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ALASKA POWER & TELEPHONE COMPANY



# ANNUAL

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# REPORT

ANNUAL REPORT

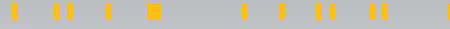
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ALASKA POWER & TELEPHONE COMPANY

BUILT FOR  
powered as one  
DISTANCE





ALASKA POWER & TELEPHONE COMPANY

# OUR VISION

To power and connect communities with reliable,  
affordable services that strengthen local prosperity.



# CHARITABLE CONTRIBUTIONS

## A COMMITMENT TO COMMUNITY

On behalf of the Charitable Contributions Committee & Fund, AP&T is proud to announce the following funding disbursements in 2025:

### Anchorage, Alaska

Alaska Oilers  
Scouting America

### Craig, Alaska

Arts in the Cove  
Blacktail Deer Foundation  
Church of God  
HOPE  
Waverunners Swim Club

### Haines, Alaska

Becky's Place  
Haines Little League  
Haines Sheldon Museum  
Haines Hot Shots  
KHNS Radio  
SAIL  
Takshanuk Watershed Council  
The Salvation Army (Haines Corps.)

### Ketchikan, Alaska

Ketchikan Community Concert  
Ketchikan National Science Bowl

### Metlakatla, Alaska

Boys & Girls Club

### Petersburg, Alaska

Clausen Museum  
Humanity in Progress  
Loyalty Order of the Moose  
Mitkof Dance Troupe  
Petersburg Medical Center Foundation  
Petersburg Rod & Gun Club  
Petersburg Sons of Norway Hall  
Viking Swim Club  
WAVE

### Skagway, Alaska

Friends of the Klondike

### Tok, Alaska

Helping Hands Food Bank

### Wrangell, Alaska

Friends of the Irene Ingle Public Library  
KSTK  
The Salvation Army (Wrangell Corps.)  
Wrangell Athletic Club  
Wrangell Burial Assistance

### Alaska, Idaho, Washington

Ronald McDonald House Charities

**\$47,000** Grand Total



Learn how you can apply today at: [APTalaska.com/community-giving/](https://APTalaska.com/community-giving/)

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# CHAIR'S MESSAGE

ROBERT B. ENGEL  
CHAIR, INDEPENDENT DIRECTOR

**The exciting future of Alaska Power & Telephone Company is coming into sharper focus and is solidly grounded in the commitment, pride and core competencies of our employee-owners** to provide safe, affordable, reliable energy, telecommunications, and broadband services to communities throughout Alaska. As importantly, 2025 solidified the foundation for the future with important strides to further align our vision, improve operating disciplines, measure KPI's, and advance good governance policies and practices. All this progress required strong leadership from our executive team and significant ongoing efforts from all our employee-owners – and for that the Board of Directors is extremely grateful.

Since I became Chair and had the privilege to share an annual message with you, I have spoken of the headwinds, volatility, and uncertainties created by macro geopolitical, governmental, economic, monetary, and technological forces which have continued unabated. Our power, telecommunications and broadband businesses have had to respond to these headwinds and many more that are closer to home. Beyond the specific and formidable challenges unique to operating in Alaska - including our specific service territory, small and stagnant 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 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, our banking partner, CoBank ACB, and the support of our non-employee shareholders. I am proud to share that everyone has played a meaningful role in preparing us for a bright future!

THE POWER  
**EVERYONE HAS PLAYED A MEANINGFUL ROLE IN PREPARING US FOR A BRIGHT FUTURE.**  
OF ONE

I am also delighted to report some challenges were met head on in 2025, including repurchasing an unusually large concentration of shares held by terminated/retired employees. In addition, our Board took decisive action to purchase a block of OTC shares prior to a proposed auction by the seller. Both the ESOP repurchased shares and the OTC shares have since been retired, effectively increasing the proportional ownership for the remaining shareholders. These significant accomplishments

helped prevent downward pressure on the stock price while concentrating future value accretion to our current employee-owners and those outside shareholders who have supported our mission through their investment in AP&T. The appointment of an independent trustee, Argent Trust, is also paying

FILE\_001 // 2025  
CHAIR'S MESSAGE

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dividends as AP&T continues its transformation, while the new Employee-Owners Communication Committee is making important strides in educating our employee-owners on the benefits of being part of an ESOP.

The challenges of being an ESOP with publicly traded shares are far too many to enumerate here, but the board remains focused on preserving and growing shareholder value for all our shareholders – and these actions were a clear demonstration of that resolve. One example of the challenges and potential confusion can be found in the reporting of Earnings per Share for 2025 in the Consolidated Statements of Income. We are required to report Earnings per Share using Weighted-Average Shares Outstanding during the year or \$5.33 per share. Given the repurchases of ESOP and OTC shares discussed above, our share count on December 31, 2025, was reduced to 921,915 shares. If we had repurchased those shares at the beginning of the year, we would have reported 2025 earnings per share of \$6.10 vs. \$5.43 in 2024.

We are incredibly appreciative of all our stakeholders for their contributions. Those contributions have built the necessary foundation and created the necessary vehicle, Sealink Networks, Inc., to transform an operating and financial model that could not create the enterprise value we desire for all our shareholders nor the future opportunities we desire for our employees - all while remaining true to our mission and values!

Sealink Networks, Inc., made significant progress in 2025 on the future development of a campus-style cable landing station for subsea cables in Westport, Washington. We have received the necessary permits for construction, much of the design work is completed, and contracting is well underway. Most importantly, as I write this message, we are close to finalizing agreements with two significant hyperscale customers for long-term commitments providing capacity and services which will advance their networks from the Far East. In addition, much progress is being made on the **AK-Link** portion of this project, which will allow

AP&T and other carriers to continue providing high quality connections with the lower 48 states. The Board of Directors continues to drive a strategic vision for the future which includes AP&T maintaining a majority interest in SNI, but which will carefully evaluate the need for additional equity capital to balance risk and create shareholder value through additional opportunities for Sealink Networks, Inc. to provide its unique and powerful competencies to other cable landing stations.

Under the stewardship of our Board of Directors, the visionary leadership of our executive team and the ongoing commitment of our employee-owners, we reaffirm AP&T's commitment to our mission and values as we strive to create greater value for all our shareholders and new opportunities for our employee-owners. We are moving forward into another year of service for our stakeholders, fortified by a strengthened foundation to build an exceptionally strong financial position capable of supporting our strength of purpose and a resounding commitment to Alaska and the customers and communities we proudly serve.



AP&amp;T

**A RESOUNDING  
COMMITMENT TO  
ALASKA AND THE  
CUSTOMERS AND  
COMMUNITIES WE  
PROUDLY SERVE.**

SINCE 1957



MESSAGE FROM THE

# PRESIDENT & CEO

WILLIAM MARKS  
PRESIDENT & CEO

In last year’s message, I described 2024 as a year of change and unification. During that period, our company faced significant uncertainty and increased competition—what we often referred to as “headwinds.” The changes implemented during 2024 were necessary first steps toward addressing those challenges and strengthening the company’s long-term position. In contrast, I would characterize 2025 as a year defined by focus, operational efficiency, and execution.

As a community-focused service provider, we made several improvements to enhance the quality and responsiveness of the services we deliver to our customers. One of the most impactful initiatives was the reorganization of our customer service and administrative teams. These changes significantly improved call response times and customer support while also creating efficiencies within our administrative and accounting functions.

In addition, we restructured our telecommunications pricing plans to better reflect market conditions and remain competitive in the communities we serve. These adjustments contributed to a positive net gain in broadband revenue for the first time in many years—an important milestone for the company.

## Power Division

Our power division continued to provide reliable electricity to the communities we serve throughout 2025. However, the department experienced an unusually high number of weather-related outages in several regions of Alaska. As a result, revenues were slightly lower than the previous year. At the same time, rising operating costs—combined with the lag inherent in the regulatory rate case process—continue to present financial challenges for utilities across the state.

Despite these pressures, our power division remains well positioned to continue delivering dependable and affordable electricity. Looking ahead, one of the most significant challenges facing this department is the growing difficulty of timely cost recovery through the rate case process. Inflation has widened the gap between the base year used to set rates and the year in which those costs are actually recovered.

