expense	(2,336,065)	(2,292,008)
Net interest expense	(2,309,842)	(2,284,082)
Income before income taxes	11,893,461	16,325,789
Provision for income taxes	(2,876,754)	(3,473,691)
Net income	$ 9,016,707	$ 12,852,098
Basic and diluted earnings per share	$ 7.23	$ 10.27
Weighted-average basic and diluted shares outstanding	1,246,438	1,251,812

See accompanying notes.

Alaska Power & Telephone Company
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2022 and 2021

	2022	2021
Net income	$ 9,016,707	$ 12,852,098
Other comprehensive income before tax		
Gain from fair value adjustment to interest rate swap	392,361	664,121
Income tax expense related to fair value adjustment to interest rate swap liability	(108,724)	(184,027)
	283,637	480,094
Comprehensive income	$ 9,300,344	$ 13,332,192

See accompanying notes.

Alaska Power & Telephone Company
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2022 and 2021

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2020	$ 1,253,442	$ 1,334,084	$ 53,754,068	$ (764,048)	$ 55,577,546
Net income	-	-	12,852,098	-	12,852,098
Sale of common stock	22,208	1,624,307	-	-	1,646,515
Repurchase of common stock	(25,468)	(1,888,339)	-	-	(1,913,807)
Fair value adjustment to interest rate swap, net of tax	-	-	-	480,094	480,094
Dividends to shareholders	-	-	(2,669,141)	-	(2,669,141)
Balance at December 31, 2021	1,250,182	1,070,052	63,937,025	(283,954)	65,973,305
Net income	-	-	9,016,707	-	9,016,707
Sale of common stock	23,951	1,957,493	-	-	1,981,444
Repurchase of common stock	(31,439)	(2,589,090)	-	-	(2,620,529)
Fair value adjustment to interest rate swap, net of tax	-	-	-	283,637	283,637
Dividends to shareholders	-	-	(2,984,539)	-	(2,984,539)
Balance at December 31, 2022	$ 1,242,694	$ 438,455	$ 69,969,193	$ (317)	$ 71,650,025

See accompanying notes.

Alaska Power & Telephone Company
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 9,016,707	$ 12,852,098
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	10,609,001	9,522,211
Amortization of loan issuance costs	31,169	426,209
Excess contribution in aid of construction	-	(2,307,448)
Gain from extinguishment of debt	-	(2,617,185)
Noncash patronage dividends	(113,562)	(104,324)
Deferred income taxes	950,801	660,689
Accretion of rate stabilization asset	178,710	73,020
Changes in assets and liabilities		
Receivables	504,564	(1,755,378)
Income taxes	(246,196)	245,132
Other assets and liabilities	(724,826)	2,255,769
Net cash from operating activities	20,206,368	19,250,793
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant, and equipment, net	(40,039,824)	(17,798,410)
Grant funding received	14,250,579	-
Other investment	(153,672)	(15,000)
Proceeds from investment	324,227	181,674
Net cash from investing activities	(25,618,690)	(17,631,736)

See accompanying notes.

Alaska Power & Telephone Company
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	$ 22,917,803	$ 12,333,333
Proceeds from line of credit	31,603,511	35,953,343
Payments on line of credit	(35,680,837)	(39,585,529)
Payments on long-term debt	(7,852,124)	(8,394,666)
Proceeds from sale of common stock	1,981,444	1,646,515
Repurchase of common stock	(2,620,529)	(1,913,807)
Dividends paid	(2,911,239)	(2,583,193)
Net cash from financing activities	7,438,029	(2,544,004)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,025,707	(924,947)
CASH AND CASH EQUIVALENTS, beginning of the year	1,102,425	2,027,372
CASH AND CASH EQUIVALENTS, end of the year	$ 3,128,132	$ 1,102,425
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest expense	$ 1,758,299	$ 1,951,632
Income taxes	$ 2,172,150	$ 3,024,433
Cash paid during the year for operating leases	$ 385,340	$ -
Operating right-of-use assets obtained in exchange for new operating lease liabilities	$ 2,599,450	$ -
NONCASH INVESTING AND FINANCING ACTIVITIES		
Unrealized gain on interest rate swap, net of tax	$ 283,637	$ 480,094
Accrued dividends payable	$ 760,900	$ 687,600

See accompanying notes.

Note 1 – The Company and Summary of Significant Accounting Policies

Description of entity – Alaska Power & Telephone Company and its subsidiaries (AP&T or Company) supply electric and telephone service to several communities in the state of Alaska. Alaska Telephone Company, as subsidiary of AP&T, is subject to regulation by the Regulatory Commission of Alaska (RCA) and the Federal Communications Commission (FCC). Alaska Power Company, BBL Hydro, Inc., and Goat Lake Hydro, subsidiaries of AP&T, are subject to regulation by the Regulatory Commission of Alaska and the Federal Energy Regulatory Commission (Commissions) with respect to rates for service and maintenance of its accounting records. AP&T's accounting policies are in accordance with accounting principles generally accepted in the United States of America as applied to regulated public utilities and are in accordance with the accounting requirements and rate-making practices of the Commissions.

Consolidation – The accompanying consolidated financial statements include the accounts of AP&T and its wholly owned energy subsidiaries, Alaska Power Company, BBL Hydro, Inc., and Goat Lake Hydro, Inc.; and its wholly owned telecommunications subsidiaries, Alaska Telephone Company, AP&T Long Distance, Inc., AP&T Wireless, Inc., Bettles Telephone, Inc., and North Country Telephone, Inc. All material intercompany balances and transactions have been eliminated in consolidation.

