AP&T

2023

LIGHT YEARS AHEAD

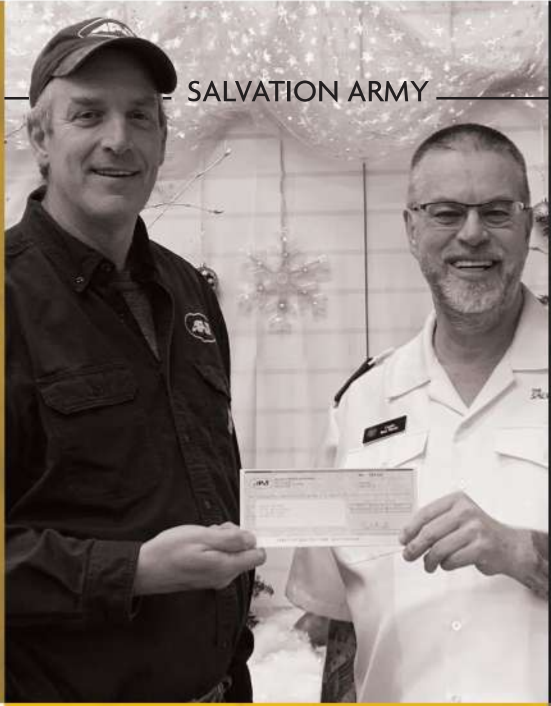
BUILDING BETTER

BETTER

SERVICES
STREAMS
SPEEDS
SUPPORT
SAVINGS
STABILITY
SYNERGY
SYSTEMS

FOR ALL ALASKANS

LIGHTING THE WAY FORWARD



SALVATION ARMY

AP&T

AP&T

CHARGING INTO A NEW ERA

SAIL INDEPENDENT LIVING

BOYS & GIRLS CLUB

CONNECTING MORE ALASKANS

2023 REWIND

A COMMITMENT TO COMMUNITY

On behalf of the Charitable Contributions Committee & Fund, AP&T is proud to announce the following funding disbursements in 2023:

Salvation Army
Haines, Alaska

Boys & Girls Club of Metlakatla
Metlakatla, Alaska

Tok Wolverine Trap
Tok, Alaska

Island Daycare
Craig, Alaska

Southeast Alaska Independent Living
Haines, Alaska

Girl Scouts of Alaska
Southeast Communities in Alaska

Haines Sheldon Museum
Haines, Alaska

Haines Hot Shots
Haines, Alaska

Becky's Place Haven of Hope
Haines, Alaska

Helping Hands Food Bank
Tok, Alaska

First Presbyterian Church
Skagway, Alaska

Southeast Senior Services
Craig/Klawock, Alaska

$35,000 Grand Total

AP&T

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

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CHAIR'S MESSAGE
TO SHAREHOLDERS

As Alaska Power & Telephone Company continues its proud history of fulfilling its mission to provide safe, affordable, and reliable energy, telecommunications, and broadband services to communities throughout Alaska, we reflect on the importance of leadership in upholding this enduring commitment to service. This year, the Board of Directors had a special focus on leadership as we went through a well-planned and disciplined CEO succession process. Once again, decisive strategic leadership and concern for the well-being of AP&T and its stakeholders were the touchstones for our Board of Directors as we honored the long-time service of Mike Garrett and welcomed Bill Marks as our new CEO.

I have long held there is the "right" CEO for each period in the life of an organization – and Mike Garrett was the right CEO at the right time for AP&T! There is a long list of accomplishments under Mike's leadership, but the greatest was the tone at the top he set that created a culture consistent with a very special employee-owned organization where those employees are valued and appreciated. The tributes to Mike from employees and directors were heartfelt, and we hope they send Mike forward to an exciting new chapter in his life with many fond memories of AP&T and his colleagues!

As the world seeks a new normal as it exits the era of the COVID-19 pandemic, it is apparent the new normal will be far from our prior understanding of "normal." That is certainly true on both a macro level and at AP&T. The headwinds, volatility, and uncertainties I referenced last year created by macro geopolitical, governmental, economic, monetary, and technological forces have continued unabated. Our power, telecommunications and broadband businesses must respond to these and many more that are closer to home. Beyond the specific and formidable challenges unique to operating in Alaska, including our specific service territory, smaller community populations and difficult operating environments; we face the proliferation of ever-increasing competition for our telecommunications and broadband services from new technologies and government grants to new service providers. These challenges must be met head on through the decisive strategic leadership of our Board of Directors, the day-to-day vision and leadership of our CEO, 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.

The importance of the right CEO at the right time has never been more evident than at this critical point in time in the life of AP&T. Our Board of Directors, and we fully expect over time, our employee-owners and all stakeholders will realize how fortunate we have been to welcome Bill Marks as our new CEO! Bill's track record of success as a visionary and leader is impressive to say the least – but more impressive are the reasons he sought this position - his excitement about being a part of the AP&T team, his love for Alaska, his belief in an employee-owned organization, and an inclusive leadership style that places value on each employee. Make no mistake, the challenges in front of Bill as he assumes his CEO role are some of the greatest that AP&T has faced. We welcome Bill with open arms and anticipate the positive influence of his leadership in this next chapter for AP&T.

With thoughtful adherence to their fiduciary responsibility, the AP&T directors continue to advance good governance practices with an appreciation for safeguarding the best interests of our many and varied 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 consider many of these issues, we are fortunate and grateful that we continue to work closely with and receive valuable input from the ESOP Trustees. Active communication and cooperation to seek shared success will be an ongoing goal.

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

Robert B. Engel
Chair, Independent Director

A MESSAGE FROM THE EXITING PRESIDENT & CEO

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

Fellow Shareholders, Employee-Owners, and Board of Directors,

Thank you for a wonderful career. As I write this message, I am wrapping up my tenure at AP&T and retiring on March 31st, 2024. I have held many positions of responsibility with AP&T in my 34 years of service including President/CEO (8 years), Executive VP and COO (12 years) and President of AP&T's telecom subsidiaries (10 years). I could not have asked for a more rewarding career and such a wonderful team to share it with. We have accomplished quite a lot over the years that I have been with AP&T. There will never be enough praise for our employee-owners, and we would not be in the position we are today without the leaders of the past.

I would like to take this opportunity to wish my successor, Bill Marks, all the success in the world as he embarks on his new adventure. Of course, that sentiment also extends to my fellow employee-owners, the Senior Leadership Committee ("SLC"), and the Board of Directors. Those who lead the company into the future are motivated to live up to our vision of being a growing and innovative leader in the energy and telecommunications industry.

The reports from my teammates in this annual report discuss in detail the progress we made in 2023 managing capital investment, operating expenses, competitive forces, and the regulatory activities of our core businesses. We were laser-focused on completing initiatives on-time and on-budget. Please see the body of this report for more details.

As I have mentioned in the past, our motto "Employee-Owned, Community-Minded," inherently implies our goal 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. This philosophy drives us as we act in good faith and deal fairly in our day-to-day business efforts.

As in the past, my look-back will focus on specific goals and the financial results of the energy and telecom segments.

AP&T's objectives for 2023 included:

- Improve Haida Energy, Inc. / Híilangaay's financial outlook through rate-making and improvements to facility reliability.
- ReConnect Projects – Complete SEALink and begin SEALink South (our subsea project that expands our connectivity from POW to Ketchikan).
- Ensure adequate cost-recovery through regulatory activities in energy (a rate filing for Alaska Power Company) and telecom (analyze the Enhanced ACAM offer and NECA pooling).
- Proactively compete with broadband competitors and evolve our transport service offerings to meet a market in compression.
- Grow shareholder value with strong financial performance.

Except for Haida Energy, Inc., the Annual Report contains the details of these initiatives so I will not repeat them here.

Haida Energy, Inc. – Híilangaay Hydro Project

AP&T is a 50% owner in a hydroelectric generation project called Híilangaay through a joint venture called Haida Energy, Inc. Our fellow equity owner is Haida Corporation (http://www.haidacorporation.com/). In 2023, AP&T worked through the Regulatory Commission of Alaska's public process to develop rates that are just and reasonable while allowing for the opportunity to earn a reasonable return on equity. The operating team at AP&T focused on making improvements to the infrastructure to ensure improved generation reliability.

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

Performance by Division

Energy

In 2023, our energy division's EBITDA decreased by 17.4% or $1.5 million. This trend was expected to occur as the primary variable causing the decline is a change on how certain common costs are capitalized as part of constructing property plant and equipment. A large part of the rate case the energy division is adjudicating includes the new methodology into energy rates. Finalization of this issue and others will occur in 2024 and it is expected that this trend will reverse. Otherwise, energy sales have increased in 2023 and we expect moderate growth. EBITDA from prior years is shown in the table below.

ENERGY	2023	2022	2021	2020	2019
EBITDA	$ 7,282,655	$ 8,812,863	$ 8,713,063	$ 8,076,457	$ 6,902,071

This data excludes two 2021 one-time events and Hiilangaay in 2020 and 2019.