NEXT GENERATION

I WOULD CHARACTERIZE 2025 AS A YEAR DEFINED BY FOCUS, OPERATIONAL EFFICIENCY, AND EXECUTION.

OF ALASKA NETWORKS

FILE\_002 // 2025  
MESSAGE FROM THE  
PRESIDENT & CEO

AP&T



headwinds,  
head-on.

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ALASKA POWER & TELEPHONE COMPANY

# BUILDING ALASKA'S next generation NETWORK



Alaska currently has one of the longest regulatory lag periods in the nation, and AP&T continues to advocate for reforms that will help reduce this gap.

### **Telecommunications Division**

Within our telecommunications business, traditional telephone revenue continued its expected decline. However, our new pricing structure has allowed customers to transition away from services they no longer need while remaining broadband customers through blended pricing. This strategy has proven effective.

For the first time in several years, our consumer broadband segment experienced growth in both customers and revenue. This progress reflects the outstanding work of our sales, marketing, and community outreach teams. While competition in the broadband market remains intense, we are committed to building on this momentum and expanding our broadband business in the years ahead.

Our enterprise circuit business also faced significant competition and pricing pressure during the year. Even so, we were able to maintain growth in this segment, demonstrating the continued strength and reliability of our network infrastructure.

### **Policy Stability and Financial Outlook**

Several of the uncertainties identified in 2024 were resolved favorably during the year. Most notably, the continuation of Universal Service Fund support has stabilized an important portion of our revenue through 2028. We remain confident that a long-term replacement mechanism will be established before the current program expires.

I would also like to commend our Chair and Board of Directors for their leadership in addressing a potential issue related to the company's ESOP repurchase obligations. Their thoughtful and proactive approach ensured that AP&T will continue to meet its commitments to employees while preserving long-term value for today's shareholders.

### **Building Alaska's Next Generation Network**

One of the most exciting developments for our company continues to be the progress we are making toward building a new and resilient subsea fiber connection between Ketchikan, Alaska and the Lower 48.

Design work, permitting, and discussions with potential customers and partners are nearing completion. Our goal is to have this new cable system—known as **AK-Link**—operational by 2028. This project represents a critical investment in Alaska's communications infrastructure and will significantly enhance the reliability and capacity of connectivity between Alaska and the global internet.

While a separate and detailed report on Sealink Networks, Inc. is included elsewhere in this publication, I would be remiss if I did not recognize the extraordinary efforts of our AP&T team. Their dedication has positioned the company as the only organization to receive permits to land a submarine cable on the outer coast of Washington. This milestone represents a remarkable achievement and creates a transformative opportunity for AP&T and its shareholders—one that has the potential to shape the company's trajectory for decades to come.

# SEALINK NETWORKS, INC.

RYAN WOPSCHALL  
PRESIDENT



2025 proved to be a year of hard work, determination and tremendous progress for Sealink Networks' Project Trident. What started as a project to develop the first ever subsea fiber optic cable landing on the outer coast of Washington State at Westport, has now turned into a cornerstone for the launch and development of Sealink Networks, Inc. (SNI) as a digital infrastructure business.

In 2025, SNI obtained all of its required permits for the landing site and cable landing station infrastructure. And we have been diligently working with the Washington State Department of Natural Resources and Washington State Parks for our submerged land and beach leases, which are now fully executed. In addition, we are progressing with the design and permitting of our two new and diverse backhaul fiber routes which will provide onward connectivity from our cable station campus to the I-5 corridor at Olympia and Chehalis. This hallmark achievement and continued forward movement is the first of its kind in Washington State and has facilitated SNI being the only company to open up the outer coast to subsea fiber optic cable systems.

Though there is a lot of work still ahead of us, this achievement has facilitated the continued development of the AP&T planned **AK-Link** cable system connecting Ketchikan to Westport, Washington, which will serve as the next generation cable for lower-48 connectivity, replacing the aging and soon-to-be retiring cable systems that currently serve Alaska. The **AK-Link** cable system is being planned as an infrastructure asset that serves Alaska, and traditional telcos will have access to dark fiber and capacity on the system as customers of AP&T.

WE VIEW THE KEY TO SUCCESS AS ONE WHICH HELPS THE WHOLE, NOT JUST THE INDIVIDUAL.

QUOTE // ACCESSING DATA



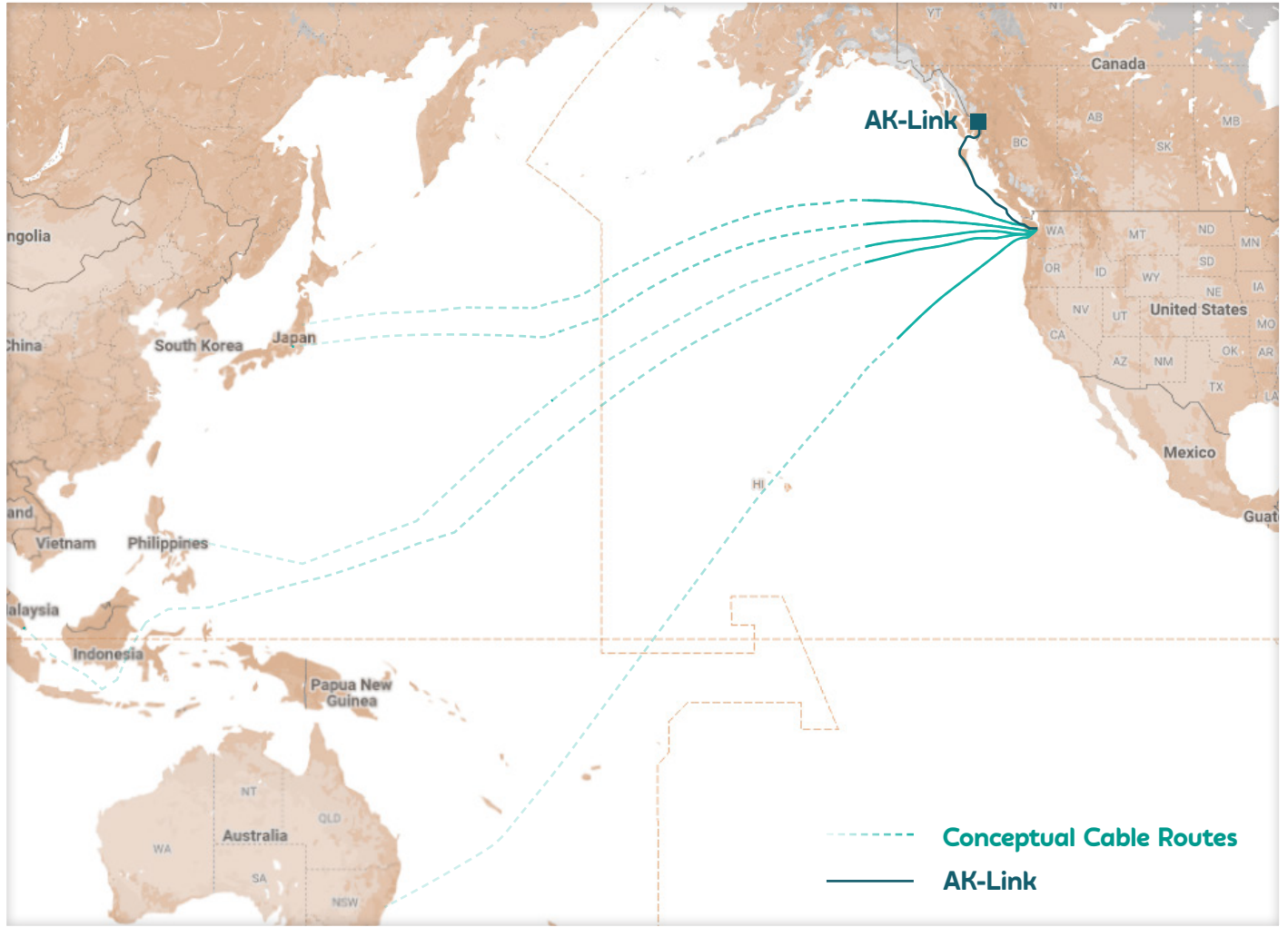


## SEALINK NETWORKS

A foundational strategy for SNI in the development of Project Trident has been one of relationships and collaboration, as it has been in the development of the **AK-Link** cable system. We view the key to success as one which helps the whole, not just the individual. SNI has worked closely with our subsea fiber optic cable-owner customers to bring to fruition their commitment to land cables at Westport as a strategic and geographically diverse part of their network planning. These relationships as well as the longevity of this infrastructure are of critical importance, as we will be working together for the 25-year design life of these subsea cables, and beyond.