Business combinations – The Company applies authoritative guidance on accounting for business combinations. The guidance establishes principles and requirements for determining how an enterprise recognizes and measures the fair value of acquired assets and assumed liabilities acquired in a business combination, including noncontrolling interests, contingent consideration, and certain acquired contingent liabilities. The guidance also requires acquisition-related transaction and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination.

Recently adopted accounting standards – As of January 1, 2022, the Company adopted Accounting Standards Codification (ASC) 842, *Leases,* using the optional transitional method. The standard establishes a new accounting model for leases, which requires lessees to recognize right-of-use (ROU) assets and lease liabilities on the consolidated balance sheets, but lease expense will be recognized on the income statement in a manner similar to previous requirements. Under the optional transitional method, the new standard was adopted using the modified retrospective approach on the date of adoption. Accordingly, information presented for periods prior to 2022 have not been recast and continue to be reported in accordance with historical accounting policies.

As part of the adoption, the Company elected the package of practical expedients permitted under the transition guidance within the new standard and did not reassess: (1) whether an expired lease or existing contract is a lease or contains an embedded lease; (2) lease classification of an expired or existing lease; (3) initial direct costs for an existing lease; and (4) whether an existing or expired land easement is or contains a lease if it has not historically been accounted for as a lease.

The adoption of the new lease standard resulted in the recognition of right-of-use assets and lease liabilities of approximately $2,599,000 for historical operating leases.

Accounting estimates – The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include depreciation, interstate access revenue settlements, the fair value of goodwill and certain investments, the fair value of the interest rate swap, unbilled revenue, costs to complete construction contracts, and deferred income taxes. Actual results could differ from those estimates.

Cash and cash equivalents – All highly liquid investments with original maturities of 90 days or less are carried at cost plus accrued interest, which approximates fair value, and are considered to be cash equivalents. All other investments not considered to be cash equivalents are separately categorized as investments.

Concentration of risks – At various times throughout the year, the cash balances deposited in local institutions exceed federally insured limits. A possible loss exists for those amounts in excess of the federally insured limits. AP&T minimizes this risk by utilizing numerous financial institutions for deposits of cash funds.

Comprehensive income – Accounting principles require that recognized revenues, expenses, gains, and losses be included in net income. In addition, certain changes in assets and liabilities, such as changes in the fair market value of interest rate swaps, are reported as a separate component of equity. These items, along with net income, are components of comprehensive income, which is reported in a separate consolidated statement of comprehensive income.

Valuation of accounts receivable – Accounts receivable are stated at the amount management expects to collect on outstanding balances. AP&T reviews the collectability of accounts receivable annually based upon an analysis of outstanding receivables, historical collection information, and existing economic conditions. Receivables from power and telecommunications subscribers are due 30 days after issuance of the subscriber bill. Receivables from other customers are typically outstanding 30 to 60 days before payment is received. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes it has established adequate reserves for any risk associated with these receivables.

Fuel, supplies, and other inventory – Fuel, supplies, and other inventory are valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis for fuel, average cost for supplies, and other inventory. The supplies and other inventory are primarily held for use in construction projects including repairs and maintenance of AP&T's delivery systems.

Property, plant, equipment, and depreciation – Property, plant, and equipment are stated at cost. Regulated plant includes assets that are jointly used for regulated and nonregulated activities. The cost of additions to and replacements of property, plant, and equipment are capitalized. This cost includes direct materials, labor, and similar items and charges for such indirect costs as engineering, supervision, payroll taxes, and pension benefits. AP&T capitalizes, as an additional cost of utility plant, an allowance for funds used during construction (AFUDC), which represents the allowed cost of capital used to finance a portion of construction work in progress for projects of more than one year in duration. AFUDC consists of debt and equity components that, when capitalized, are credited as noncash items to other income and interest charges.

The cost of current repairs and maintenance is charged to expense, while the cost of betterments are capitalized. The original cost of property, plant, and equipment together with removal cost, less salvage, is charged to accumulated depreciation at such times as assets are retired and removed from service. For financial statement purposes, depreciation is computed on the straight-line method using rates based on average service lives. For income tax purposes, AP&T computes depreciation using accelerated methods where permitted.

Customer advances for construction – Customer advances for construction of additions to the electric distribution systems are recorded as a liability and are amortized through discounted service billings to the customer over a 60-month period. At the end of the amortization period, any remaining balance is recorded as a reduction of the respective utility plant accounts. If an advance is in excess of customer construction costs, the Company records it as non-operating income as an excess contribution in aid of construction.

Goodwill – Between 1995 and 1997, AP&T purchased the power assets of three service areas in Alaska from existing power providers. The excess of the purchase price over the assets acquired has been recorded as goodwill in the amount of $715,662 for the power properties. AP&T adopted Accounting Standards Update (ASU) 2014-02, *Intangibles – Goodwill and Other (Topic 350) – Accounting for Goodwill*, for the year ended December 31, 2014. Under this guidance, goodwill is tested for impairment by management when a triggering event occurs that indicates the fair value of the reporting unit is less than its carrying amount. In addition, under this standard, management has elected to amortize goodwill on a straight-line basis over a period of ten years. Management has reviewed events and circumstances that may be considered a triggering event and determined no such event occurred during 2022 or 2021. Total amortization expense related to goodwill for the years ended December 31, 2022 and 2021, was $60,544, respectively.

Goodwill is included in other assets on the consolidated balance sheets. As of December 31, 2022 and 2021, the carrying amount of goodwill was $60,811 and $121,355, respectively, which included accumulated amortization of $9,266,400 and $9,145,045, respectively.