Telecom

In 2023 telecom EBITDA grew by 5.8% or $832,000. EBITDA data for telecom is provided below:

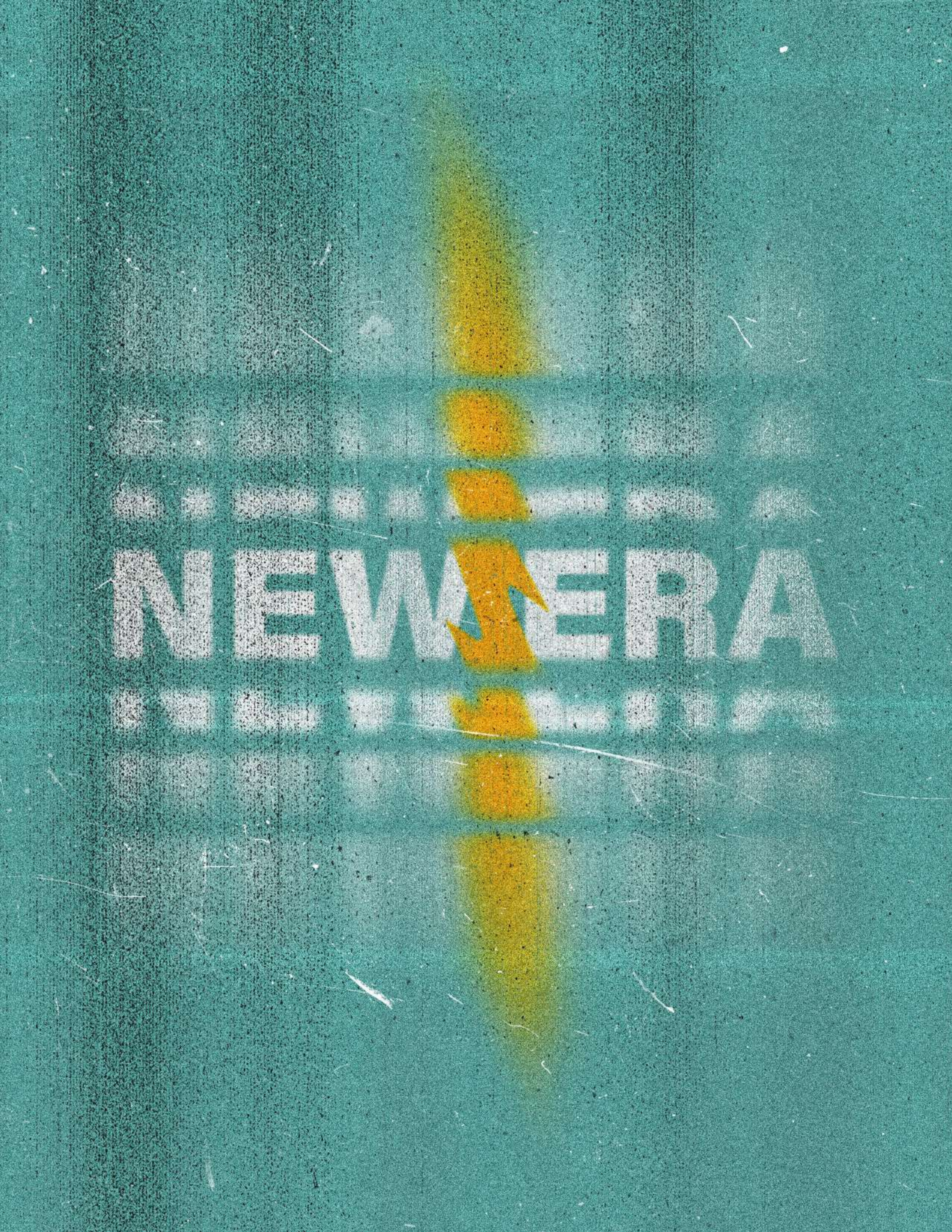
TELECOM	2023	2022	2021	2020	2019
EBITDA	$ 15,077,968	$ 14,245,284	$ 13,680,838	$ 13,629,905	$ 14,701,362

EBITDA growth between 2022 and 2023 is primarily due to hard-fought 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 were budgeted for in 2023. New investments in fiber 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 2023, the Federal Communication Commission proposed an “Enhanced ACAM” program which would include support for 15 years. The Company determined that accepting enhanced ACAM was not in its best interest and will continue to receive support under the existing ACAM methodology until 2028 or until another proposal is offered. We continue to work with all other Alaska-based carriers to create an Alaska Connect Fund (“ACF”) that will be beneficial to all. Evolving our businesses and strategy to meet the future is in the hands of our new CEO and his leadership team. I leave discussion of this topic to my illustrious successor, Mr. Bill Marks.

Climb every obstacle. Darren McKeehan checks a radio dish on High Mountain.

Photo Credit: SAMN Crew


NEWERA

A MESSAGE FROM THE PRESIDENT & CEO

A LOOK FORWARD

William Marks
President & CEO

I am honored and privileged to lead this terrific Company. Over the last 65+ years the Company has consistently delivered on its mission to provide safe and affordable energy, telephone, and high-quality broadband connectivity to rural Alaska. This mission is accomplished daily by the dedicated and hard-working employees of AP&T, who understand the importance of quality of life and delivering these essential services to the communities where they live.

I have had the opportunity over the last few months to meet with and listen to our employee-owners, civic, state, and federal leaders, and our customers, to understand their needs and challenges to plan appropriately in an ever-changing world; to ensure that we continue to deliver on our promises, while continuing to build a thriving business. This is a delicate balance that requires a sound understanding of challenges, risk, competition, opportunities, and rewards, in order to make the right decisions going forward. I am confident that the AP&T team is up to this challenge.

Looking forward, we must accept and adjust to a quickly changing world. Most of our challenges are not unique to Alaska. Globally, there has been a consistent decline in land-line telephone services due to the growth and expansion of cellular connectivity. AP&T service areas are no exception to this trend. In addition, with the advent of low-earth orbit satellite broadband services (i.e. Starlink), broadband providers around the world have lost customers to this new technology. This competition also forces price erosion to all broadband service providers around the world. Again, this is not unique to Alaska.

Although in our communities and everywhere else, land-line customers are on a small decline and competition from Starlink attacks our broadband customer base, AP&T can maintain its competitive advantage if we continue to take the necessary steps to stay ahead of the trends and competition. The single biggest advantage remains the same as it was 65+ years ago. We are a local and major part of the communities, where we provide life-enhancing services. While being the incumbent is hugely helpful, the efforts over the last several years to build a fiber optic backbone and “last mile” fiber to the home ensures that AP&T will provide a higher quality and more reliable broadband experience to our customers than any competitor in the market can deliver. AP&T’s fiber investments really anchor our leadership position. We will focus on these strengths and message them consistently to stay ahead of our competition.

It has been said many times that “the only thing constant is change” and what is happening in Alaska proves it. Looking forward AP&T will embrace change, understand competition, mitigate challenges, and take advantage of opportunities. We have every opportunity to lead these changes and grow our business in Alaska, supported by the solid foundation and hard work by so many for over six decades. I look forward to executing on these strategies in the years to come.

CUSTOMER SERVICE

Mary Jo Quandt
VP, Chief Customer Officer

Haines CSRs Diana Boyd, Phyllis Sage & Charlotte Ciszek light up the community's First Friday event.

Photo Credit: AP&T Team

It has been said many times over the years that our Customer Service Representatives ("CSRs") are the face of Alaska Power & Telephone Company; they are the first point of contact for our customers and leave an impression of who we are. This is a huge responsibility that is not taken lightly by our CSRs.

Much of our marketing discussions this year have centered around our Company being local and community-minded. This is never more apparent than if you spend a day in the life of a CSR. Our CSRs know their customers by name, recognize their voices on the phone, and understand their life situations. They have built strong connections throughout the community, are advocates for their customers, and will always go the extra mile to provide excellent service. Our CSRs work closely and often collaborate with tribal entities within AP&T's rural service areas to aid customers that are struggling.

> ***Life is constantly changing, but with these changes come great opportunities.***

One of the highlights this past year was attending the NISC annual member training in Denver, Colorado. Five of our CSRs from various locations in addition to other members of AP&T departments and myself, attended this training. The additional bonus of this trip was connecting with co-workers to exchange ideas and problem solve. We appreciate AP&T giving us the opportunity to experience this training.

There are many challenges and changes coming up in the next few years. CSRs and technicians have recently attended additional customer service training focused on communication and effective sales methods. I have confidence that this team will rise to each challenge and commit to being a productive part of AP&T; to assist in the growth and success of our great Company.

Life is constantly changing, but with these changes come great opportunities.

I would like to commend and thank all our CSRs for their dedication to AP&T's customers. We can be proud that they are the "Face" of our Company.

POW employee-owners, April McDougall, Rachel Bennett, Matt Steffen, Sabrina Stevens, Remy Akinmulero, and Nikah Crivello (AP&T Craig/Klawock Office) in 2023.

Photo Credit: Charitable Contributions Recipient

HUMAN RESOURCES

Christina Hamlin
VP, Chief Human Resource Officer

In 2023, with support rolling in from the administrative and management staff, our power and telecom operations and engineering teams worked fiercely to support one another to maintain essential services to our friends and neighbors.

Drawing upon the foundations of cooperation, collaboration, contribution and community, our AP&T employee-owners did what they do best. Our telecom crews worked in harsh conditions to strategize and deploy communication services to the most rural of Alaska communities. Our power crews restored service during intense weather-related catastrophes which destroyed parts of our breathtaking landscapes and critical infrastructure.

It's because of the strong culture in the hearts and habits of AP&T's employee-owners and the leadership team that continues to be diligent in creating, supporting, and maintaining an engaging and purposeful work environment.

It's because of the strong culture in the hearts and
habits of AP&T's employee-owners and the leadership
creating, supporting

TELECOM DIVISION

Zachary Layman
Executive VP / COO, Telecom Operations

The SAMN Crew handles helicopter delivery of a battery bank to the Burnette Peak mountaintop telecommunications site.

Photo Credit: SAMN Crew

The telecom division continues to operate in a rapidly changing environment. We have weathered our first full year of competition from Low Earth Orbit ("LEO") satellites across the state and remain optimistic about our ability to thrive in this new environment.

AP&T ended 2023 with approximately 8% fewer voice customers and 6% fewer broadband customers. While any reduction is disappointing, we are encouraged that more than 90% of our customers have chosen to stay with us so far. The telecom division remains focused on adapting and changing from a regulated monopoly mindset to a competitive one, and the employee-owners continue to embrace the necessary changes. Our analysis of the competitive landscape in 2023 highlighted three areas of focus that are necessary to retain and grow our customer base. These areas of focus are highlighted below.

Fiber to the Home ("FTTH")

Copper fed customers remain a significant risk as LEOs can offer faster speeds than most copper fed locations. AP&T remains committed to deploying fiber as quickly as possible in our communities.
2023 featured FTTH buildouts in the following communities:

- Craig
- Haines
- Petersburg
- Coffman Cove (ReConnect SEALink project)
- Tetlin
- Tok
- Wrangell
- Kasaan (ReConnect SEALink project)

In many cases this investment was needed to retain existing customers, but in communities like Petersburg, Wrangell, Coffman Cove, and Kasaan we have an opportunity to gain additional customers.

- AP&T now has approximately 43% of voice customers and 54% of broadband customers on FTTH, and crews continue working on additional FTTH projects throughout the year.

AP&T has additional deployments planned in many of these communities in 2024 and has a four-year plan to complete the buildouts to all but the most remote customers.

UNLOCKED LIGHTNING FAST SPEEDS

No Bundling Required

Up until now, AP&T has required a phone line with every broadband subscription. This was historically a revenue requirement, but we found a creative solution. Most of the new broadband packages now offer an option for customers to remove the need for a phone line with the purchase of unlimited usage.