Many of SNI's customers are hyperscalers who are planning some of the newest and largest trans-Pacific cable systems the industry has ever seen. We are in a period of unprecedented growth in new cable system development, facilitating global communications and the advances in digital technology and AI. As a result, our customers need a resilient network, which is created, in part, by having geographic diversity. The figure below only illustrates some of the possible termination points that these cable systems may serve across the Pacific, but it clearly shows that Westport, Washington is going to be an important digital infrastructure hub in the Pacific Northwest. Suffice it to say, however, that SNI is currently contracting with our customers for cable systems to land at Westport between 2028 and 2032 (it takes about 3-5 years to develop a cable system and some customers will land more than one system).

Looking forward, 2026 is slated to be an even more productive year where we anticipate 80-90% of all our planned infrastructure at Westport will be contracted. Additionally, we will be breaking ground to build our fronthaul fiber route connecting our beach landing to our cable station campus. Additionally, we will be constructing our six seaward conduits out into the ocean, which are the means for installing subsea cables through the surf zone at the shoreline. We will make further advances in the design and site preparation of our cable station parcel as well as the permitting of our backhaul routes.



**Transpacific Digital Fiber Connectivity - Westport, Washington supporting major international communications hubs.**

SNI was founded to bridge the gap in land-to-sea digital infrastructure and we are successfully on that path. The question arises as to whether Westport will be our only development, and the answer is no. Our strategic roadmap is planning for the expansion of landing site infrastructure in other locations in North America where we are positioned as a strategic partner to cable system owners in providing landing site infrastructure and dark fiber connectivity, keeping SNI and AP&T at the forefront of the larger telecommunications market.



# EMPLOYEE SERVICES

LAURA DESMOND  
VP - CHIEF EMPLOYEE SERVICES

I have been struck by the commitment of our employees, the pride they take in their work, and the deep sense of ownership that comes with being part of an employee-owned organization. I am excited to build on this foundation and contribute to the continued success of the company.

One of the most unique and compelling aspects of AP&T is its employee ownership structure. That shared stake creates a culture of accountability, long-term thinking, and collaboration that is difficult to replicate elsewhere. Employees are not just working for the company; they are working for themselves and each other. This spirit is visible across teams and locations and is a strength we will continue to protect and leverage as the company grows.

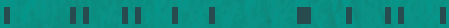
As with any organization, there is room for improvement, and I see that not as a challenge, but as an opportunity. Over the coming months, Human Resources will transition to Employee Services with a focus on listening, learning, and partnering closely with leadership and employees to strengthen processes, communication, and support. Early priorities include aligning HR practices for greater consistency and efficiency, ensuring compliance, and modernizing tools and workflows to better support employees and leaders in their day-to-day work.

”  
WITH A STRONG CULTURE, COMMITTED LEADERSHIP, AND MEANINGFUL GROWTH OPPORTUNITIES, WE ARE WELL POSITIONED FOR CONTINUED SUCCESS.  
“

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EMPLOYEE SERVICES

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QUOTE // ACCESSING DATA



Looking ahead, we will begin laying the groundwork for several new initiatives focused on employee experience, development, and retention. These include enhancing onboarding and training, supporting leadership development, and creating clearer pathways for career growth within the organization. As the business continues to expand, it will be essential that our people strategies grow alongside it, ensuring we attract, develop, and retain talent that aligns with our values and long-term goals.

An important part of this work will be proactively strengthening workforce planning in our rural and hard-to-staff locations. To ensure continuity of critical services, we will explore options such as seasonal roles, contractor support, and rotational schedules, building greater flexibility and resilience across all locations.

I am energized by what I've seen at AP&T and optimistic about what lies ahead. With a strong culture, committed leadership, and meaningful growth opportunities, we are well positioned for continued success. Employee Services is not just a name change, it formalizes and strengthens our ongoing commitment to treating our employee-owners as our most important resource.

**I look forward to working with our teams to strengthen our foundation, invest in our people, and support the company's vision for the future.**

EMPLOYEE  
services is not just  
A NAME CHANGE

# TELECOM DIVISION

ZACHARY LAYMAN  
EXECUTIVE VP / COO - TELECOM



**The Telecom Division remains focused on providing modern, reliable, and competitive services to the rural communities we serve.**

In 2025, the team continued the hard work of building transport and distribution fiber across many communities. Despite strong competition and regulatory uncertainty, the telecom team remained dedicated to building modern infrastructure, strengthening customer engagement, and developing a sales-focused culture.

A major milestone in 2025, was the activation of the SEALink South subsea cable. While the fiber was installed and initially turned up with limited bandwidth between Prince of Wales and Ketchikan in late 2024, the planned installation and provisioning of fully redundant Dense Wavelength Division Multiplex (DWDM) and Multiprotocol Label Switching (MPLS) equipment was completed and placed into service by the end of February 2025.

This work established redundant 100-Gigabit/second Ethernet connections between Hollis,

## Infrastructure Investment and Network Reliability

Fiber construction remained a primary focus throughout 2025. Buildout activity progressed across multiple communities, as AP&T continued its multiyear transition from legacy copper infrastructure to fiber-based networks designed for long-term reliability and scalability.

Key Fiber-to-the-Home (FTTH) projects were completed in the following communities:

- Dot Lake
- Tok
- Petersburg
- Wrangell
- Hydaburg
- Craig
- Klawock (SEALink South ReConnect Project)

QUOTE // ACCESSING DATA

# AP&T'S EMPLOYEE-OWNERS REMAIN CENTRAL TO OUR SUCCESS.



Coffman Cove, and Ketchikan, completing a new fiber route between Juneau and Ketchikan. The project provides the capacity and resiliency needed to support growing bandwidth demand over an expected lifespan of 25 years or more. SEALink



# CONNECTION al across alaska COMMUNITIES



South was funded through a USDA ReConnect grant with matching funds from AP&T.

Another key component of this grant completed in 2025, was an approximately 22-mile fiber build placing a 48-fiber cable between Hollis and Klawock. The ReConnect project includes additional FTTH buildouts which are continuing in 2026 and are expected to be completed in 2027.

infrastructure. This positive trend reinforces the long term value of continued fiber investment and highlights the success of AP&T's significant efforts to expand marketing and sales in combination with ongoing fiber deployments and network upgrades.

Financial results also benefited from disciplined cost management and the capitalization of a significant portion of construction labor throughout the year.

## Financial Performance and Market Conditions

The Telecom Division continued adjusting to changing market conditions in 2025. As expected, traditional voice revenues declined at a quicker pace as customers transition to broadband only services. Notably, 2025 marked the first year that AP&T has offered ubiquitous broadband-only residential service tiers.

Broadband revenues (residential & business) increased slightly in 2025. This growth was driven

by strategic pricing for the broadband only tiers, the adoption of the Tribal Broadband Connectivity Program in multiple communities, and subscriber growth in the third and fourth quarters of the year. This growth reverses a trend of decline in year-over-year broadband subscriber counts that had persisted since the third quarter of 2022.

This subscriber growth occurred despite ongoing customer losses in areas still served by legacy DSL

NEXT GENERATION

WE ARE PROUD  
OF THE WORK  
COMPLETED IN 2025  
AND CONFIDENT IN  
THE FOUNDATION  
WE ARE BUILDING  
FOR THE FUTURE.

OF ALASKA NETWORKS

## Customer Experience and Community Engagement

Improving customer experience remained an important focus in 2025. The Telecom Division increased its emphasis on direct community engagement, recognizing that presence, responsiveness, and local relationships remain critical in our rural markets.