Preliminary survey and investigation costs – AP&T defers costs incurred for the preliminary survey and investigation of proposed construction projects in accordance with the rules of the Commissions. These deferred costs are capitalized into utility plant when the preliminary survey and investigation projects are completed or are charged to expense in the period that a proposed project is abandoned.

Income taxes – Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets relate primarily to book vs. tax differences, accrued employee benefits, and the fair value adjustment on the interest rate swap liability on the books. Deferred tax liabilities relate primarily to the use of accelerated depreciation for income tax purposes.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50%. As of December 31, 2022 and 2021, the Company had no accrued amounts related to uncertain tax positions. Interest and penalties, if any, are recorded as interest expense and other expense, respectively.

Other deferred credits – Other deferred credits consist of customer advances for construction, grant funded projects, and other deferred revenue. Customer advances for construction of additions to the electric distribution systems are recorded as a liability and are amortized through discounted service billings to the customer over a 60-month period. At the end of the amortization period, any remaining balance is recorded as a reduction of the respective utility plant accounts. Customer advances for construction were $1,040,697 and $802,339 at December 31, 2022 and 2021, respectively.

Revenue recognition – electric – The Company utilizes cycle billing and records revenue billed to its customers when the meters are read each month. In addition, the Company recognizes unbilled revenue, revenues from electric power delivered but not yet billed. Revenue is recognized when obligations under the terms of a contract with customers are satisfied. Generally, this satisfaction of performance obligations and transfer of control occurs, and revenues are recognized as electricity is delivered to customers, including any services provided. The prices charged, and amount of consideration the Company receives in exchange for its goods and services provided, are established through a formal rate case process and approved by the state of Alaska and the calculation of the cost of power adjustment through the state of Alaska tariff. The Company recognizes revenue through the following steps: i) identifying the contract with the customer; ii) identifying the performance obligations in the contract; iii) determining the transaction price; iv) allocating the transaction price to the performance obligations; and v) recognizing revenue when or as each performance obligation is satisfied.

Revenue recognition – construction – Revenue from cost-plus-fee contracts is recognized on the basis of costs incurred during the period plus the fee earned. Revenues are recognized as costs are incurred and are calculated using the percentage of completion method.

In 2021, the Company completed a contract to construct power related assets. In accordance with the contract, the ownership of the assets was retained by the Company. Total proceeds received exceeded the cost of construction by approximately $2,307,000 and was recorded as an excess contribution in aid of construction on the statement of income.

Revenue recognition – telecommunications – The Company provides local telephone, network access and long-distance, and Internet to end user and enterprise customers within its geographic footprint. The majority of the Company's end user customer revenue is based on month-to-month contracts, while larger enterprise customers have contracts with defined terms of service that can range from one to five years.

The Company recognizes revenue for services as it provides the applicable service or when control of a product is transferred. Recognition of certain payments received in advance of services provided is deferred until the service is provided i.e., when the Company satisfies its performance obligation.

Customer contracts that include both equipment and services are evaluated to determine whether performance obligations are separable. If the performance obligations are deemed separable and separate earnings process exists, the total transaction price with the customer is allocated to each performance obligation based on the relative standalone selling price of the separate performance obligation.

The standalone selling price is the price charged to similar customers for the individual services or equipment.

Local telephone and internet are recognized over the period a customer is connected to the network. These services are generally billed in advance but recognized in the month that service is provided. Usage sensitive revenues such as access (revenues earned for originating/terminating long distance calls), and long distance are generally billed as a per-minute charge. Although these revenues are billed in arrears, an estimate of unbilled revenues is accrued in the month service is provided.

AP&T also receives significant universal service support revenue based on the higher costs of providing rural telecommunications service. The interstate program is governed by the FCC and administered by the Universal Service Administrative Company (USAC).

Telecommunications operating revenues include settlements based on AP&T's participation in the interstate revenue pools administered by the National Exchange Carrier Association (NECA) and regulated by the FCC. These revenues are determined by annually prepared separations and interstate access cost studies. Revenues for the current year are based on estimates prior to the submission of the cost study reporting actual results of operations. Additionally, the studies are subject to a 24-month pool adjustment period and final review and acceptance by the pool administrators. There was an insignificant revenue impact for 2022 and 2021 for adjustments related to prior year differences between the recorded estimates and actual revenues. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 2022 and 2021.

Additionally, telecommunications operating revenues include revenues received from intrastate revenue pools administrated by the Alaska Exchange Carriers Association that are based on AP&T's relative cost of providing intrastate access service. These revenues are based on projections submitted periodically and intrastate access cost studies that are submitted every two years unless waived by the Regulatory Commission of Alaska. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 2022 or 2021.

The Company's wireline and wireless universal service support revenue is intended to compensate the Company for the high cost of providing rural telephone service. Universal service support revenue includes funds received for Alternative Connect America model (A-CAM) and other miscellaneous programs. A-CAM support is based on an amount determined by the FCC, which is fixed for 10 years and requires build-out obligations be met beginning in 2023.

Regulation – telecommunications – The Company's services are subject to rate regulation as follows:

- Intrastate access revenues are regulated by the Regulatory Commission of Alaska (RCA). The FCC also has preemptive authority to regulate intrastate telecommunications services, including intrastate access rates.

- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.

- Universal service support revenues are administered by the Universal Service Administrative Company (USAC), based on rules established by the FCC.

- Alaska Universal Service support revenues are administered by the Alaska Universal Service Administrative Company (AUSAC), based on rules established by the RCA.

Other sources of revenues are not rate regulated and include equipment sales, directory, rents, and other incidental services.

Nonregulated expenses and nonregulated plant are directly attributable to nonregulated services.