Competitive Pricing

It was clear in our analysis and customer feedback that many customers were being patient with us but were clearly expecting new tiers with better prices given the service being offered by LEOs. There was also a hesitancy to try a new, unproven product. We recognized that this uncertainty surrounding LEOs was diminishing as 2023 drew to a close, so we acted decisively with new plans.

- Starlink initially offered their residential service for $120/month, but in February of 2023, they lowered the price to $90/month throughout Alaska. In addition to the monthly rate, standard hardware is also required at an additional cost of $599 (minimum).

- We analyzed the market and identified an acute need for higher speeds and lower pricing. AP&T's new tiers offer significantly greater value with lower prices and higher speeds on all but the lowest priced tiers.

- Fiber customers can now buy 1Gbps/100Mbps at a competitive price. Fiber customers can also purchase a 100Mbps/20Mbps tier for $99.95/month as long as they have an existing phone line. This is an appealing price-point and offers customers a reliable service without the upfront cost of LEOs.

- DSL tiers saw significant price reductions and we are providing the fastest speeds possible over the copper loops utilizing very high-speed digital subscriber line ("VDSL") technology.

- Data usage caps are higher on many tiers and instead of overage charges, customers will now experience reduced speeds once they have exceeded the data use cap. Unlimited usage is now available as an add-on purchase.

- Business and Residential tiers are better focused on the needs of the customer.

- Business tiers offer prioritized support and better upload speeds.

AP&T continues to develop a strong social media and marketing strategy. Our social media presence grew significantly in 2023 and will remain a key focus in 2024. The new broadband tiers provide the solid base needed to develop enticing opportunities for customers to sign-up for new service or upgrade their existing service.

> ***AP&T is also focused on engaging and building relationships directly with these end users [...]***

The turn-up of the SEALink fiber between Juneau, Petersburg, and Prince of Wales Island is the reason that we were able to make these tier changes in 2023 as it expanded our backhaul capabilities exponentially. The new tiers were rolled out at the end of 2023 and in January of 2024, with a carefully devised strategy to reduce the revenue impact of lower prices. Overall, the feedback from employees on the front line and from the market has been very positive. Many customers have remained at or near their previous price-point and are enjoying a better broadband experience. As the world utilizes more services and applications in the cloud, the need for upload performance continues to grow. AP&T is proud to offer upload speeds that are better than any competitor in our markets and is positioning our communities to be excellent destinations for those who may want to move to a more rural and breathtakingly beautiful environment while still working for any corporation in the world.

AP&T faces pressure in a related product market, which is enterprise and carrier circuit sales. Our carrier customers are seeing pressure from LEOs as larger enterprises are finding their service enticing. This competition combined with the additional bandwidth that we can now provide in southeast Alaska is leading to price compression for these circuit sales. The primary strategy being utilized at this point is to offer more bandwidth for a similar price. This strategy has led to lower prices, but it is opening new opportunities that were unsustainable with the previous model. AP&T is also focused on engaging and building relationships directly with these end users that have been served by statewide carriers in the past. We will likely need to engage more directly in the future to retain these local customers on our network.

AP&T faces a wide variety of challenges with potentially changing support regulations and new competitors, but the future remains bright with dedicated leadership, a solid network, and passionate employees ready to continue making AP&T a great place to work while providing excellent telecom services to the communities we serve. AP&T's dedicated employees remain our greatest asset and give us an advantage over any competitor. We continue to deploy FTTH which allows us to provide better broadband technology than any competitor in the market and when this advantage is matched with our employee-owners who work hard and truly care about providing the best service possible to their neighbors, we will remain the top provider of broadband in the rural communities of southeast Alaska.

LIGHTING UP THE LAST FRONTIER

POWER DIVISION

Jeffrey Rice, P.E.
Executive VP / COO, Energy Operations

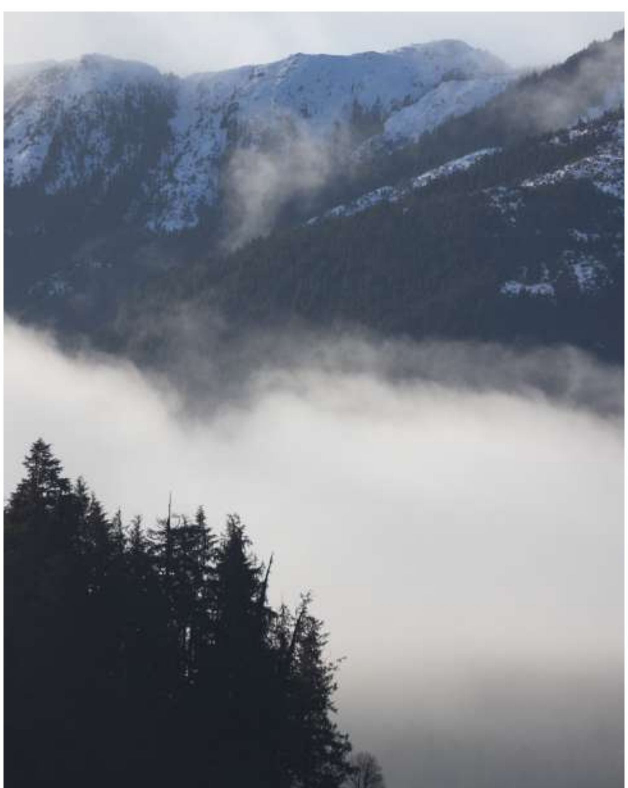
After several years concentrated on rebuilding and strengthening our backup diesel fleet, the power division is increasingly looking towards new energy sources. A growing number of energy-oriented grant opportunities have prompted us to concentrate on developing concepts for integration of new renewable energy sources. We recognize diesel generation costs continue to climb for our interior properties, with new emissions control requirements making maintenance more difficult. This is particularly poignant for the communities AP&T serves without year-round road or marine access. Simultaneously, solar and battery technologies are increasingly affordable, available, and reliable.

Many energy grant programs are promoting 'generational opportunities' to support heightened reliability, lower costs or to pursue renewable goals. AP&T pursued similar goals on its own in 2023 when it commissioned a 38kW solar project in Tok, AP&T's largest to date, with plans to expand to 250kW. AP&T has also partnered on solar and intertie grant requests led by Tanana Chiefs Conference, encouraging others to develop shared energy solutions for the region.

On the hydro side, Haida Energy is completing a rebuild of the 5MW Hiílangaay hydropower project's exciter end after three years in service.

In 2023, AP&T identified this segment of the turbine machinery as slightly misaligned, with large components needing offsite machining to correct. This finally explained the machinery's tendency to experience accelerated breakdown at a critical coupling on the shaft. AP&T staff worked with experts in alignment and managed repair of the turbine to increase the long-term reliability of the machinery. The new coupling not only corrects a persistent problem but also allows future maintenance without additional field realignments.

In November of 2023, a large storm system moved into the Prince of Wales service area and caused catastrophic damage to power and telephone systems. Multiple landslides occurred, one isolating Craig from Klawock and a second isolating Hiílangaay hydro. However, the largest landslide, a half-mile wide swath of trees and dirt, destroyed a section of road and transmission lines connecting customers to the Black Bear and South Fork hydro power plants. With the primary hydro generation for the island offline, the Hiílangaay project was reconnected and played a pivotal role in allowing AP&T to continue service. The unit replaced Black Bear as the governing machine and was only supplemented by standby diesel units during peak load periods.



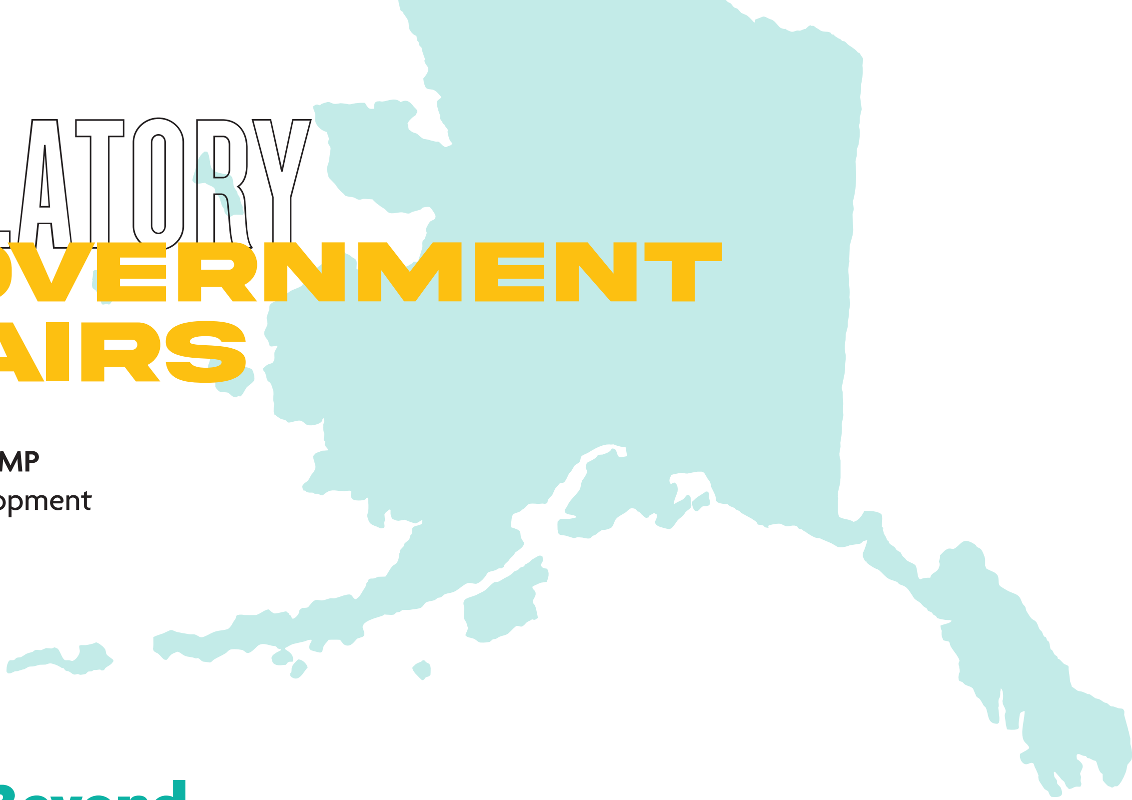
AP&T's successes in these and other efforts rely on a team of people, and their leadership.