Outreach through door-to-door engagement activities, community events, and local marketing proved effective in connecting with customers

and reinforcing AP&T's role as a locally invested service provider. Internally, performance metrics began shifting toward customer-focused indicators such as call answer rates and verification of customer satisfaction after installation, with a broader emphasis on service quality.

## Workforce and Organizational Alignment

AP&T's employee-owners remain central to our success. In 2025, the customer service team was realigned within the Telecom Division and work is

ngoing to better align training and skills to improve sales execution and customer support.

Local crews continue to play a central role in this work, overcoming Alaska's challenging terrain and weather conditions to deliver infrastructure and services that support daily life and economic activity across the region. Leadership continues to proactively manage staffing levels, balancing current construction demands with long-term workforce needs as construction activity reduces over time.

### **Stewardship, Security, and Compliance**

As reliance on broadband connectivity continues to grow, AP&T remains committed to responsible stewardship of its networks and customer data. In 2025, the Telecom Division remained focused on cybersecurity, operational resilience, and regulatory compliance.

AP&T continues to meet the FCC's broadband performance expectations and successfully demonstrated its mapping and reporting compliance during the first audit of our Alaska Connect Fund locations. Although these regulatory requirements involve substantial effort from internal teams, the results reflect AP&T's continued commitment to operating as a responsible and diligent rural telecommunications provider.

### **Conclusion**

2025 required thoughtful decision making, determined execution, and continued investment in long-term assets. Our team remains focused on building infrastructure that will serve Alaska communities for decades, while managing near-term challenges with discipline and care.

We are proud of the work completed in 2025 and confident in the foundation we are building for the future. We look to continue to build out fiber to more homes in 2026, we intend to expand our customer engagement with a focus on improving customer experience and we are excited to see the results of this ongoing effort.

# POWER DIVISION

JEFFREY RICE,  
EXECUTIVE VP / COO - ENERGY

In 2025, the Power Division advanced infrastructure upgrades to strengthen reliability, operational flexibility, and sustainability throughout our service areas. Notable projects included diesel generator modernization, hydroelectric control, and reservoir improvements as well as switchgear upgrades to support future renewable integration.

## Bettles & Allakaket: Modernization of Remote Generation Assets

During the summer of 2025, the interior division completed replacement of two diesel gensets in Bettles with new EPA Tier III compliant engines. This project was approved and partially supported by an EPA Diesel Emissions Reduction Act grant. During the project, the team also took the opportunity to renew other plant systems, including the heating system, and reconfiguring voltage to support future generation replacements. Bettles is a location accessible only by small plane or a winter ice road, so this project required careful planning and staging in previous years, followed by long stints onsite for all the employees involved in construction. Bettles and Allakaket are both slated for metering system upgrades in 2026. When combined with the new engines, this improvement should greatly reduce the need for Tok crews to travel to the site.

## Black Bear & Goat Lake Hydroelectric Enhancements

In 2025, AP&T completed hydro turbine governor upgrades at both Black Bear and Goat Lake. With new control systems and improved tuning, these system lead units can now sustain higher loads while regulating frequency, improving response during faults and restoration efforts. Both units also have recent reservoir improvements. At Black Bear, the reservoir's original capacity was restored following remediation of erosion at the lake outlet with a spillway wall designed to prevent future

OUR NEW TEAM  
MEMBERS ARE  
FULL OF ENERGY  
AND AMBITION TO  
DRIVE A BRIGHT  
FUTURE.

QUOTE // ACCESSING DATA





# ENERGY FOR work, life, and CONNECTION

erosion. At Goat Lake, a grant-supported feasibility study is underway to evaluate an impoundment to raise Goat Lake and increase reservoir capacity. In 2026, the Goat Lake power plant will also receive a custom Pelton-type runner machined specifically for the unit, enhancing performance and long-term reliability.

### **Tok Area: Control Modernization & Renewable Integration**

Significant progress was made in addressing operational issues at the Tok power plant, including troubleshooting of the facility's largest generating unit. These efforts identified a need for upgrades to plant controls and switchgear, which is planned for 2026. The Tok plant is also receiving major upgrades, which began in 2025 and are continuing into 2026. The plant's bulk fuel tank is being replaced, and the crane system in the 1950s section of the building is being modernized with a new custom crane to improve safety and meet inspection requirements.

AP&T is collaborating with the Tanana Chiefs Conference (TCC) to integrate diesel plant upgrades into TCC's grant supported solar/battery project. This project introduces 1,000 kW of solar generation and 1,500 kW of battery capacity to the Tok grid. This renewable portfolio expansion will reduce the area's dependence on fossil fuel in a region historically challenged to deploy renewable energy.

### **Outside Plant**

Across the region, our line crews continued to build out to customers with well over one-hundred line extensions and new services. Prince of Wales line crews battled heavy winter storms impacting the extensive distribution system on the island. Haines and Skagway crews benefited from efficient restoration and years of right-of-way work, resulting in outage times less than

half of those in previous years. Tok-based crew saw record extreme cold weather impact some of its most remote villages and overcame many challenges including the grounding of flights out of Fairbanks in the coldest parts of the winter. Line crews continue to move into the digital era and are increasing use of our NISC software platform for their field work.

### **Haida Energy**

At Hiiilangaay Hydro, AP&T successfully removed the logjam at Lake Mellen as well as completed the last year of fishery studies. This paves the way to higher water availability and reduced operating costs. The plant continues to operate reliably and has been producing more renewable energy each year to serve load growth on Prince of Wales Island.

### **Recognitions**

AP&T is a special place for the employees, but even more because of the employees. We've said goodbye to a few employees who were with the company for a long time. Dolly Henton departed as an admin who thoroughly understood and worked with many parts of our power business and whose knowledge of the history will never be replaced. Sam Nelson and Cory Nelson both moved on from Skagway to opportunities elsewhere. Lloyd Crookes took the Prince of Wales powerplant superintendent role as Kasey Smith became the Prince of Wales region power manager. As our Tok manager Mickey Henton prepares for retirement in 2026, James Nelson is training to step into that role. Numerous employees finished apprenticeships, obtained certifications, and grew their knowledge in a myriad of ways too numerous to mention. While we miss the experience and wisdom of long-tenured employees who have moved on, our new team members are full of energy and ambition to drive a bright future here at AP&T.

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POWER THAT  
keeps us running  
TOGETHER





ALASKA POWER & TELEPHONE COMPANY

# OUR MISSION

We deliver reliable power and broadband through operational excellence and strategic community investment - fostering growth, expanding opportunity, and building resilient infrastructure for the future.

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TWO THOUSAND TWENTY FIVE



# CORPORATE DEVELOPMENT

JASON CUSTER, CMA, PMP  
VP - CORPORATE DEVELOPMENT

2025 was a transitional year marked by overlapping economic, technological, and social adjustments. In this evolving environment, AP&T focused on maintaining stability for stakeholders while pursuing new opportunities, both in legacy service areas and beyond.

## Alaska Connect Fund Improves Revenue Profile for Telecom Operations

Like most rural telecom providers, AP&T derives a significant amount of its telecom revenue from the Universal Service Fund (USF), which helps equalize the cost of services between urban and rural areas. Beginning in January, AP&T received a 30% increase in its USF support after successfully transitioning from the FCC's Revised ACAM program to the Alaska Connect Fund. In

June of 2025 the US Supreme Court resolved a circuit split confirming the USF's constitutionality and rejecting nondelegation claims. Together these developments position AP&T to benefit from predictable, reliable USF support well into

the future. Per the ACF Order, AP&T's support is intended to address operating expense and does not preclude the company from pursuing grants for new capital investments.

## Evolving Access to Grant Resources

The One Big, Beautiful Bill Act restored 100% bonus depreciation, opening new opportunities to pursue grant-funded telecom projects that were previously uneconomic. In late 2025, AP&T successfully competed to win four grant awards totaling \$4.65m through the Alaska Broadband Office, funded by the NTIA BEAD program. Funds will be used to deploy fiber to the home in the Tok region and on Prince of Wales Island, further extending the reach and community impact of AP&T's regional Sealink network. AP&T's cost-per-customer was the lowest out of all fiber providers in the State of Alaska;

evidence of AP&T's cost-effective approach and the strategic value of existing backhaul assets. AP&T also made progress towards completion of its USDA ReConnect-funded fiber buildouts projects in southeast Alaska.