All other operating expenses and telecommunications plant are related primarily to wireline revenues. However, some of these costs jointly relate to regulated and nonregulated services. For interstate access settlements, universal service support, rate development, and other regulatory purposes, the portion of these common costs related to nonregulated activities are removed in accordance with Part 64 of the FCC rules in order to ensure regulated revenues are based on costs of providing regulated services.

Regulation – electric – The Company's services are subject to rate regulation as follows:

- Electric revenues are subject to regulation by the RCA and the Federal Energy Regulatory Commission (FERC) with respect to rates for service and maintenance of accounting records.

Earnings per share – AP&T has calculated its basic earnings per share based on the weighted-average number of shares of common stock outstanding. Diluted earnings per share reflect the impact of the dilution caused by outstanding stock options using the treasury stock method. There was no dilutive effect of any outstanding stock options in 2022 or 2021.

Taxes imposed by governmental authorities – The Company's customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with the Company. These specific taxes are charged to and collected from the Company's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

Leases – An agreement is determined to be a lease if it conveys to the Company the right to control the use of an identified asset for a period of time in exchange for consideration. This determination is made at contract inception. For leases with a term greater than 12 months, the Company recognizes a right-of-use asset and a lease liability based on the present value of lease payments over the lease term. The discount rate applied to determine the present value of the future lease payments is based on the Company's incremental borrowing rate which is derived from recent secured borrowing arrangements entered into by the Company and publicly available information for instruments with similar terms. See Note 3 for a summary of additional disclosures.

Advertising costs – AP&T expenses advertising costs as incurred. Advertising expenses during the years ended December 31, 2022 and 2021, were $80,490 and $48,004, respectively.

Fair value measurements – Fair value represents the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The Company adheres to the following fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value measurement guidance is applicable to the Company in the following areas:

- Goodwill impairment testing
- Interest rate swap

The fair value of the Company's interest rate swap is determined based on Level 2 of the fair value hierarchy at December 31, 2022 and 2021.

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets:

- *Cash and cash equivalents* – The carrying amounts approximate fair value because of the short maturity of those instruments.

- *Other current assets and liabilities* – The carrying amounts approximate fair value because of the short maturity of those instruments.

- *Investments* – Investments in nonaffiliates are not intended for resale and are not readily marketable; thus, a reasonable estimate of fair value is not practical.

- *Long-term debt* – The fair value of AP&T's long-term debt is estimated by discounting the future cash flows of the various instruments at rates currently available to AP&T for similar debt instruments of comparable maturities.

Reclassifications – Certain reclassifications have been made to the 2022 financial statements to be in accordance with the 2021 presentation. These reclassifications had no effect on net income or stockholders' equity as previously reported.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated balance sheet date but before the consolidated financial statements are available to be issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements.

The Company's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before the consolidated financial statements are available to be issued.

The Company has evaluated subsequent events through March 31, 2023, which is the date the consolidated financial statements were available to be issued.

Note 2 – Rate Stabilization Asset

The Company defers certain costs that would otherwise be charged to expense, if it is probable future rates will permit the recovery of such costs. In September 2000, the Company received approval from the Commissions to defer the billing of a portion of the allowable annual costs as defined by the power sales agreement in place between Alaska Power Company and Goat Lake Hydro, Inc. Such amounts are deferred as a regulatory asset and will be billed in future years when the Company's allowable annual costs decline below certain levels. Management will begin amortizing the asset in 2022. The assets are expected to be amortized over a 10-year period.

Note 3 – Lease Agreements

The Company enters into agreements for land, land easements, buildings, equipment, pole attachments and personal property. These assets are utilized in the provision of broadband, power generation, and telecommunications services to the Company's customers. The Company's leases have remaining lease terms ranging from 1 year to 35 years and may include one or more options to renew, which can extend the lease term from one to five years or more. The Company's leases may also include scheduled rent increases and options to extend or terminate the lease which is included in the determination of lease payments when it is reasonably certain that the Company will exercise that option. For all asset classes, the Company does not separate lease and nonlease components, but rather account for the components as a single lease component. Operating lease expense is recognized on a straight-line basis over the lease team and is included in either electric, telecommunications, or other expense in the statements of income, based on the use of the facility or equipment on which rent is being paid.

Leases with a term of 12 months or less are not recognized on the balance sheet and the expense for these short-term leases is recognized on a straight-line basis over the lease term. Variable lease payments are expensed in the period incurred.

Lease expense under all operating leases amounted to approximately $389,122 in 2022.

The Company's maturity analysis of lease liabilities as of December 31, 2022, were as follows:

2023	$ 379,940
2024	365,012
2025	321,943
2026	267,913
2027	193,728
Thereafter	1,974,460
Total lease payments	3,502,996
less interest	(1,165,409)
Present value of lease liabilities	2,337,587
Less current obligation	(261,561)
Long-term obligation	$ 2,076,026

The weighted average remaining lease term is 14.8 years and the weighted average discount rate is 5%.

Rent expense under all operating leases amounted to approximately $963,608 for 2021.