In the Upper Lynn Canal region, we breathed a sigh of relief when the risks of a potentially more impactful electrical isolation event diminished. Just after July 4th celebrations, Skagway crews energized a new 35kV, double armored submarine cable connecting Skagway to Kasidaya hydro and Haines. This project has been in progress since 2019 when a failure was detected in the fiber optic segment of the existing submarine power cable. Remotely Operated Vehicle ("ROV") inspections revealed subsea landslide activity had caught the existing cable and was stretching it taut over a mile, ruling out a localized repair. A new, stronger cable was designed and positioned away from the subsea land movement that forced the 1998 cable to an early retirement. The procurement, permitting and laying of the cable was a significant effort that involved many parties and a great deal of patient, detailed work that highlighted the strength of the AP&T team and its partners in the effort.

AP&T's successes in these and other efforts rely on a team of people and their leadership.

Thanks to all the employee-owners that made our employee-owned, community-minded company thrive in 2023. You are the engine of AP&T's success: yesterday, today, and tomorrow.

REGULATORY & GOVERNMENT AFFAIRS



Jason Custer, CMA, PMP
VP, Corporate Development

2023 and Beyond.

The Future of USF Support. The Universal Service Fund ("USF") plays a critical role in supporting the cost of telecom operations in rural Alaska. AP&T uses the USF's Revised ACAM ("Alternative Connect America Model") program. AP&T has overachieved the program's performance requirements and will continue to receive support through 2028. Beyond 2028, the future is uncertain, making long-term planning challenging. The FCC recently announced the Enhanced ACAM program – a new iteration of ACAM providing support further into the future. After careful analysis, AP&T determined it was unable to accept the Enhanced ACAM offer, as it included investment requirements, service obligations, and penalty factors that were a very poor fit for Alaska. Instead, AP&T is seeking to participate in a separate USF program called the "Alaska Connect Fund" ("ACF") designed specifically to meet the needs of Alaska companies and residents. The details of the ACF, and whether AP&T can participate, will not be known until later in 2024, and will shape the types of business activities, investments, and special projects AP&T must undertake in future years.

Alaska Power Company's Rate Case. AP&T was required to file a new rate case for regulated power subsidiary Alaska Power Company ("APC") in August of 2023. The rate case is based on a 2022 test year, in which APC experienced a revenue deficiency of $3.6m. To offset this shortfall, APC requested updates to rates that would produce a 24.68% increase in revenue. Because a rate case is a lengthy proceeding, the Regulatory Commission of Alaska granted a 15% interim and refundable increase to APC's existing rates and charges. AP&T anticipates the rate case will conclude later in 2024.

It is difficult increasing the price of an essential service that rural Alaskans depend upon. However, it is essential that utilities fully recover their costs so that they can continue to provide safe, reliable, and efficient service. Based on trends in the utility supply chain and labor market, and upcoming investment requirements, AP&T expects it will need to conduct rate cases for its power subsidiaries on an ongoing basis to sustain regulated power operations.

APC's rate case proposes new features intended to support its customers into the future. For one, it proposes optional time of use rates that will facilitate increased use of heat pumps and electric vehicles. Additionally, it contemplates separating the Falls Creek hydropower assets in Gustavus under a new holding company, which should increase the degree of Power Cost Equalization support the community receives. It also proposes rates in Gustavus that reflect the recent inclusion of the National Park Service's Glacier Bay facilities – the largest customer in the community.

The Effects of Federal Tax Policy. Ironically, the Tax Cuts and Jobs Act made grants subject to taxation, which moderates AP&T's ability to utilize government programs. While bonus depreciation has helped to offset taxes on grants in AP&T's telecom division, it is set to phase out. Congress is considering extending bonus depreciation (with the House passing a bill to restore it in February of 2024), which will play a defining role in shaping how and when AP&T can invest in special projects.

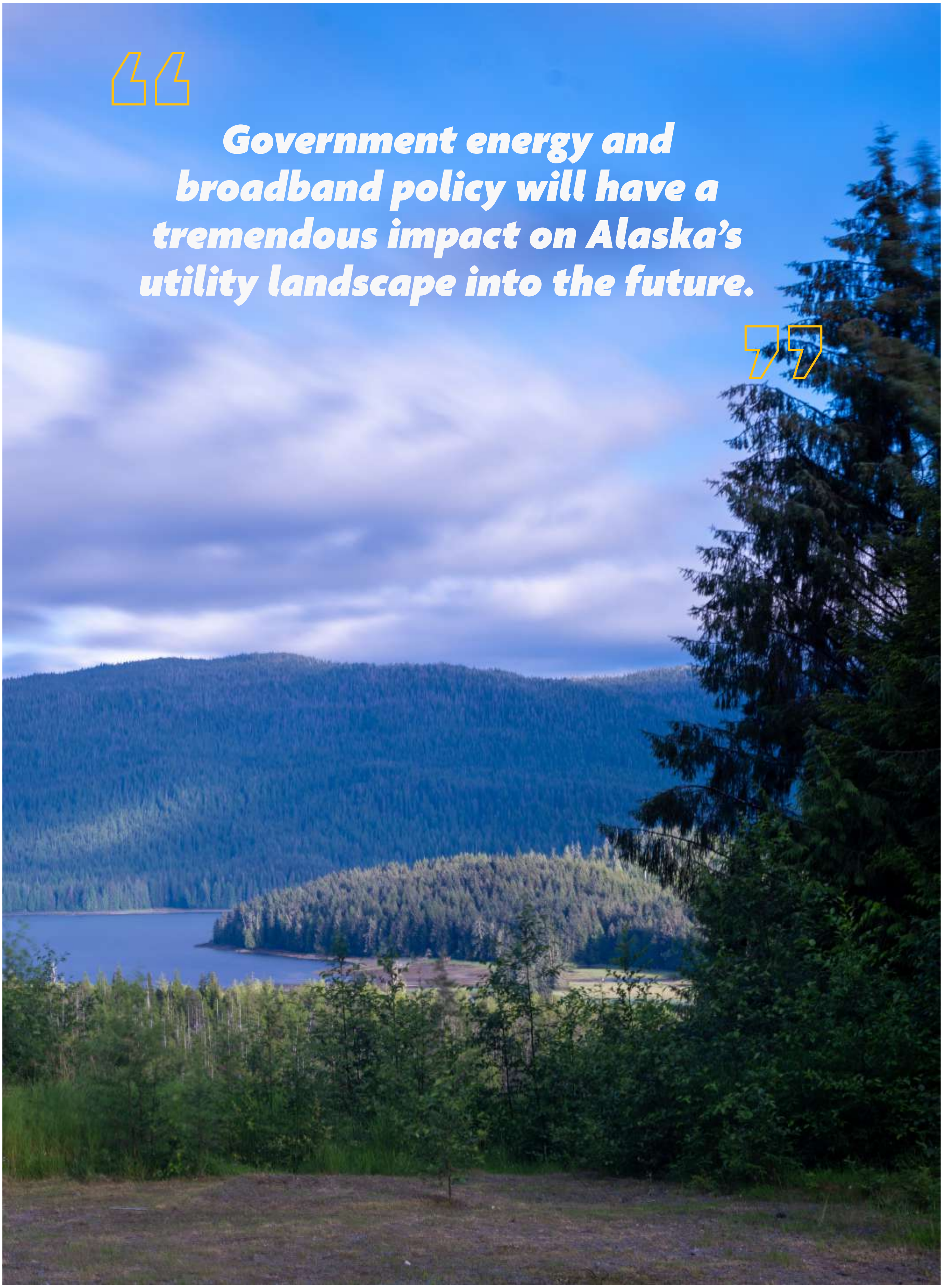
PCE – Rural Alaska's Key to Energy Affordability. Stakeholders frequently ask AP&T about the sustainability of Power Cost Equalization (PCE) – a critical State of Alaska program that buys down rural residential electrical rates to approximate prices in Anchorage and Fairbanks. A 2021 lawsuit eliminated the perception that the Alaska Legislature must re-authorize the PCE Endowment Fund each year, removing a lingering existential threat to the program. Since that time, the Alaska Legislature increased the monthly PCE allocation from 500 kWh to 750 kWh per residential customer, per month. Legislators are currently considering changes that would extend PCE to schools.

But just as PCE is first on the scene to help in times of rising energy costs, it is first in line to receive the benefit of special projects that seek to improve energy affordability. This limits the ability of utilities to produce cost-savings for ratepayers through special projects and grant-funded initiatives. AP&T is hopeful that policymakers will take note of this limitation and find ways to incentivize utility efficiency.

Grants as Catalysts for Growth and Evolution. AP&T has always had a strong focus on using grants and government programs to help meet the needs of rural Alaskans, and to facilitate and support its own private investment. This has been particularly true in recent years of intensive federal investment in the nation's infrastructure. AP&T has largely completed its first USDA ReConnect-funded project, which includes a submarine cable between Prince of Wales Island and Juneau (SEALink), as well as fiber to the home buildouts in Prince of Wales communities. In early 2024, it received environmental approval for the SEALink South project and executed contracts necessary to install a submarine cable between Prince of Wales and Ketchikan in fall of 2024 – 1 year ahead of schedule. It received a third ReConnect grant for fiber built-outs in the Haines/Skagway region. While AP&T's ReConnect Round IV grant requests were not funded, it will be evaluating other opportunities to develop essential infrastructure with the support of federal funds. The State of Alaska will soon announce its BEAD program, which will make $1 billion of grant funds available for projects within the State.

AP&T has always had a strong focus on using grants and government programs to help meet the needs of rural Alaskans, and to facilitate and support its own private investment.

AP&T assisted Skagway Traditional Council in applying for a $2m grant to prepay AP&T for broadband services for all tribal members (and some non-tribal residents such as veterans and elders) for 5 years. This Tribal Affordability Program – the first of its type in the US - has been operational since 2021. Many tribes in AP&T's



> ***Government energy and broadband policy will have a tremendous impact on Alaska's utility landscape into the future.***

service areas took note, and in early 2024 filed grant requests proposing to replicate Skagway's program in their own communities. AP&T has continued to work closely with Central Council of the Tlingit and Haida Indians of Alaska as it works to establish "Tidal Network" – an indigenous telecom service that proposes to utilize AP&T assets for transport services. Other tribes, Alaska Native Corporations, and a tribal housing authority have been working in concert with AP&T to apply for funding for heat pump deployments in southeast Alaska.