“STAKEHOLDER SUPPORT, RELATIONSHIPS, AND COLLABORATION ARE ESSENTIAL TO OUR ABILITY TO COMPETE SUCCESSFULLY FOR NEW PROJECTS, AND ARE ONE OF AP&T'S MOST VALUABLE ASSETS NOT FOUND UPON ITS BALANCE SHEET.”

FILE\_007 // 2025 CORPORATE DEV.

58.3005° N, 134.4201° W

While telecom projects qualify for bonus depreciation, energy projects do not, limiting AP&T's ability to use grants to benefit power customers. (Grants are taxed as ordinary income, but 100% bonus depreciation neutralizes the taxes.) AP&T has adapted to these circumstances through creative partnerships with nonprofits and tribes, providing technical assistance that enables third parties to secure and implement projects benefiting AP&T's customers, and supporting increased use of clean grid power. (See key examples included on page 31).



# HOLDING STEADY while moving FORWARD



■ Southeast Conference and Alaska Heat Smart received a \$38.6m grant to install over 6,000 heat pumps in southeast and coastal Alaska communities. It is anticipated that several hundred will be installed within AP&T service areas in coming years, beginning in 2026.

■ AP&T assisted Southeast Conference in obtaining a grant of cash and technical support from US DOE NREL to perform regional planning activities that will forecast regional load growth and help inform investment decisions in infrastructure owned by AP&T and other utilities.

■ AP&T helped Spruce Root (a CDFI) win a grant for \$4.1m to install 240 air-source heat pumps on Prince of Wales Island. Installation will occur over 3 years, beginning in Q2 2026. AP&T expects that the aggregate demand from these units will be comparable to adding a large industrial customer, with a load profile counterbalancing summer activities such as seafood processing.

■ AP&T aided seven tribes in obtaining \$8.7m in grants to establish Tribal Affordability Programs that prepay AP&T to provide its top tier residential and business services to tribal members and businesses. Five of these programs are currently operational, with others approaching implementation.

■ AP&T has partnered on small yet meaningful projects such as a \$157k grant to Chilkoot Indian Association to fund efficiency improvements at Goat Lake Hydro, and \$20k for a municipal heat pump incentive program in Gustavus.

AP&T is actively partnering with Alaska Native Tribal Health Consortium (ANTHC) to pursue grant funding for a \$2.9m solar installation in the community of Allakaket. AP&T would purchase solar energy at a wholesale rate, reducing diesel purchases and genset maintenance expense, while

providing revenue to help offset tribal members' utility bills. Other key partners AP&T is working with on infrastructure projects include Central Council of the Tlingit and Haida Indian Tribes of Alaska (telecom) and Tanana Chiefs Conference (solar development).

## A Turbulent Time for Grants

Alaska organizations rely heavily upon federal grant funds for infrastructure development and ongoing operations. The transition to a new federal administration in 2025 brought significant shifts, including funding freezes, cancelled projects, job losses, and turnover of key government employees. Disruption was compounded by the longest federal government shutdown on record, with impacts extending into 2026. Because AP&T's projects focus on essential, non-partisan infrastructure, the company largely avoided direct adverse impacts. Many rural Alaska organizations in AP&T's service areas had a more difficult time. However, several grant opportunities AP&T planned on applying for were delayed into 2026. AP&T anticipates pursuing new opportunities vigorously, with the aim of winning strategically helpful projects that create value for the rural Alaska communities we serve, and that support private investment that generates a reasonable return for our shareholders. Stakeholder support, relationships, and collaboration are essential to our ability to compete successfully for new projects, and are one of AP&T's most valuable assets not found upon its balance sheet.

## New Hydro Storage

AP&T received a Renewable Energy Fund (REF) grant from the State of Alaska for preconstruction work on a proposed reservoir increase at the Goat Lake hydropower project serving Haines, Skagway, and Inside Passage Electric Cooperative. The project will significantly increase winter storage and reduce

diesel generation. The Alaska Energy Authority ranked a subsequent construction funding request for the project as #4 in the State of Alaska and recommended full funding of \$2m. AP&T is hopeful the legislature will appropriate sufficient REF funds to support construction in 2027.

### Pro-Rated PCE – an Emerging Risk

AP&T's customers rely upon the State of Alaska's Power Cost Equalization (PCE) program to help subsidize the cost of energy so that it is similar to rates paid by consumers in communities such as Anchorage and Fairbanks. However, demands upon the PCE program are approaching the approximate limit (\$50m) of what the \$1 billion PCE endowment is able to pay out annually. If PCE is unable to pay the full amount, customers' PCE subsidization will be reduced on a pro-rata basis. This is partly due



to a change by the Alaska State legislature that generously increased PCE eligibility from 500 kWh per month to 750 kWh per month.

### Alaska Economic Conditions

Rural Alaska remains a very difficult location in which to invest and do business, with unique challenges and an asymmetrical balance of risks and rewards. Alaska is extremely rich in natural

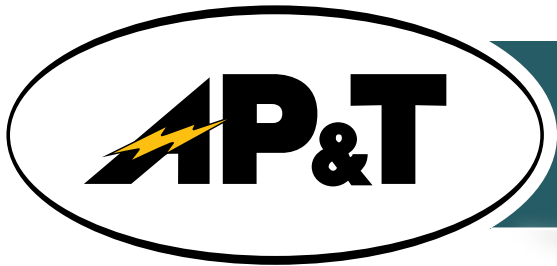
resources, including strategically valuable rare earth and industrial elements. However, access remains difficult. While federal leadership seeks to accelerate access to domestic resources, regulatory timelines and requirements – and the litigation that often follows – remain as cumbersome as ever.

Government employment continues to anchor many rural economies and is heavily reliant upon oil and gas revenues. While lower oil prices reduce consumer energy costs, they also strain the State's budget and economy. Tourism remains the largest source of economic growth in AP&T's service areas, with a new cruise ship dock in Klawock prompting growth and significant future opportunities. The recent surge in precious metals prices has helped to support expansion in mining jobs and profitability for operations such as the Dawson Mine and Mahn Cho mines in AP&T's service locations and has sparked a renewed boom in exploration and development efforts.

Housing shortages across rural Alaska are worsening, complicating workforce recruitment and project staffing. As a result, private employers are increasingly developing or purchasing housing—an option AP&T may need to consider for the future.

### Closing Perspective

There are many ways to define wealth. While often measured in dollars, it can also be measured by the ability to endure tough times and adapt to change. Through strong stakeholder partnerships and a balanced, disciplined approach to investment, AP&T continues to build long-term resilience and enduring value. As we look beyond Alaska for new growth opportunities in 2026, we remain grounded in our roots – an "Alaska-tough" utility, created through community and cooperation.