Note 4 – Property, Plant, and Equipment

Property, plant, and equipment consist of the following assets at December 31:

	Plant Account	Accumulated Depreciation	2022 Net Balance	2021 Net Balance	Depreciation Rate
Electric					
Hydroelectric	$ 31,113,549	$ 13,968,746	$ 17,144,803	$ 16,231,047	2%
Other generation	30,876,043	15,531,499	15,344,544	13,971,415	4% to 8%
Transmission and distribution	54,162,870	35,229,330	18,933,540	15,769,946	2.5% to 4%
Other	17,606,402	10,083,413	7,522,989	5,901,619	2.5% to 20%
Land	807,041	-	807,041	807,040	---
Plant held for future use	361,699	-	361,699	359,649	
Utility plant acquisition adjustment	429,317	429,299	18	5	6%
	135,356,921	75,242,287	60,114,634	53,040,721	
Telecommunications					
General support assets	18,534,273	11,905,959	6,628,314	5,904,896	2.5% to 20%
Central office assets	45,656,575	33,948,969	11,707,606	10,026,571	8% to 14%
Cable and wire facilities	64,447,695	25,800,723	38,646,972	19,180,631	3% to 6%
Towers	6,631,940	3,743,078	2,888,862	3,209,765	3%
Land	483,122	-	483,122	460,962	---
	135,753,605	75,398,729	60,354,876	38,782,825	
Nonutility					
Buildings	8,831,333	3,507,243	5,324,090	2,733,705	4%
Land	1,427,663	-	1,427,663	736,258	---
	10,258,996	3,507,243	6,751,753	3,469,963	
Total property, plant, equipment	$ 281,369,522	$ 154,148,259	$ 127,221,263	$ 95,293,509	

Utility plant under construction includes all direct and indirect costs incurred during the construction of projects that were not complete and in service at the consolidated balance sheet date.

Note 5 – Investments

AP&T’s investments consist of the following at December 31:

	2022	2021
Investment in National Bank of Cooperatives (CoBank)	$ 3,954,200	$ 4,148,167
Investment in Ketchikan Electric Company, LLC (KEC)	600,000	600,000
Investment in Haida Energy, Inc. (HE)	450,000	465,000
Other	275,449	123,475
	$ 5,279,649	$ 5,336,642

CoBank – CoBank is organized similar to a cooperative and is owned by the customers it serves. As such, a portion of CoBank's earnings is returned to its customers based on their patronage with the bank. This investment is recorded on the cost method. Dividend income was reported in the amounts of $603,891 and $472,219 for 2022 and 2021, respectively, related to these earnings.

Ketchikan Electric Company, LLC – AP&T owns a 50% share of Ketchikan Electric Company, LLC (KEC) and accounts for the investment using the equity method. The principal purpose and business of KEC is to construct, own, operate, and manage a hydroelectric power system in the Ketchikan Gateway Borough. The investment represents capital contributions to KEC, as the Company is still in the development stage. There was no activity in 2022 and 2021.

Haida Energy, Inc. – AP&T owns a 50% share of Haida Energy, Inc. (HE), which was formed to develop, own, and operate a hydroelectric power project on Reynolds Creek in Alaska. The project was funded through a combination of grants and loans from the Alaska Energy Authority (AEA) and notes payable from the other shareholder. The Company accounts for this investment using the equity method.

Alaska Power Company (APC) entered into a power sales agreement with HE in 2015 that requires APC to purchase power from HE before diesel generation if HE has available energy. APC must also make principal payments on the loans that HE has with AEA, up to a maximum of $20,000,000. The required purchase of power begins on the earlier of the commercial operation date of the Reynolds Creek project or January 31, 2020. The Company determined that the Reynolds Creek project would not be operational by January 31, 2020. The hydroelectric power project became fully operational in January 2021. As a result, the construction line of credit was converted into long-term debt and, therefore, the Company was required to begin making loan payments on behalf of HE, beginning in April 2020. Because this loan is debt for HE, the Company will not carry the debt. The quarterly principal-only payments of $108,696 are to be paid by the Company throughout the life of the loan. Beginning on April 1, 2026, HE will pay interest on the loan, with interest calculated on the unpaid principal balance at the note rate unless there is a default; after a default, the applicable interest rate shall be the default rate. The Company's final payment will be due on January 1, 2066, the maturity date, and is estimated to be $109,731. The Company will receive power credits to be used against future purchases of power from HE in the same amount of the principal-only payments made on behalf of HE. The Company had $361,699 and $359,649 of prepaid power credits to offset against future payments as of December 31, 2022 and 2021, respectively.

Management reviews the value of these investments by evaluating if current events, future cash flows, and other circumstances indicate the fair value is less than the carrying value and has concluded that no impairment exists at December 31, 2022.

The following table represents future maximum commitments related to these investments:

Years Ending December 31,	2023	$ 434,783
	2024	434,783
	2025	434,783
	2026	764,004
	2027	1,099,637
	Thereafter	15,636,359
		$ 18,804,349

Note 6 – Long-Term Debt

The Company's long-term debt consists of the following at December 31:

	2022	2021
CoBank notes payable, secured by all assets of AP&T and its subsidiaries, due in quarterly installments and based on a 6-year amortization with a fixed interest rate of 4.98%. Loan was paid off during 2022.	$ -	$ 7,078,500
CoBank notes payable, secured by all assets of AP&T and its subsidiaries, due in quarterly installments and based on a 15-year amortization with a fixed interest rate of 4.47%. Net of unamortized issuance costs of $91,895.	4,024,771	4,873,640
CoBank notes payable, secured by all assets of AP&T and its subsidiaries, due in quarterly installments and based on a 10-year amortization with a fixed interest rate of 2.78% at December 31, 2022. Interest rate swap agreement reduces exposure to interest rate fluctuations. Net of unamortized issuance costs of $84,267.	4,300,822	10,099,356
CoBank notes payable, secured by all assets of AP&T and its subsidiaries, due in quarterly installments and based on a 15-year amortization with a fixed interest rate of 4.35%. Net of unamortized issuance costs of $68,546.	2,181,454	2,583,333
Notes payable to the state of Alaska, secured by certain electric assets, with fixed interest rates ranging from 0.00% to 5.45%, maturing at various dates from 2026 through 2037.	1,655,923	1,777,085
CoBank notes payable, secured by all assets of AP&T and its subsidiaries, due in quarterly installments and based on a 10-year amortization with a variable interest rate of 4.71% at December 31, 2022. Net of unamortized issuance costs of $319,687.	11,155,313	11,416,520
CoBank notes payable, secured by all assets of AP&T and its subsidiaries, due in quarterly installments and based on a 10-year amortization with a variable interest rate of 4.56% at December 31, 2022. Net of unamortized issuance costs of $229,679.	29,770,332	-
Other term debt	170,000	333,333
	53,258,615	38,161,767
Less current portion	(6,845,310)	(7,554,988)
	$ 46,413,305	$ 30,606,779