Clean Energy Incentives. AP&T continues to maintain clean energy incentive programs for electric vehicles ($500) and heat pumps ($500, with a $500 match for Sealaska shareholders). Use of these programs has risen significantly due to increased tax incentives, and improved confidence in EVs and heat pumps as they become increasingly visible in rural Alaska. Many AP&T customers are beginning to use "do it yourself" heat pump kits that ship with pre-charged lines and can be installed with basic power tools – a recent innovation that overcomes the challenge of a lack of formally-trained installers in rural communities.

In 2023, AP&T announced incentives for electric bikes (up to $200) – the first in the State. The initiative is a partnership with the Leighty Foundation and Sitka Conservation Society – environmental non-profits. Local bike shops have agreed to provide donations to local non-profits each time an AP&T customer makes an e-bike purchase from them.

AP&T also worked with Spruce Root, an indigenous CDFI, to help initiate and apply for funds to capitalize a Green Bank for clean energy projects in southeast Alaska. Spruce Root was a part of a successful coalition application and will be working to establish a local source of very flexible low interest loan funds for clean energy finance/refinance, that helps keep interest payments local within southeast Alaska's economy.

Government energy and broadband policy will have a tremendous impact on Alaska's utility landscape into the future. No matter what the future brings AP&T will continue to evolve, keeping pace with rural Alaska's expectations for utility services.

COMMUNICATION NETWORKS
IN INTERIOR ALASKA

Service Area Map

Microwave Link

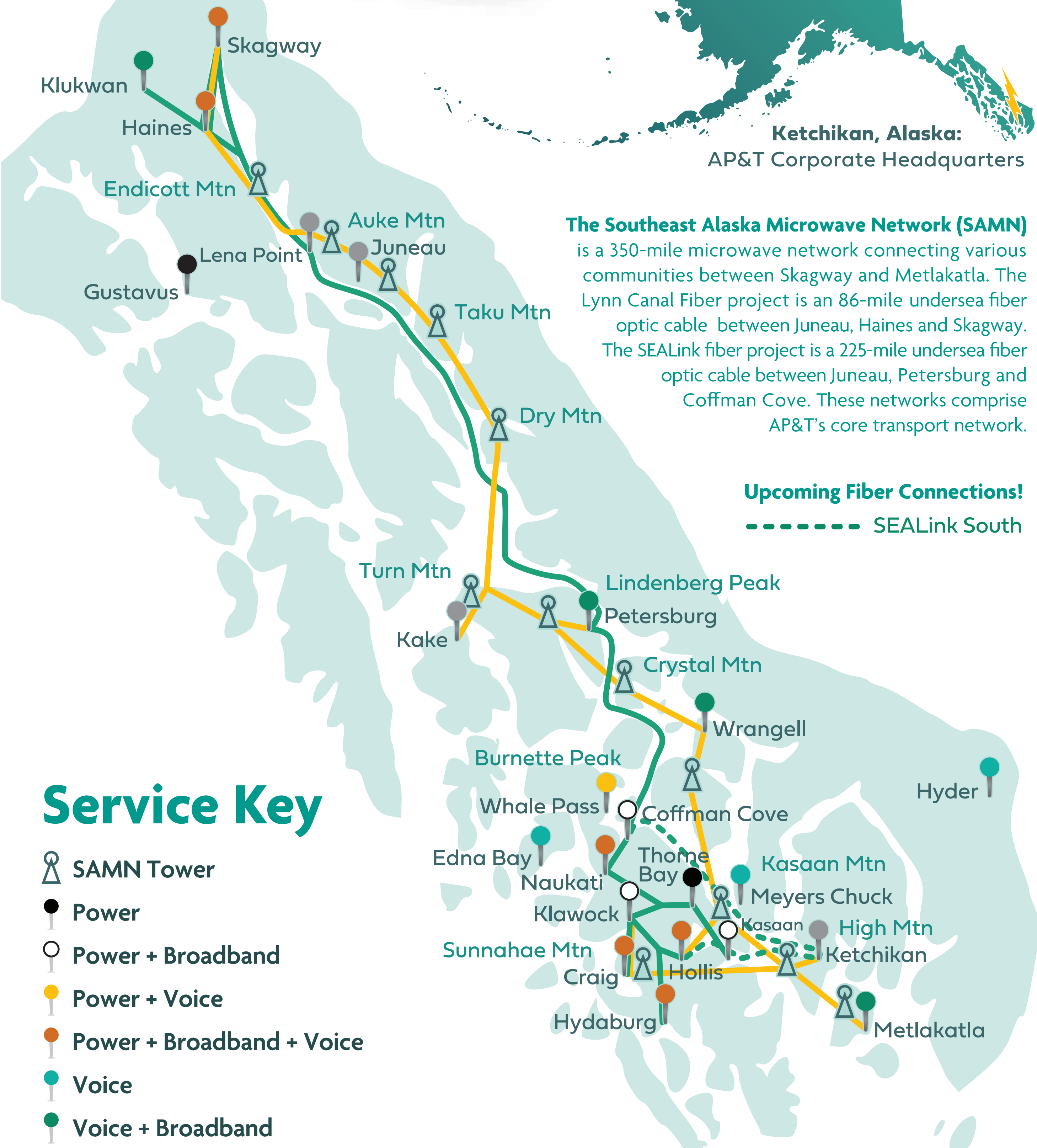
Fiber Optic Cable

Approximate geographical location is a depiction that includes both AP&T owned and leased assets.

AP&T's service areas span from the Arctic Circle to southeast Alaska.
This is the equivalent of the distance between Seattle and Denver; approximately 1,100 miles. AP&T's energy generation portfolio is approximately 75% clean, renewable hydropower-based, and 25% fossil fuel-based.

COMMUNICATION NETWORKS IN SOUTHEAST ALASKA

Ketchikan, Alaska:
AP&T Corporate Headquarters



The Southeast Alaska Microwave Network (SAMN) is a 350-mile microwave network connecting various communities between Skagway and Metlakatla. The Lynn Canal Fiber project is an 86-mile undersea fiber optic cable between Juneau, Haines and Skagway. The SEALink fiber project is a 225-mile undersea fiber optic cable between Juneau, Petersburg and Coffman Cove. These networks comprise AP&T's core transport network.

Upcoming Fiber Connections!

SEALink South

Service Key

- SAMN Tower
- Power
- Power + Broadband
- Power + Voice
- Power + Broadband + Voice
- Voice
- Voice + Broadband
- Community

ALASKA POWER & TELEPHONE COMPANY

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

The management discussion and analysis of financial conditions and results, highlights that Alaska Power & Telephone Company (AP&T) is in a strong financial position due to many of the successes noted in the exiting CEO's message and well positioned to execute on the strategies of the new CEO.

Company Overview

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, in Alaska, along the energy and telecommunications business lines. Approximately 71% of consolidated operating income is generated from telecom services, 25% from energy, and 4% from other. Total plant in service as of the end of 2023 was composed of 50% in the energy section, 45% in the telecommunications, and 5% other. We anticipate this ratio between the sectors to continue as AP&T finishes the USDA grant funded projects awarded.

As noted in the exiting CEO's message AP&T accomplished many projects in 2023. The company achieved several major milestones in the telecommunication sector. AP&T provisioned 100 Gigabit per second (Gbps) transport for the first time in its history. These redundant 100 Gbps links now connect Juneau, Petersburg, and Coffman Cove as part of the $21.5 million ReConnect Round 2 grant from the USDA, which AP&T calls the SEALink project. AP&T began the construction of fiber to the home (FTTH) to the customers in Coffman Cove and Kasaan, Alaska. The company completed the construction of all distribution fiber in both communities, cut over all interested customers in Kasaan to fiber and started the cutover of customers in Coffman Cove. AP&T also performed the marine survey and other work necessary to clear environmental approval for one of the Round 3 ReConnect awards from the USDA which AP&T is calling SEALink South. This project will connect Hollis and Coffman Cove to Ketchikan and support the construction of FTTH in the communities of Craig, Hollis, and Klawock. The subsea fiber portion of SEALink South is expected to be complete in 2024. The successful completion of these projects positions AP&T for future expansion in the telecommunication sector.

In 2023 AP&T continued to substantially invest in the energy segment. In 2022 new energy plant investment was $14.9 million while in 2023 it was $13.0 million. Investment focused on finalizing the installation of three new diesel units, the replacement of the subsea cable connecting Skagway and the Kasidaya Hydro plant. There was additional investment in diesel unit and headworks valving updates. Continued investment in the energy sector ensures AP&T is positioned to deliver excellent service to the communities well into the future.

Consolidated Results of Operations

Total revenue from all operations during 2023 was $64.2 million, an increase of $2.4 million from the previous year. Net Income for the year decreased to $6.1 million from $9 million for 2022, a decrease of $2.9 million. The primary source of this change was due to increases in interest rates and depreciation. The combination of borrowing for additional investment and the significant rise in interest rates during 2023 resulted in $1.1 million more interest expense year-over-year. The substantial investment in assets resulted in an increase in total depreciation expense of $1.9 million.

The Company generated $11.8 million of cash from operations and invested $20.4 million into property plant and equipment, net of grant funds. Total long-term debt (including the current portion) increased by $17.1 million to a total of $70.3 million as of December 31, 2023. Stockholder's equity increased by $1 million to a total of $72.7 million, giving AP&T an equity to capitalization ratio of 50.8%, a decrease of 6.5%. Total dividends to shareholders declared during the year were $2.8 million. Based on a weighted average of 1.228 million shares, the Company generated earnings per share of $5.01.

Operations by Segment

Energy Operations – Total 2023 sales for energy operations were 77.2 GWh, an increase of 4.8% from the previous year's results. Hydroelectric resources, available for use, provided 62 GWh of generation, a 1.4% increase over the previous year. Gross revenue generated by energy operations was $28.2 million, a 6.2% increase from 2022. Year-over-year kWh sales in Haines, Skagway and Gustavus increased by .3%, 4.6%, and 40.7% respectively. Sales on Prince of Wales Island increased by 5.3% and the Tok region increased by 2.6%. Total operating expenses for the year increased by $3.2 million or 17.8% primarily due to a higher cost of power. Operating income for the year decreased 42.5% to $2.6 million, vs. $4.6 million the prior year. Energy sales have continued to improve across our service areas due to improvements in the economy. Mining and other resource activities on the Prince of Wales Island have improved. Tourism in the Upper Lynn Canal has also improved from 2022. The Interior has seen energy usage rise due to improved economic conditions. Additionally, the Regulatory Commission of Alaska approved an interim and refundable rate increase of 15% as part of the Company's rate filing. The rate filing process will conclude in 2024 with the potential for an additional increase in rates.