# COMMUNICATION NETWORKS IN INTERIOR ALASKA

## Service Area Map

Microwave Link - - - - -

Fiber Optic Cable —————

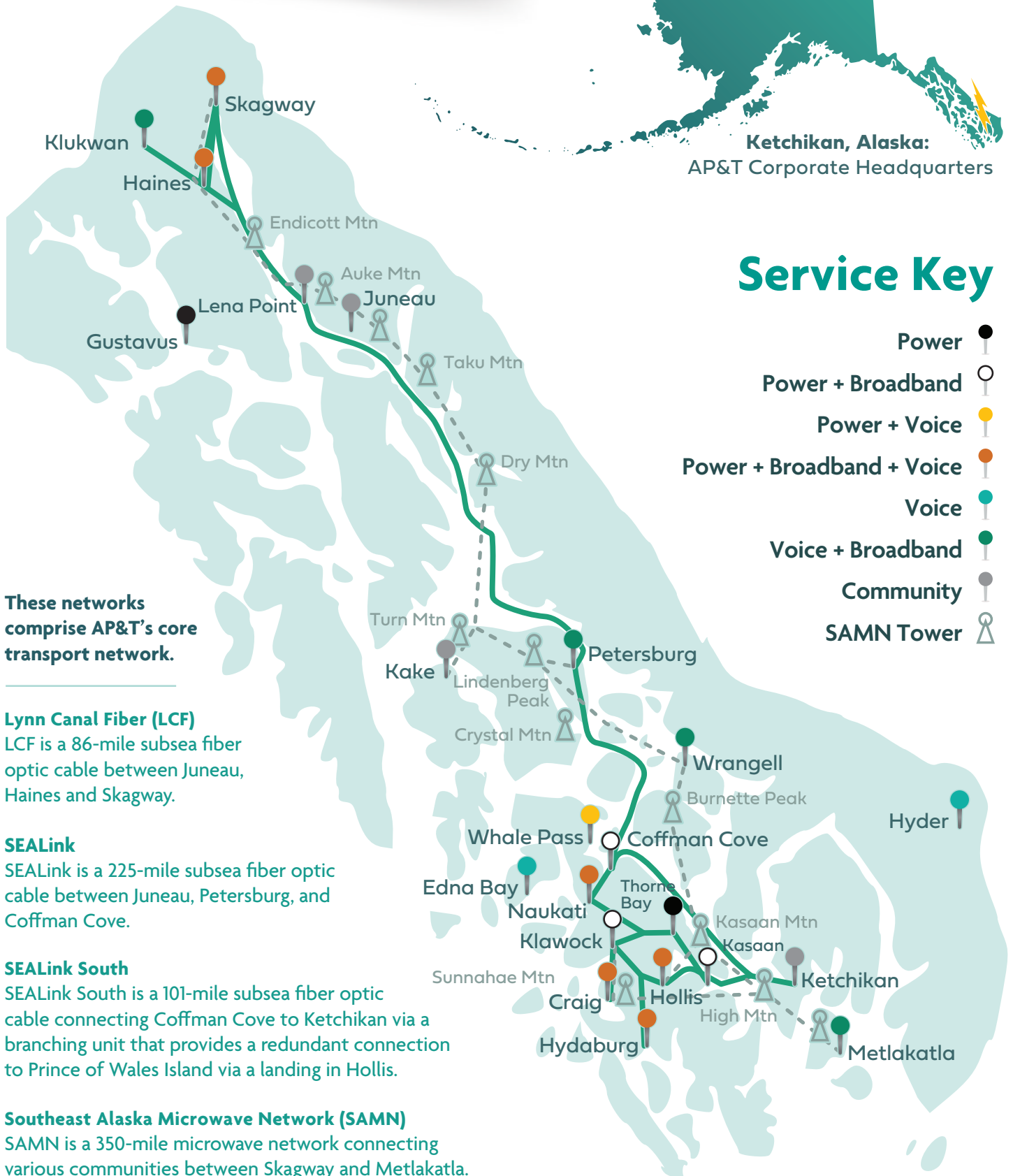
Approximate geographical location is a depiction that includes both AP&T owned and leased assets.

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



These networks comprise AP&T's core transport network.

**Lynn Canal Fiber (LCF)**  
LCF is a 86-mile subsea fiber optic cable between Juneau, Haines and Skagway.

**SEALink**  
SEALink is a 225-mile subsea fiber optic cable between Juneau, Petersburg, and Coffman Cove.

**SEALink South**  
SEALink South is a 101-mile subsea fiber optic cable connecting Coffman Cove to Ketchikan via a branching unit that provides a redundant connection to Prince of Wales Island via a landing in Hollis.

**Southeast Alaska Microwave Network (SAMN)**  
SAMN is a 350-mile microwave network connecting various communities between Skagway and Metlakatla.

# MANAGEMENT DISCUSSION

## AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS

The management discussion and analysis of financial conditions and results, highlights that Alaska Power & Telephone Company (AP&T) is in a solid financial position and is investing in the future growth of the Company.

### Company Overview

AP&T, through its subsidiaries, delivers strong and consistent shareholder returns by being a dependable and community-minded 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, 26% from energy, and 3% from other. Total net plant in service as of the end of 2025 was composed of 47% in the energy sector, 47% in the telecommunications sector, and 6% other. We anticipate this ratio between the sectors to continue as AP&T completes the USDA grant funded projects.

More recently, the Company has focused on the need to drive growth by delivering its unique qualifications and strong core competencies through the creation of a majority-owned subsidiary, Sealink Networks, Inc. (SNI). SNI is in the process of developing a campus-style cable landing station for subsea cables in Westport, Washington. This project will make us an even greater contributor to the future of Alaska, the communities we serve and beyond. We believe SNI will allow us to transform the future of AP&T and create future value for our shareholders and opportunities for our employee-owners.

During the year, the Company completed several significant telecommunications infrastructure projects. AP&T installed and commissioned the electronics for the SEALink South subsea cable system, enabling multiple 100-gigabit-per-second connections between Juneau and Ketchikan. The telecom team also completed a 22-mile fiber build between Hollis and Klawock and extended fiber-to-the-home service to the majority of homes in Klawock. These projects were approximately 75% funded by USDA grants and materially strengthen connectivity across Prince of Wales Island and Southeast Alaska. Additional fiber to the home deployments were completed in multiple Alaska communities using the Company's capital.

In 2025, the Company rebuilt two of its mainline diesel generators in Haines and Craig as well as replaced two thirds of the Bettles village generation with lower emissions. The Black Bear Hydro project is over 30 years old. Significant investment was made in 2025 to renew and expand operating ranges, with needle, HPU, governing, reservoir and valve renovations. The Company is in the process with a similar set of improvements at Black Bear's sister plant Goat Lake. In the interior the Company is partnering with native corporations on multiple solar-battery projects, which through careful integration into the Company's power systems are expected to

lessen community dependence on fossil fuels. Continued investment in the energy sector ensures AP&T is positioned to provide a foundation of reliable and cleaner electric service to strengthen local communities.

## Consolidated Results of Operations

Total revenue from all operations during 2025 was \$69.3 million, an increase of \$4.7 million from the previous year. Telecom revenue growth of \$2.9 million was largely driven by an increase in Alaska Connect Fund (ACF) and continued growth of broadband customers. Energy revenue growth of \$1.9 million was due to interim rates increases in Goat Lake Hydro and steady increase in demand.

Operating expense was \$45.7 million in 2025 and \$41.5 million in 2024, an increase of \$4.2 million. The primary source of this change was due to strategic initiatives to better align our Employee Stock Ownership Plan (ESOP) ownership structure with our employee-owners and position AP&T for future growth. The ESOP was updated to convert former employees out of the ESOP restricting future participation to only active employees. This change ensures future growth accrues to the employees actively building the Company and allows us to manage future liabilities ensuring financial stability. This required a significant increase in one-time legal and consulting costs. The second strategic investment was our investment in SNI which became fully operational as an organization in 2025. SNI is in the startup phase of operations resulting in net operating losses as the network is built and customer contracts come online. The third change was the implementation of the Stock Appreciation Rights (SARs) granted to non-employee Board Directors to better bring compensation in line with market and align Board compensation with shareholder returns.

Depreciation was \$13.8 million in 2025 and \$13 million in 2024, an increase of \$780 thousand due to significant investments in infrastructure, primarily through grants.

Interest expense of \$4.4 million in 2025 and \$3.3 million in 2024 was an increase of \$1 million, largely due to support network builds, to meet the ESOP cash obligation of prior employees that elected a cash distribution versus holding AP&T stock outside of the ESOP, and our investment in SNI.

Net Income for the year decreased to \$5.6 million from \$6.5 million in 2024, a decrease of \$890 thousand, primarily as a result of the increase of the expenses discussed above.

The Company generated \$12.2 million of cash from operations and invested \$12.7 million into property plant and equipment, net of grant funds.

Total long-term debt, including the current portion and Line of Credit (LOC), of \$90.3 million in 2025 and \$74 million in 2024, an increase of \$20.3 million. The increase in debt supported three strategic initiatives. The conversion process of prior employees out of the ESOP retiring 209,146 shares at \$14 million. SNI borrowed \$4 million from a dedicated LOC for capital projects. Finally, the execution of an agreement with a shareholder

to repurchase 140,823 shares over 3 years, the first tranche of 46,941 shares was repurchased and retired for \$2.3 million in December.