Annual maturities for the five years beginning January 1, 2023, are $6,845,310, $3,998,866, $4,388,941, $4,464,484, and $4,310,864 respectively, and $29,250,149 thereafter.

The Company uses variable-rate debt to finance its operations and these debt obligations expose the Company to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments as well as the uncertainty associated with interest rates when its balloon payment with CoBank becomes due. To meet this objective, management periodically considers interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps change the variable-rate cash flow exposure on the debt obligations to fixed cash flows. The Company does not enter into derivative instruments for speculative purposes. Under the terms of the interest rate swaps, the Company receives variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed-rate debt. Changes in the fair value of interest rate swaps designated as hedging instruments that effectively offset the variability of cash flows associated with variable-rate debt obligations are reported in accumulated other comprehensive loss.

The Company has entered into an interest rate swap agreement on all of its variable rate long-term debt with CoBank. The interest rate swap became effective in August 2013 and amortizes over an additional 10-year term at 7.62% per annum. The fair value of the interest rate swap liability was $1,239 and $393,600 at December 31, 2022 and 2021, respectively, and is classified within Level 2 of the valuation hierarchy.

The loan agreements with CoBank contain provisions and restrictions pertaining to, among other things, limitations on additional debt, and defined amounts related to the Company's total debt to earnings before interest, taxes, depreciation, and amortization (EBITDA), equity to assets ratio, and debt service coverage ratio.

In April 2020, the Company received loan proceeds in the amount of $2,599,444 under the Paycheck Protection Program (PPP). The PPP established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent and utilities, and maintains its payroll levels. The Company used the proceeds for purposes consistent with the PPP. The loan and accrued interest were forgiven on June 15, 2021. The loan forgiveness is presented as a nonoperating gain from debt forgiveness.

The Company has a $20 million line of credit established with CoBank with a variable interest rate of 6.15%. There were outstanding balances on the line of credit of $3,163,418 and $7,240,744 at December 31, 2022 and 2021, respectively. The line of credit matures in 2024

Note 7 – Income Taxes

The components of the consolidated income tax expense are as follows for the years ended December 31:

	2022	2021
Current	$ 1,925,953	$ 2,813,002
Deferred	2,118,685	660,689
Deferred - change in valuation allowance	(1,167,884)	-
	$ 2,876,754	$ 3,473,691

Total tax expense (benefit) differs from that computed at the statutory federal income tax rate due to the following:

	2022	2021
Income tax provision at federal rate of 21%	$ 2,497,625	$ 3,427,270
State income taxes, net of federal benefit	477,721	691,222
Permanent items	(269,061)	(784,224)
Other	170,469	139,423
Provision for income taxes	$ 2,876,754	$ 3,473,691

The components of the deferred tax (assets) and liabilities as of December 31 are as follows:

	2022	2021
Deferred tax asset		
Allowance for bad debt	$ (7,374)	$ (7,875)
Accrued employee benefits	(69,910)	(251,569)
Capital loss carryover	-	(1,167,884)
Book vs. tax basis of investments	(340,765)	(340,765)
Fair value adjustment of interest rate swap liability	(133,749)	(109,067)
Lease liability	(628,772)	-
Deferred revenue	(3,963,186)	-
Interest expense limitation	(253,021)	-
Other	-	(17,474)
	(5,396,777)	(1,894,634)
Less valuation allowance	-	1,167,884
Total deferred tax assets	(5,396,777)	(726,750)
Deferred tax liability		
Prepaid expenses	70,763	463,498
Tax amortization and depreciation greater than book	20,370,068	14,284,002
ROU lease asset	627,724	-
Deferred revenue and expenses	1,288,731	1,880,234
Total deferred tax liabilities	22,357,286	16,627,734
Net deferred tax liability	$ 16,960,509	$ 15,900,984

The consolidated balance sheet includes a total amount for income taxes receivable of $329,665 at December 31, 2022. This consists of a federal and state receivable of $233,955 and $95,710 respectively.

Note 8 – Employee Stock Ownership Plan and Other Benefits

AP&T maintains an employee stock ownership plan (Plan). All employees expected to work at least 1,000 hours per year become eligible to participate in the Plan upon attaining the age of 18 and completing three months of service. Participants may elect to contribute from 1% to 80% of their wages to the Plan, subject to Internal Revenue Service maximums, which can be invested in the common stock of AP&T or into other investment accounts.

The Company makes a defined matching contribution to each eligible participant's account of 5% of the participant's wages payable in Company stock. The Company also makes a profit-sharing contribution where 1.52% of the prior year's EBITDA is paid out to the qualified Plan participants in cash.

The Plan provides that participants' interests in employer-funded contributions become fully vested after the completion of three years of service. The Plan defines a year of service as the completion of not fewer than 1,000 hours of service within the calendar year.