Telecommunications Operations – Gross revenues for regulated and non-regulated telecommunications operations remained relatively constant year-over-year with 2023 revenue at $35.1 million. Operating expenses were constant year-over-year at $19.9 million. Depreciation expense increased by $1.5 million or 23.7%. As a result, telecom operating income decreased by $556 thousand year-over-year to $7.5 million.

Other Operations – Other operations are mainly AP&T's shared costs to subsidiaries and contract services to operate and maintain Haida Energy's hydroelectric facility, Híilangaay.

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. The Company recorded patronage dividends of $297 thousand for 2023, and $604 thousand for 2022. CoBank made a special patronage distribution in the previous year which accounts for the decline.

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 $230 thousand in 2022 and 2023 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, 2022. See Note 1 "The Company and Summary of Significant Accounting Policies" in the Company's 2023 Audit Report.

Financial Condition

During 2023, AP&T's investment in gross plant in service increased by $22.6 million or 8% to a total of $304 million. 41% of the additions 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 for the Company's participation in the Alternate Connect America Cost Model (ACAM). 57% of the additions related to energy facilities. A large portion of those funds were used to complete the replacement of the subsea cable project for Goat Lake Hydro.

Current assets increased $5.9 million year-over-year, of which accounts receivable increased $2 million due to a large USDA grant receivable. Inventory and other current assets increased by $2.2 million as the Company continued acquiring the materials necessary for the upcoming construction season.

Total stockholders' equity increased by 1.4% or $1 million after a reduction of $2.8 million in declared dividends to shareholders. Common stock transactions led to a decrease of 2.4% or 29,418 in shares outstanding. Long-term interest-bearing liabilities at year-end 2023 were $70.3 million, an increase of 32.1% or $17.1 million.

Liquidity and Capital Resources

Operating Activities – Cash flows provided by ongoing operating activities during 2023 decreased by $8.4 million or 41.5% to a total of $11.8 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 2023 was $20.4 million, a decrease of $5.2 million or 20.4% over the previous year. The decrease is a result of the timing of projects related to the ReConnect grants. The Company received, in grants, $14.3 million and $3.4 million in 2022 and 2023 respectively. Cash used, net of grant funds, was $25.8 million and $20.9 million in 2022 and 2023 respectively, for a net decrease of $4.9 million year-over-year. The Company's obligations under the grant award include a 25 percent matching requirement and a commitment to finish the project in five years.

Financing Activities – The Company raised $30 million and $25 million in proceeds through the issuance of long-term debt during 2022 and 2023 respectively. Outstanding balances on the Company's line of credit were reduced by $1.9 million. $2.3 million of cash was used to settle stock transactions with the Company's Employee Stock Ownership Program during the year, up from $639 thousand in 2022. Cash payments of dividends decreased by $198 thousand or 6.6% to a total of $2.8 million. Net cash from financing activities during 2023 was $10.6 million, an increase of $3.1 million year-over-year. AP&T ended the year with $5.1 million of cash on hand, a $2 million increase from the previous year.

Grant Obligations – During 2023 the Company continued to progress on the SeaLink project related to its ReConnect Round 2 award. The company received from USDA reimbursement of $1.1 million and recorded a receivable of $2.3 million, which was received in early 2024. The company expects to complete the SeaLink project during 2024 with a savings to budget estimated at $2.0 million. The ReConnect Round 3 grant awards require a matching capital investment obligation over the five-year construction cycle. During 2023 (year 1) the company spent approximately $1.0 million. The total estimated capital outlay for the remaining four years beginning 2024 is $12.5 million; 2025 is $5.0 million; 2026 is $4.3 million and 2027 is $3.8 million. These estimated capital outlays include the companies 25% matching requirement which are invested throughout the project instead of upfront. This schedule may change as the project proceeds and evolves.

Sustainability and ESG Initiatives

AP&T values sustainability above all else, ensuring the well-being of our employees, our customers, our communities, our investors, our earth, and our corporation for both present and future generations. In 2023, 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. In Tok, the Company constructed a small solar array as a research project and to mitigate fossil fuel usage.

We work hard to keep our customers' trust and continued investing in the health and welfare of our employees and the Alaskan communities we 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. We continue to work with tribal organizations in the interior for cooperative development renewables.

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 & Risk, Compensation, and Governance & Nominating. 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 services to communities, 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 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 energy 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 and new competitors subsidized with federal grant funds. Loss of customers through competition impacts both regulated and non-regulated telecom segments and the end user and carrier revenues.

William Marks
CEO, President

Wanda Tankersley
CFO

CHARGED UP

Interior Alaska – views and opportunities as wide as the imagination. Tyler Bosdell performs the installation of equipment for the Kinross Mine Project in Tok.

Photo Credit: AP&T Team

5 Year Summary

$ Expressed in thousands except per share data

	2019	2020	2021	2022	2023
Operating Results					
Operating Income					
Electric Services	$ 3,538	$ 4,538	$ 4,885	$ 4,576	$ 2,630
Telecommunications	10,224	8,604	8,313	8,044	7,488
Other	(10,281)	689	557	349	378
Total Operating Income	$ 3,481	$ 13,831	$ 13,755	$ 12,969	$ 10,496
Total Operating Margin	6.3%	25.0%	21.7%	21.0%	16.3%
Cash Flow from Operations	$ 12,064	$ 13,208	$ 19,251	$ 20,206	$ 11,816
Net Income	$ 917	$ 8,740	$ 12,852	$ 9,017	$ 6,148
Earnings (loss) per Share - Basic	$ 0.72	$ 6.94	$ 10.27	$ 7.23	$ 5.01
Financial Position					
Total Capitalization	$ 90,666	$ 91,974	$ 104,135	$ 124,909	$ 143,003
Weighted-Average Shares Outstanding	1,273,448	1,259,089	1,251,812	1,246,438	1,227,985
Book Value per Share - Basic	$ 39.39	$ 44.34	$ 52.77	$ 57.66	$ 59.90
Share Price per Valuation	$ 65.82	$ 74.14	$ 82.73	$ 79.51	TBD
Key Ratios					
Cash from Operations/Revenue	21.8%	23.8%	30.4%	32.7%	18.4%
EBITDA	$ 11,951	$ 22,909	$ 28,132	$ 24,812	$ 24,059
EBITDA / Revenue	21.6%	41.3%	44.4%	40.2%	37.5%
Debt / Capitalization	45.1%	39.6%	36.6%	42.6%	49.2%
Equity / Capitalization	54.9%	60.4%	63.4%	57.4%	50.8%
Return on Assets	0.8%	7.0%	9.4%	5.2%	3.2%
Return on Equity	1.8%	15.7%	19.5%	12.6%	8.5%
Dividends Declared / Share	$ 1.92	$ 1.92	$ 2.13	$ 2.39	$ 2.26

The northern lights shine vividly at AP&T's headquarters in Ketchikan, Alaska, reminding us of our bright future.

Photo Credit: Jeremy Barry of North Creative™ Design

Report of Independent Auditors
and Consolidated Financial Statements

Alaska Power & Telephone Company and Subsidiaries

December 31, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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.

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 29, 2024

Consolidated Financial Statements

Alaska Power & Telephone Company
and Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
ASSETS		
PROPERTY, PLANT, AND EQUIPMENT		
Electric	$ 149,256,644	$ 135,356,921
Telecommunications	143,998,715	135,753,605
Nonutility	10,729,546	10,258,996
	303,984,905	281,369,522
Less accumulated depreciation and amortization	166,526,538	154,148,259
	137,458,367	127,221,263
Utility plant under construction	10,900,863	9,268,661
Total property, plant, and equipment	148,359,230	136,489,924
OTHER ASSETS		
Investments	4,966,588	5,279,649
Goodwill, net of amortization	-	60,811
Rate stabilization asset	4,169,909	4,450,509
Operating lease right-of-use asset	2,360,678	2,333,807
Other assets	3,280,367	3,174,780
Total other assets	14,777,542	15,299,556
CURRENT ASSETS		
Cash and cash equivalents	5,127,569	3,128,132
Receivables, less allowance for doubtful accounts of $25,151 in 2023 and $26,728 in 2022	12,805,188	10,836,607
Inventory and other current assets	10,129,480	7,881,940
Income tax refunds receivable	-	329,665
Total current assets	28,062,237	22,176,344
Total assets	$ 191,199,009	$ 173,965,824

See accompanying notes.

Alaska Power & Telephone Company
and Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
LIABILITIES AND STOCKHOLDERS' EQUITY		
STOCKHOLDERS' EQUITY		
Common stock, $1 par value, 10,000,000 shares authorized, 1,213,276 and 1,242,694 shares issued and outstanding in 2023 and 2022, respectively	$ 1,213,276	$ 1,242,694
Additional paid-in capital	-	438,455
Retained earnings	71,460,132	69,969,193
Accumulated other comprehensive income (loss)	1,019	(317)
Total stockholders' equity	72,674,427	71,650,025
LONG-TERM DEBT, less current portion and unamortized loan fees	65,961,305	46,413,305
INTEREST RATE SWAP	(608)	1,239
OTHER LIABILITIES AND DEFERRED CREDITS		
Deferred income taxes	15,854,422	16,960,509
Noncurrent operating lease liability	1,980,713	2,076,026
Deferred revenue	15,904,342	13,590,579
Other deferred credits	1,234,558	1,040,697
Total other liabilities and deferred credits	34,974,035	33,667,811
CURRENT LIABILITIES		
Accounts payable and other accrued liabilities	8,375,071	11,192,242
Billings in excess of construction	-	110,913
Line of credit	1,869,179	3,163,418
Income taxes payable	1,815,527	-
Current deferred revenues	778,415	660,000
Current portion of long-term debt	4,367,912	6,845,310
Current operating lease liability	383,746	261,561
Total current liabilities	17,589,850	22,233,444
Total liabilities and stockholders' equity	$ 191,199,009	$ 173,965,824

See accompanying notes.