Stockholders' equity declined by \$18 million to \$57.5 million, resulting in an equity-to-capitalization ratio of 48.3%, down 5.1 percentage points.

In 2025, the Company repurchased \$19.5 million of shares, an increase of \$16.3 million compared to the prior year. This increase was primarily driven by two factors: (1) the retirement of \$14 million in shares previously held in the ESOP following the conversion of former employees' shares, and (2) the purchase of the first tranche of shares for \$2.3 million under an agreement with a shareholder. Additionally, the remaining \$4.2 million commitment to repurchase shares under this agreement was reclassified from equity to liabilities.

The reduction in outstanding shares was partially offset by net income of \$5.6 million and the issuance of \$1.8 million in shares as part of employee retirement matching. During the year, AP&T declared \$1.8 million in dividends to shareholders.

Based on a weighted average of 1,054,964 shares outstanding, the Company reported earnings per share of \$5.33, compared to \$5.43 in 2024. Because most share repurchases occurred late in 2025, the reduction in outstanding shares had a limited impact on 2025 earnings per share and is expected to be more fully reflected in 2026 and beyond.

## Operations by Segment

**Energy Operations** – Total 2025 sales for energy operations were 79.9 GWh, an increase of 1.5% from the previous year's results. Hydroelectric resources, available for use, provided 65 GWh of generation, a 6.2% increase from the previous year. Gross revenue generated by energy operations was \$31.4 million, a 6.3% increase from 2024. Year-over-year kWh sales in Haines increased by .6%, Skagway decreased by .9%, and Gustavus increased by 5%. Sales on Prince of Wales Island increased by 2.9% and the Tok region increased by .6%. Total operating expenses for the year increased by \$2.9 million, or 14%. Depreciation increased by \$174 thousand, or 37%. As a result, operating income for the year decreased 32.5% to \$2.6 million, vs. \$3.8 million the prior year. Energy sales have continued to improve across our service areas due to modest improvements in demand. Additionally, the Regulatory Commission of Alaska approved an interim rate of .08820 for Goat Lake Hydro.

**Telecommunications Operations** – Gross revenues for regulated and non-regulated telecommunications operations were \$37.1 million, an increase of \$2.9 million or 8.3% from 2024. A sizable portion of the increase in revenues was due to a 30% increase in ACF support, representing a \$2.3 million increase year-over-year. The Company exited the NECA pool effective July 2025 and has its own tariff going forward. The Company has increased broadband revenues, by growing the subscriber base and annual revenue per user. Operating expenses increased \$1 million, or 5.1%. This is due to the startup of SNI adding \$1 million in operating expense

in 2025 with limited revenue. The investment into SNI requires several years of operating loss prior to the completion of the network build and contract revenue recognition. Depreciation expense increased by \$617 thousand, or 7.9%, due to the significant investment in telecom infrastructure partially funded with grants. The telecom operating income increased 20.4% to \$7 million, vs. \$5.8 million the prior year. Telecommunications continues to experience increased market competition and price compression from Low Earth Orbit (LEO) satellites. However, new pricing and marketing strategies have helped stabilize customer churn.

**Other Operations** – Other operations are 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’s 2024 patronage was 1% of AP&T’s average outstanding loan balances. The Company recorded patronage dividends of \$854 thousand for 2025, and \$799 thousand for 2024.

AP&T owns 50% of Haida Energy, Inc. (HEI) which was formed to develop, own, and operate a hydroelectric power project on Reynolds Creek in Alaska. AP&T is recognizing 50% of the income starting in 2024 with \$335 thousand and \$461 thousand recognized in 2025.

### **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 31st, 2024. See Note 1 “The Company and Summary of Significant Accounting Policies” in the Company’s 2025 Audit Report.

### **Financial Condition**

During 2025, AP&T’s investment in gross plant in service increased by \$21.5 million or 6.5% to a total of \$350 million. 39% of the additions were directed towards the telecommunications sector as the Company leveraged grants to expand its reach and ability to provide high speed broadband to its customers. Telecommunication-related construction focused on new installations, service upgrades additional transport facilities (subsea and terrestrial), and fiber installations necessary to fulfill our grant award objectives and improve service to our customers while meeting the requirements of the ACF. 47% of the additions related to energy facilities. A substantial portion of those funds were used to invest in generation facilities to improve emissions and extend the life and capabilities of hydros. Current assets increased \$2 million year-over-year, due to large grant reimbursements in accounts receivable for 2025.

Other Liabilities & Deferred Credits and Current Liabilities, excluding the LOC, increased \$7.5 million to \$64.3 million in 2025. The change is a result of the remaining 2 years of commitment to repurchase 93,882 shares for \$4.2 million reclassified from equity to liabilities, the increase of \$3 million in deferred revenue for grant funds received in 2025 and the recognition of the SARs liability for the Board of Directors.

Total stockholders' equity decreased by 23.9% or \$18 million after a reduction of \$1.8 million in declared dividends to shareholders and common stock transactions during 2025. The common stock transactions included converting prior employees out of the ESOP and repurchasing the first tranche of shares according to a shareholder agreement. In 2025 the net activity led to a decrease of 22.4% or 266,097 in outstanding shares.

Long-term interest-bearing liabilities at year-end 2025 were \$61.6 million, a decrease of 6.5% or \$4.3 million. This is due to leveraging the LOC to meet financing needs during 2025 for the capital plan, ESOP changes, SNI investment, and stock repurchases. The LOC, which is classified as current liabilities, is being restructured to term debt in 2026.

## Liquidity and Capital Resources

**Operating Activities** – Cash flows provided by ongoing operating activities during 2025 decreased \$11.5 million or 48.5% to a total of \$12.2 million. The fluctuations in cash flow from operating activities are derived from our operating performance as well as from changes in current assets and current liabilities. The investment in SNI operations contributed to the decline as it is in the startup phase of development. SNI added \$1 million in operating expense in 2025 with no associated operating revenue. The largest contributor to the year-over-year change was caused by the 2024 operating cash flow being significantly larger. 2024 was unusually large due to the timing of several material accounts receivable balances related to grant reimbursements and tax refunds that were owed in 2023 and were received in 2024. The timing of these receivables resulted in a larger operating cash flow in 2024.

**Investing Activities** – Cash used for the acquisition of plant during 2025 was \$12.7 million, a decrease of \$12.3 million, or 49.1% over the previous year. The decrease is a result of the timing of projects related to the ReConnect grants. The Company received, in grants, \$5.6 million and \$7.1 million in 2025 and 2024, respectively. 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 did not issue any new debt in 2025. The outstanding balance on the Company's LOC was increased by \$24.6 million. The LOC increase netted to debt repayment of \$4.2 million resulted in net financing of \$20.2 million in 2025 to support investment into SNI and stock repurchases. \$17.7 million of cash was used to settle stock transactions, up \$16 million from 2024. These transactions included the Company's ESOP matching for active employees during the year, the conversion of prior employees out of the ESOP, and the repurchase of the first tranche of shares per shareholder agreement. Cash payments of

dividends decreased by \$366 thousand, or 16.1%, to a total of \$1.9 million. Net cash generated from financing activities during 2025 was \$658 thousand, an increase of \$2.7 million year-over-year. AP&T ended the year with \$1.9 million cash on hand, a \$136 thousand decrease from the previous year.

**Grant Obligations** – During 2025 the Company substantially completed SEALink (ReConnect 2) and continued progress on SEALink South (ReConnect 3) projects related to the USDA awards. The Company received from USDA reimbursement (grant funding) of \$3.3 million for both projects in 2025. The Company expects to substantially complete the SEALink South ReConnect 3 project in 2027. The ReConnect grant awards require a matching capital investment obligation over the five-year construction cycle.

The Company received funding awards as part of USDA’s BEAD (Broadband Equity, Access, and Deployment) program. The awards total \$5.7 million for four projects. Two of the awards are 100% grant funded and the other two include a 25% match requirement. The match requirement is approximately \$1.1 million. The Company expects to complete all four projects by 2029.