In 2022, employer matching contributions and profit-sharing contributions were $691,034 and $427,728, respectively. In 2021, employer matching contributions and profit-sharing contributions were $624,883 and $348,362, respectively. The Plan was not leveraged as of December 31, 2022 and 2021.

Note 9 – Business Segment Information

AP&T's electric segment provides retail and wholesale electric service including both hydroelectric and diesel generation facilities in rural portions of Alaska. AP&T's telecommunications segment provides local telephone service also in rural areas of Alaska. AP&T's reportable segments are strategic business units managed separately due to their different operating and regulatory environments. The "other nonregulated" category includes the parent company and segments below the quantitative threshold for separate disclosure.

Year Ended December 31, 2022 (all numbers in thousands)	Electric	Telecom	Other	Consolidated
Operating revenue	$ 26,579	$ 34,368	$ 830	$ 61,777
Depreciation and amortization	3,958	6,216	374	10,548
Operating income	4,576	8,044	349	12,969
Interest expense	1,004	359	973	2,336
Interest income	-	-	26	26
Total fixed assets	135,357	135,754	10,259	281,370
Total accumulated depreciation	(75,242)	(75,399)	(3,507)	(154,148)
Total fixed assets, net	60,115	60,355	6,751	127,221
Capital expenditure	11,032	27,467	1,541	40,040

Year Ended December 31, 2021 (all numbers in thousands)	Electric	Telecom	Other	Consolidated
Operating revenue	$ 23,091	$ 33,826	$ 6,617	$ 63,534
Depreciation and amortization	3,642	5,415	405	9,462
Operating income	4,885	8,313	557	13,755
Interest expense	653	441	1,198	2,292
Interest income	-	-	8	8
Total fixed assets	125,552	111,002	6,789	243,343
Total accumulated depreciation	(72,871)	(71,859)	(3,319)	(148,049)
Total fixed assets, net	52,681	39,143	3,470	95,294
Capital expenditure	3,777	13,214	807	17,798

Note 10 – Other Assets

Other assets consist of the following at December 31:

	2022	2021
Miscellaneous regulatory assets - power	$ 2,200,152	$ 1,242,942
Other	974,628	688,064
	$ 3,174,780	$ 1,931,006

Note 11 – Operating Revenue

The following table provides disaggregation of revenue from contracts with customers:

	For the Year Ended December 31, 2022		
	Total	Revenue From Contracts With Customers	Other Revenue
Electric	$ 26,579,066	$ 26,415,937	$ 163,129
Telecommunications	34,368,321	25,801,169	8,567,152
Other	830,042	830,042	
	$ 61,777,429	$ 53,047,148	$ 8,730,281

	For the Year Ended December 31, 2021		
	Total	Revenue From Contracts With Customers	Other Revenue
Electric	$ 23,090,844	$ 22,919,071	$ 171,773
Telecommunications	33,825,685	24,563,688	9,261,997
Other	6,617,410	6,617,410	-
	$ 63,533,939	$ 54,100,169	$ 9,433,770

Telecommunications and Other Nonregulated revenues includes revenues received from federal and state universal service programs that are not considered revenue from contracts with customers and are specifically scoped out of ASC 606.

Electric revenues include revenues received from power line pole rentals which are not considered revenue from contracts with customers and are specifically scoped out of ASC 606.

Revenue from services is recognized over time as customers receive the services. Revenue from sales of equipment or other nonrecurring services are recognized at a point in time when control of the equipment is transferred or when service is rendered. Revenues recognized at a point in time were minimal.

Contracts that generate contract liabilities include arrangements for services that are paid by the customer before services are provided such as construction services. Contract liabilities are classified as billings in excess and other deferred credits on the consolidated balance sheet.

The Company does not incur material contract fulfillment costs associated with its contracts with customers. The cost of the Company's network and related equipment, and enhancements to the network required under customer contracts, is accounted for in accordance with ASC 360, *Property, Plant and Equipment*.

Contract assets associated with contracts with customers were as follows at December 31:

	2022	2021
Contract assets		
Unbilled revenue	$ 842,142	$ 793,071

Note 12 – Grant Awards

The Company was awarded multiple grants from the Rural Utility Service (RUS) under the ReConnect Program to construct network infrastructure and connectivity for certain eligible communities and locations. The total grants awarded were $83,907,520. The grants require that the Company provide an additional $27,969,174 in matching funds related to these grants. The funding of these grants, used to reimburse the Company for its construction costs, is distributed throughout the construction project. The Company has five years from the date that funds are first made available to complete construction and once construction is complete, the Company is obligated to provide services to the participants. As of December 31, 2022, the Company has received $12,301,779 in grant proceeds related to these awards. All proceeds were received in 2022. All grant funding received was recorded to deferred revenue on the balance sheet and will be recognized as revenue over a period consistent with the depreciable lives of the assets constructed. As of December 31, 2022, total deferred revenues related to these grant awards are $12,301,779. All related assets are still under construction and the Company has not started recognizing grant revenues as of December 31, 2022.

In 2022, the Company received $1,980,000 from the Skagway Tribal Council as prepayment of high-speed broadband service for qualified tribal members. The funding was provided to the Skagway Tribal Council by a grant from the National Telecommunications and Information Administration (NTIA). The funding covers a period of 5 years. The prepayment was recorded to deferred revenue on the balance sheet and will be recognized as revenue as services are provided and billed monthly. Total revenues recognized in 2022 were $31,200.

MOSSADAMS

AP&T RETIREES *Congratulations!*

We at AP&T congratulate our 2022 retirees.
It has been a privilege working with you, and now it is an honor helping you celebrate your retirements.