Alaska Power & Telephone Company and Subsidiaries
Consolidated Statements of Income
Years Ended December 31, 2023 and 2022

	2023	2022
REVENUE		
Electric	$ 28,230,884	$ 26,579,066
Telecommunications	35,095,929	34,368,321
Other	877,656	830,042
	64,204,469	61,777,429
EXPENSES		
Electric	21,259,834	18,044,254
Telecommunications	19,920,817	20,107,605
Other	43,003	107,927
Operations and maintenance expense	41,223,654	38,259,786
Depreciation and amortization expense	12,484,091	10,548,457
	53,707,745	48,808,243
Income from operations	10,496,724	12,969,186
OTHER INCOME (EXPENSE)		
Dividend income	1,083,303	990,207
Amortization of goodwill	(60,811)	(60,544)
Miscellaneous	(5,944)	304,454
Total other income	1,016,548	1,234,117
Interest income	5,202	26,223
Interest expense	(3,478,910)	(2,336,065)
Net interest expense	(3,473,708)	(2,309,842)
Income before income taxes	8,039,564	11,893,461
PROVISION FOR INCOME TAXES	(1,891,629)	(2,876,754)
Net income	$ 6,147,935	$ 9,016,707
BASIC AND DILUTED EARNINGS PER SHARE	$ 5.01	$ 7.23
WEIGHTED-AVERAGE BASIC AND DILUTED SHARES OUTSTANDING	1,227,985	1,246,438

See accompanying notes.

Alaska Power & Telephone Company
and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2023 and 2022

	2023	2022
NET INCOME	$ 6,147,935	$ 9,016,707
OTHER COMPREHENSIVE INCOME BEFORE TAX		
Gain from fair value adjustment to interest rate swap	1,847	392,361
Income tax expense related to fair value adjustment to interest rate swap liability	(511)	(108,724)
	1,336	283,637
Comprehensive income	$ 6,149,271	$ 9,300,344

See accompanying notes.

Alaska Power & Telephone Company
and Subsidiaries
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2023 and 2022

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
BALANCE, 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, December 31, 2022	1,242,694	438,455	69,969,193	(317)	71,650,025
Net income	-	-	6,147,935	-	6,147,935
Sale of common stock	22,879	1,869,875	-	-	1,892,754
Repurchase of common stock	(52,297)	(2,308,330)	(1,869,991)	-	(4,230,618)
Fair value adjustment to interest rate swap, net of tax	-	-	-	1,336	1,336
Dividends to shareholders	-	-	(2,787,005)	-	(2,787,005)
BALANCE, December 31, 2023	$ 1,213,276	$ -	$ 71,460,132	$ 1,019	$ 72,674,427

See accompanying notes.

Alaska Power & Telephone Company
and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 6,147,935	$ 9,016,707
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	12,514,675	10,609,001
Amortization of loan issuance costs	64,062	31,169
Noncash patronage dividends	(172,205)	(113,562)
Deferred income taxes	(1,106,598)	950,801
Recognition of Deferred Revenue	(1,002,101)	-
Accretion of rate stabilization asset	280,600	178,710
Changes in assets and liabilities		
Receivables	(1,968,581)	504,564
Income taxes	2,145,192	(246,196)
Other assets and liabilities	(5,087,349)	(724,826)
Net cash from operating activities	11,815,630	20,206,368
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant, and equipment, net	(24,323,170)	(40,039,824)
Grant funding received	3,434,279	14,250,579
Other investment	(157,033)	(153,672)
Proceeds from investment	642,299	324,227
Net cash from investing activities	(20,403,625)	(25,618,690)

See accompanying notes.

Alaska Power & Telephone Company
and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	$ 24,873,783	$ 22,917,803
Proceeds from line of credit	63,815,391	31,603,511
Payments on line of credit	(65,109,630)	(35,680,837)
Payments on long-term debt	(7,867,243)	(7,852,124)
Proceeds from sale of common stock	1,892,754	1,981,444
Repurchase of common stock	(4,230,618)	(2,620,529)
Dividends paid	(2,787,005)	(2,911,239)
Net cash from financing activities	10,587,432	7,438,029
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,999,437	2,025,707
CASH AND CASH EQUIVALENTS, beginning of the year	3,128,132	1,102,425
CASH AND CASH EQUIVALENTS, end of the year	$ 5,127,569	$ 3,128,132
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest expense	$ 3,183,818	$ 1,758,299
Income taxes	$ 852,150	$ 2,172,150
Cash paid during the year for operating leases	$ 386,612	$ 385,340
Operating right-of-use assets obtained in exchange for new operating lease liabilities	$ 300,805	$ 2,599,450
NONCASH INVESTING AND FINANCING ACTIVITIES		
Unrealized gain on interest rate swap, net of tax	$ 1,336	$ 283,637
Accrued dividends payable	$ 667,079	$ 760,900

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, 2023, the Company adopted Financial Accounting Standard Board Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments – Credit Losses* (Topic 326). The ASU is applicable to certain financial assets measured at amortized cost and other commitments that may require annual credit exposure assessments. The adoption of this new standard did not have a material impact on the financial statements and related disclosures.

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 2023 or 2022. Total amortization expense related to goodwill for the years ended December 31, 2023 and 2022, was $60,811 and $60,544, respectively.

Goodwill is included in other assets on the consolidated balance sheets. As of December 31, 2023 and 2022, the carrying amount of goodwill was $0 and $60,811, respectively, which included accumulated amortization of $8,804,313 and $9,266,400, 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, 2023 and 2022, 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 $1,233,383 and $1,040,697 at December 31, 2023 and 2022, 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.

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, 2023 and 2022.

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, 2023 or 2022.

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 2023 or 2022.

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, 2023 and 2022, were $64,539 and $80,490, 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, 2023 and 2022.

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 2023 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 26, 2024, 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 $401,540 in 2023.

The Company's maturity analysis of lease liabilities as of December 31, 2023, were as follows:

2024	$ 386,612
2025	352,153
2026	298,123
2027	234,138
2028	190,847
Thereafter	2,049,374
Total lease payments	3,511,247
Less interest	(1,146,788)
Present value of lease liabilities	2,364,459
Less current obligation	(383,746)
Long-term obligation	$ 1,980,713

The weighted average remaining lease term is 16.16 years and the weighted average discount rate is 5%.

Rent expense under all operating leases amounted to approximately $978,105 and $1,019,040 for 2023 and 2022, respectively.

Note 4 – Property, Plant, and Equipment

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

	Plant Account	Accumulated Depreciation	2023 Net Balance	2022 Net Balance	Depreciation Rate
Electric					
Hydroelectric	$ 31,243,518	$ 14,603,977	$ 16,639,541	$ 17,144,803	2%
Other generation	35,876,204	16,349,647	19,526,557	15,344,544	4% to 8%
Transmission and distribution	61,309,701	37,240,630	24,069,071	18,933,540	2.5% to 4%
Other	18,277,623	10,721,506	7,556,117	7,522,989	2.5% to 20%
Land	822,947	-	822,947	807,041	---
Plant held for future use	548,538	-	548,538	361,699	
Utility plant acquisition adjustment	1,178,113	1,177,823	290	18	6%
	149,256,644	80,093,583	69,163,061	60,114,634	
Telecommunications					
General support assets	20,321,285	12,215,061	8,106,224	6,628,314	2.5% to 20%
Central office assets	49,114,163	38,095,568	11,018,595	11,707,606	8% to 14%
Cable and wire facilities	67,403,891	28,197,852	39,206,039	38,646,972	3% to 6%
Towers	6,676,253	4,066,507	2,609,746	2,888,862	3%
Land	483,122	-	483,122	483,122	---
	143,998,714	82,574,988	61,423,726	60,354,876	
Nonutility					
Buildings	9,301,884	3,857,967	5,443,917	5,324,090	4%
Land	1,427,663	-	1,427,663	1,427,663	---
	10,729,547	3,857,967	6,871,580	6,751,753	
Total property, plant, equipment	$ 303,984,905	$ 166,526,538	$ 137,458,367	$ 127,221,263	

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:

	2023	2022
Investment in National Bank of Cooperatives (CoBank)	$ 3,477,669	$ 3,954,200
Investment in Ketchikan Electric Company, LLC (KEC)	600,000	600,000
Investment in Haida Energy, Inc. (HE)	450,000	450,000
Other	438,919	275,449
	$ 4,966,588	$ 5,279,649

CoBank – CoBank is organized as 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 $296,508 and $603,891 for 2023 and 2022, 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 2023 and 2022.

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 $2,115 and $361,699 of prepaid power credits to offset against future payments as of December 31, 2023 and 2022, respectively.

In 2023, other investments consist of $310,705 related to the company's use of captive structure for worker's compensation, general liability and auto coverages. These commenced on November 1, 2022.

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, 2023.

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

Years ending December 31,	
2024	$ 434,783
2025	434,783
2026	434,783
2027	764,004
2028	1,099,637
Thereafter	15,201,576
	$ 18,369,566

Note 6 – Long-Term Debt

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

	2023	2022
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 $74,097.	$ 3,175,913	$ 4,024,771
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, 2023. Interest rate swap agreement reduces exposure to interest rate fluctuations. Loan was paid off during 2023	-	4,300,822
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 $58,754	1,857,913	2,181,454
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.	1,536,269	1,655,923

	2023	2022
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, 2023. Net of unamortized issuance costs of $280,894.	$ 10,594,106	$ 11,155,313
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, 2023. Net of unamortized issuance costs of $203,084.	28,234,416	29,770,332
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 7.06% at December 31, 2023. Net of unamortized issuance costs of $239,400.	24,760,600	-
Other term debt	170,000	170,000
	70,329,217	53,258,615
Less current portion	(4,367,912)	(6,845,310)
	$ 65,961,305	$ 46,413,305

Annual maturities for the five years beginning January 1, 2024, are $4,367,912, $5,053,413, $5,827,833, $5,750,257 and $6,591,427 respectively, and $43,993,466, 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 matured on August 15, 2023 after being amortized over a 10-year term at 7.62% per annum. The fair value of the interest rate swap liability was $(608) and $1,239 at December 31, 2023 and 2022, 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.

The Company has a $20 million line of credit established with CoBank with a variable interest rate. As of 12/31/2023 the interest rate was 7.16%. There were outstanding balances on the line of credit of $1,869,179 and $3,163,418 at December 31, 2023 and 2022, respectively. The line of credit matures in 2026.

Note 7 – Income Taxes

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

	2023	2022
Current	$ 2,998,226	$ 1,925,953
Deferred	(1,106,597)	2,118,685
Deferred - change in valuation allowance	-	(1,167,884)
	$ 1,891,629	$ 2,876,754

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

	2023	2022
Income tax provision at federal rate of 21%	$ 1,910,070	$ 2,497,625
State income taxes, net of federal benefit	746,407	477,721
Permanent items	(249,454)	(269,061)
Other	(515,394)	170,469
Provision for income taxes	$ 1,891,629	$ 2,876,754

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

	2023	2022
Deferred tax asset		
Allowance for bad debt	$ (6,941)	$ (7,374)
Accrued employee benefits	-	(69,910)
Book vs. tax basis of investments	(340,765)	(340,765)
Fair value adjustment of interest rate swap liability	-	(133,749)
Lease liability	(661,686)	(628,772)
Deferred revenue	(3,712,310)	(3,963,186)
Interest expense limitation	(38,830)	(253,021)
Total deferred tax assets	(4,760,532)	(5,396,777)
Deferred tax liability		
Accrued employee benefits	18,306	-
Prepaid expenses	57,370	70,763
Tax amortization and depreciation greater than book	18,663,926	20,370,068
ROU lease asset	660,638	627,724
Deferred expenses	1,214,714	1,288,731
Total deferred tax liabilities	20,614,954	22,357,286
Net deferred tax liability	$ 15,854,422	$ 16,960,509

The consolidated balance sheet includes a total amount for income taxes payable of $1,815,527 at December 31, 2023. This consists of a federal and state payable of $1,286,568 and $528,959 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 settled to the qualified Plan participants in cash or stock, at the boards discretion.

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 2023, employer matching contributions and profit-sharing contributions were $751,146 and $366,201, respectively. In 2022, employer matching contributions and profit-sharing contributions were $691,034 and $427,728, respectively. The Plan was not leveraged as of December 31, 2023 and 2022.

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, 2023 (all numbers in thousands)	Electric	Telecom	Other	Consolidated
Operating revenue	$ 28,231	$ 35,096	$ 878	$ 64,205
Depreciation and amortization	4,341	7,687	456	12,484
Operating income	2,630	7,488	378	10,496
Interest expense	1,392	47	2,041	3,480
Interest income	-	-	5	5
Total fixed assets	149,257	143,998	10,730	303,985
Total accumulated depreciation	(80,094)	(82,575)	(3,858)	(166,527)
Total fixed assets, net	69,163	61,423	6,872	137,458
Capital expenditure	13,389	10,314	620	24,323

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	6,752	127,222
Capital expenditure	11,032	27,467	1,541	40,040

Note 10 – Other Assets

Other assets consist of the following at December 31:

	2023	2022
Miscellaneous regulatory assets - power	$ 2,628,275	$ 2,200,152
Other	652,092	974,628
	$ 3,280,367	$ 3,174,780

Note 11 – Operating Revenue

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

	For the Year Ended December 31, 2023		
	Total	Revenue From Contracts With Customers	Other Revenue
Electric	$ 28,230,884	$ 28,089,571	$ 141,313
Telecommunications	36,151,929	25,214,166	10,937,763
Other	877,656	766,742	110,914
	$ 65,260,469	$ 54,070,479	$ 11,189,990

	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

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:

	2023	2022
Contract assets		
Unbilled revenue	$ 899,976	$ 842,142

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, 2023, the Company has received $15,900,677 in grant proceeds related to these awards. 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. Balance of deferred grant revenue and all recognized grant revenues are $14,898,576 and $1,002,101, respectively.

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 five 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 2023 were $141,000.

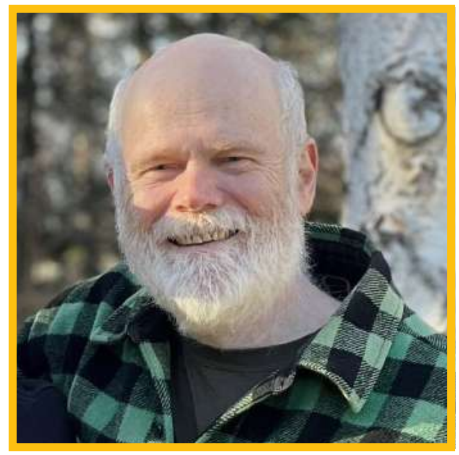
RETIREES OF AP&T

CONGRATULATIONS!

We at AP&T congratulate our 2023 retirees.
It has been a privilege working with you, and now it is an honor helping you celebrate your retirements.

Thomas Ervin, 38 Years
Tok, Alaska

Douglas McMurren, 37 Years
Petersburg, Alaska



James Cliver, 25 Years
Wasilla, Alaska

Benjamin Beste, 23 Years
Port Townsend, WA

Gary Soderberg, 21 Years
Klawock, Alaska

Jannette Hagen, 16 Years
Port Townsend, WA

HARDWORKING CREWS OF AP&T

Below: Light years ahead. Wess Baguley & Trenton Powell work to splice fiber for the SEALink submarine cable project. Photo Credit: AP&T Team

Above: Keeping AP&T high and mighty on Burnette Peak mountaintop telecommunications site. Shown are AP&T employee-owners Darren McKeehan, Mason Bauer & Evan Beckett.
Photo Credit: (SAMN Crew)

Above: Tight lines! The Ketchikan crew works on the Dry Mountain microwave site. Photo Credit: (SAMN Crew)

Right: Taking the scenic route through the stunning landscapes of Prince of Wales, Alaska with Jeff Rice and Zach Layman enroute to Hiílangaay.

IN MEMORIAM WE HONOR

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

James Baumgartner

James Baumgartner – Licensing/Permitting Manager
Juneau, Alaska
Hire Date: 10.08.2018 || Death: 09.19.2023

James "Jim" Baumgartner passed away at his home on September 19th, 2023, in Juneau, AK. He is survived by his wife, Linda Baumgartner; his mother, Sarah Baumgartner; sisters, Phyllis (Michael) Scott and Lucy Looper; and brother, John (Dee Dee) Baumgartner, along with numerous nieces, nephews, and other loving family members. Jim was predeceased by his first wife, Patti Baumgartner; sister, Ann Rosen; brother, Joel Baumgartner; and father, William "Bill" Baumgartner. In 1964, Jim, along with his parents and siblings, moved to Douglas. He attended schools in Juneau and graduated from Juneau-Douglas High School. Post high school, Jim pursued further education at the University of Idaho, earning a Civil Engineering degree in 1983. He later went on to the University of Alaska Fairbanks, graduating in 1987 with a degree in Mechanical Engineering. Soon after, Jim went on to acquire proficiency in Russian at the University of Washington Russian House in Seattle, which he later used while working on a major dam project as an engineer between Finland and Russia. In 1989, he returned to Juneau and dedicated nearly 30 years to the Department of Environmental Conservation before retiring in 2017. Jim subsequently joined Alaska Power & Telephone Company, working to ensure that rural Alaska had reliable, safe, and environmentally conscious power, internet, and telephone systems. While Jim took pride in his professional achievements, his love for his wife, Linda, his extended family, and the Alaskan lifestyle were paramount. He relished every opportunity to fish for salmon and to explore the outdoors. An avid traveler, Jim, alongside Linda, explored various corners of the world, including Australia, Canada, Mexico, and the Caribbean Islands, where he discovered a newfound love for dancing. Jim's family will profoundly miss his sense of humor, his competitive spirit, and above all, his boundless love for his family.

Jay Capps – Watchman
Slana, Alaska
Hire Date: 06.18.2005 || Retired Date: 07.21.2021
Death: 08.06.2023

Jay Capps and his wife Deb owned and operated Midway Services for many years in Slana, Alaska, a small local convenience store, where local folks could take showers, fill up their water jugs, do laundry, etc. He started working for AP&T during the power line construction for the Slana power grid in June of 2005. Subsequently he then worked as our watchman / mechanic for the Slana and Chistochina power plants until his retirement in July of 2021, after working for AP&T spanning 16 years of employment. He assisted the power crews during outages and power plant work as needed. He would read meters and perform meter disconnects and reconnects in the Slana and Chistochina areas. He was very dependable and resourceful as our employee. Prior to owning Midway Services and working for AP&T, he was a big game hunting guide in the Wrangell Mountains for Bill Ellis. He had many stories to share on those adventures with hunters. Jay was always friendly, ready to help others as needed. He was involved within the Slana community in projects, using his store as a gathering place for local residents and travelers to stop in for coffee, visit, and tell stories. For the last several years, Jay and his wife Deb went on vacation in Cancun, Mexico for the sun and sport fishing. Once retired, they relocated to Roseburg, Oregon where he enjoyed his last years. Jay passed away on August 6th, 2023.

Kelsey Richter – Billing Manager
Port Townsend, WA
Hire Date: 04.25.2007 || Death: 08.15.2023

Beloved mother, daughter, sister, aunt, and forever friend passed away suddenly on August 15th, 2023, in Port Townsend, WA. She was born a "Scorpio," on October 28th, 1980, to Jack and Barb Richter. She spent her first 10 years living in Snoqualmie Valley, WA, before moving with her family to Port Townsend. She graduated with the Class of 1999 from Port Townsend High School. In 2003, her son was born, and she returned to Port Townsend. Kelsey started at AP&T in April of 2007 and recently celebrated her 15th anniversary. Coworkers and friends at AP&T would describe her laugh as contagious; it will continue to be heard throughout our Company forever. She had a great love for her family & long-time friends; family gatherings, camping, outdoors, music and the ocean, were always at the top of her list. Kelsey is survived by her son, Jacoby Richter-McCoy; mother, Barb Richter; sister Laureen (Jim) Dunn; brother, Neal (Elizabeth) Richter; nephew, Rylan Dunn, and nieces, Leighton Dunn, Silver, and Willa Richter, along with numerous aunts, uncles and cousins who all love her and will miss her dearly. She is preceded in death by her dad, Jack Richter.

NOTICE TO SHAREHOLDERS

Notice to Shareholders:
The annual meeting will be held on Tuesday, May 21st, 2024, at 10:00am, PDT via a live webcast at:
www.virtualshareholdermeeting.com/APTL2024

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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.

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