Nora Kampnich

Craig, Alaska

Mark Helmer

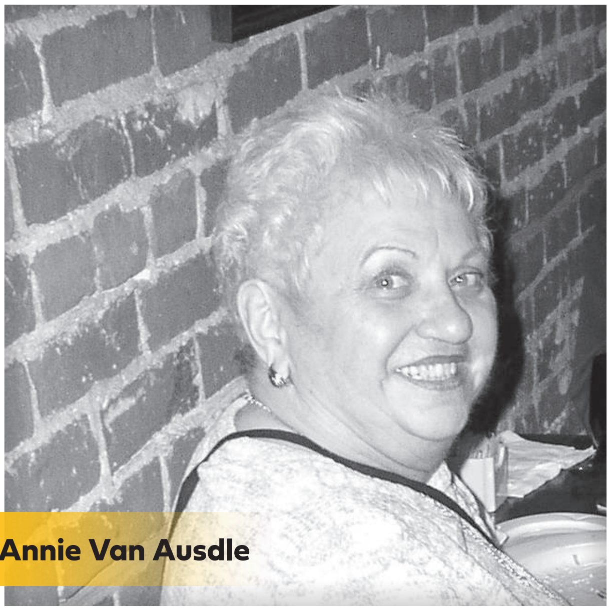
Tok, Alaska

Lyle Cronk

Tok, Alaska

Photo Credit: Brent Akers

IN MEMORIAM *We honor*

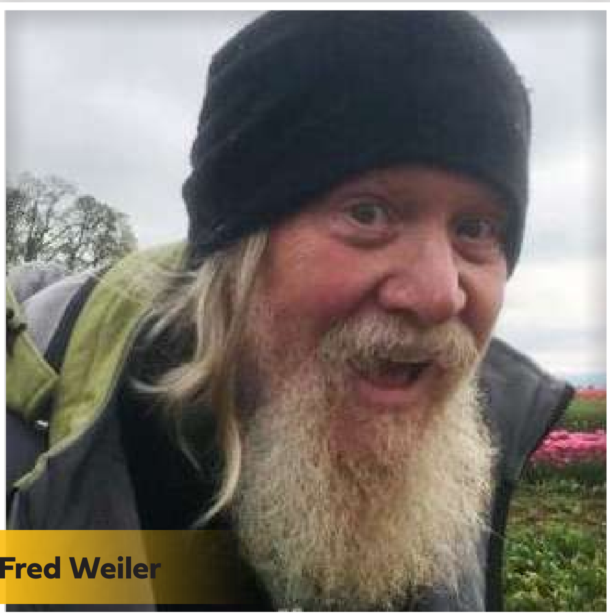


Annie Van Ausdle

Annie L. Van Ausdle, 84, passed away July 8th, 2021. Annie was born January 3, 1937, in Port Angeles. She had a wonderful personality and her laughter was infectious. Her friends and family will remember and greatly miss her sharp wit and humor.

Annie Van Ausdle began her career with AP&T in 1984 in Port Townsend. She worked in accounts payable (ok, she *was* accounts payable). She retired in 2005. Many of us would see her around town and certainly when we had shareholder meetings in May.

She is survived by her son and daughter-in-law, Brian & Jamie Van Ausdle, and many grandchildren, neices, nephews and great neices and newphews.



Fred Weiler

Fred started with AP&T in 1997 as a summer hand in Haines, Alaska. He helped finish the interior of the power plant truck shed, building West Express Feeder hydro line along with brushing and what ever else was needed. Fred kept everyone on their toes, with impersonations and good humor. He had a great outlook on life and was always ready to help anyone in need.

The family moved to Juneau in 2000 and in March 2001, he started to work fulltime for AP&T in our new office as a Communication Consultant with our radio and satellite phones and some high tower operation field work as well. He continued until 2005 when he moved on to work at Juneau Alliance of Mental Health, Inc. and later in 2014 he and his family settled in Oregon on a 45-acre organic farm. He passed away on June 12th, 2022 and is survived by his wife Dayna and his children, Zane, Quade, Scottie and Townsend.

A legacy IN MEMORIAM

We honor the memory and legacy of our past employees whose contributions will forever be remembered and cherished.

William Doonan

On December 16, 2022, William James Doonan, a beloved husband, father, brother, grandfather and great grandfather passed away at the age of 88. He was born on March 1st, 1934 in Butte, Montana. He graduated in Tacoma, Washington and enlisted in the United States Navy in January of 1953. While in the navy he met his wife Patricia Antoinette Bryant and they married in 1956. They were married for 66 years and together raised 7 children.

After a honorable discharge from the Navy, he enlisted in the Air Force in 1957 and retired as a Chief Master Sergeant in 1976 after a total of 24 years of military service. He served during the Korean War and served a year in Vietnam. While serving in Vietnam, he was awarded the Bronze Star for Meritorious service in a combat zone.

After that retirement, he started a new career as a computer technician After 10 years in Yakima, Washington, they moved to Port Townsend, Washington where he worked for Alaska Power & Telephone as Director of Systems until his retirement in 1999.

A NOTICE TO SHAREHOLDERS

Notice to Shareholders:
The annual meeting will be held on Wednesday, May 24th, 2023, at 10:00am, PDT via a live webcast at: www.virtualshareholdermeeting.com/APTL2023

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Disclaimer:
The narrative descriptions of the Company's activities within this annual report contain certain forward-looking statements that involve risks and uncertainties. When used in this annual report, the words "anticipates," "believes," "estimates," "expects," and similar expressions are intended to identify such forward-looking statements. The Company's actual results, performance or achievements could differ materially from the results expressed in or implied by these forward-looking statements.

REGARDING AP&T STOCK

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