## **Sustainability and ESG Initiatives**

AP&T values sustainability ensuring the well-being of our employees, our Company, our customers, our communities, our investors, and our planet, for both present and future generations. We continue to expand 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 2025, the Company replaced two engines in Bettles under the EPA Diesel Emissions Reduction Act to lower emissions. In addition, progress was made on projects to increase hydro operating ranges and utilization by governing upgrades and/or reservoir restoration and raises. We have worked collaboratively with the communities we serve to promote heat pump adoption. AP&T continues to work with tribal entities in the interior on several projects to decrease diesel fuel use through solar-battery systems.

We work hard to keep our customers’ trust and continue investing in the health and welfare of our employees and the Alaska communities we call home. Our social responsibility 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. In 2025, the Company donated \$47 thousand to organizations across our serving area supporting community outreach.

Our governance practices ensure transparency and accountability. Our seven-member board, which includes six independent directors, oversees the strategy and operation of the Company, aided by the work of four standing committees: Audit & Risk, Governance & Nominating, Human Capital & Compensation, and Strategic. 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.



connecting  
people,  
powering  
possibilities.

## Issues, Risks and Challenges

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

- Reliance on government subsidies to our regulated energy and telecommunications customers could be affected by judicial rulings, legislative or regulatory changes.
- Changes in the Federal and State economic environment could have a negative impact resulting in decreases in existing revenues or increasing costs restricting opportunities for future growth.
- SNI risk of over runs on a major capital project or revenue compression in contract negotiations negatively impacting the overall projected profitability.
- The fundamental strength of AP&T is rooted in our ownership structure as an employee-owned organization. Our ability to continue to source highly skilled new employees, especially those needed to replace retiring employees, will be critical to our future success.
- 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 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**  
President & CEO

**Wanda Tankersley**  
CFO

# 5 YEAR SUMMARY

\$ EXPRESSED IN THOUSANDS EXCEPT PER SHARE DATA

	2021	2022	2023	2024	2025
<b>Operating Results</b>					
Operating Income					
Electric Services	\$ 4,885	\$ 4,576	\$ 2,630	\$ 3,829	\$ 2,583
Telecommunications	8,313	8,044	7,488	5,845	7,037
Other	577	349	378	518	235
Total Operating Income	\$ 13,755	\$ 12,969	\$ 10,496	\$ 10,192	\$ 9,855
Total Operating Margin	21.7%	21.0%	16.3%	15.8%	14.2%
Cash Flow from Operations	\$ 19,251	\$ 20,206	\$ 11,816	\$ 23,754	\$ 12,223
Net Income	\$ 12,852	\$ 9,017	\$ 6,148	\$ 6,514	\$ 5,624
Earnings (loss) per Share - Basic	\$ 10.27	\$ 7.23	\$ 5.01	\$ 5.43	\$ 5.33

## Financial Position

Total Capitalization	\$ 104,135	\$ 124,909	\$ 143,003	\$ 141,446	\$ 119,080
Weighted-Average Shares Outstanding	1,251,812	1,246,438	1,227,985	1,200,644	1,054,964
Book Value per Share - Basic	\$ 52.77	\$ 57.66	\$ 59.90	\$ 63.59	\$ 62.34
Share Price per Valuation	\$ 82.73	\$ 79.51	\$ 73.53	\$ 68.26	\$ TBD

## Key Ratios

Cash from Operations/Revenue	30.4%	32.7%	18.4%	36.7%	17.6%
EBITDA	\$ 28,132	\$ 24,812	\$ 24,059	\$ 24,467	\$ 25,852
EBITDA / Revenue	44.4%	40.2%	37.5%	37.8%	37.3%
Debt / Capitalization	36.6%	42.6%	49.2%	46.6%	51.7%
Equity / Capitalization	63.4%	57.4%	50.8%	53.4%	48.3%
Return on Assets	9.4%	5.2%	3.2%	3.2%	2.7%
Return on Equity	19.5%	12.6%	8.5%	8.6%	9.8%
Dividends Declared / Share	\$ 2.13	\$ 2.39	\$ 2.20	\$ 1.57	\$ 1.65





tough terrain,  
tougher connections.

“

INCHES OF ICE

WHERE THE WEATHER  
HITS THE HARDEST,  
ALASKANS RELY ON  
OUR CONNECTION TO  
HOLD THE STRONGEST.

”

MILES FROM EASY

CRYSTAL MOUNTAIN

56.6125° N 132.9574° W

Report of Independent Auditors  
and Consolidated Financial Statements

**Alaska Power & Telephone Company  
and Subsidiaries**

December 31, 2025 and 2024

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## **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, 2025 and 2024, and the related consolidated statements of 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, 2025 and 2024, 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 consolidated 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 consolidated 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 consolidated 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.

*Baker Tilly US, LLP*

Spokane, Washington

March 30, 2026

## **Consolidated Financial Statements**

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**Alaska Power & Telephone Company  
and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2025 and 2024**

	2025	2024
<b>ASSETS</b>		
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Electric	\$ 165,534,794	\$ 155,409,252
Telecommunications	171,481,426	163,193,735
Nonutility	12,687,205	9,635,526
Property, plant, and equipment, gross	349,703,425	328,238,513
Less accumulated depreciation and amortization	188,612,562	176,864,861
Subtotal	161,090,863	151,373,652
Utility plant under construction	10,815,793	15,978,093
Total property, plant, and equipment, net	171,906,656	167,351,745
<b>OTHER ASSETS</b>		
Investments	6,702,027	5,151,659
Rate stabilization asset	3,463,619	3,840,946
Operating lease right-of-use asset	1,792,340	2,093,277
Other assets	5,291,335	3,972,021
Total other assets	17,249,321	15,057,903
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	752,150	421,364
Restricted cash	1,185,399	1,379,787
Receivables, net of allowance for credit losses of \$33,403 in 2025 and \$26,976 in 2024	8,241,330	6,389,818
Inventory and other current assets	10,882,936	10,832,445
Income tax refunds receivable	54,684	9,465
Total current assets	21,116,499	19,032,879
Total assets	\$ 210,272,476	\$ 201,442,527

See accompanying notes.

**Alaska Power & Telephone Company  
and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$1 par value, 10,000,000 shares authorized, 921,915 and 1,188,012 shares issued and outstanding in 2025 and 2024, respectively	\$ 921,915	\$ 1,188,012
Additional paid-in capital	27,898	63,979
Retained earnings	56,518,234	74,292,489
Total stockholders' equity	57,468,047	75,544,480
<b>LONG-TERM DEBT</b> , less current portion and unamortized loan fees	55,783,612	60,849,444
<b>OTHER LIABILITIES AND DEFERRED CREDITS</b>		
Deferred income taxes	16,038,621	17,322,304
Noncurrent operating lease liability	1,490,814	1,739,905
Deferred revenue	23,538,088	21,723,596
Noncurrent portion of mandatorily redeemable common shares, net	1,994,984	-
Other deferred credits	1,336,617	1,264,568
Total other liabilities and deferred credits	44,399,124	42,050,373
<b>CURRENT LIABILITIES</b>		
Accounts payable and other accrued liabilities	9,144,756	8,136,567
Line of credit	32,735,391	8,254,904
Current deferred revenues	2,398,023	1,200,000
Current portion of long-term debt	5,827,799	5,053,387
Current portion of mandatorily redeemable common shares, net	2,214,198	-
Current operating lease liability	301,526	353,372
Total current liabilities	52,621,693	22,998,230
Total liabilities and stockholders' equity	<u>\$ 210,272,476</u>	<u>\$ 201,442,527</u>

See accompanying notes.

**Alaska Power & Telephone Company  
and Subsidiaries**  
**Consolidated Statements of Income**  
**Years Ended December 31, 2025 and 2024**

	2025	2024
REVENUE		
Electric	\$ 31,402,873	\$ 29,536,409
Telecommunications	37,121,268	34,263,110
Other	806,944	864,876
	69,331,085	64,664,395
EXPENSES		
Electric	23,884,998	20,945,813
Telecommunications	21,674,472	20,625,953
Other	132,170	(104,152)
Operations and maintenance expense	45,691,640	41,467,614
Depreciation and amortization expense	13,784,596	13,005,099
	59,476,236	54,472,713
Income from operations	9,854,849	10,191,682
OTHER INCOME (EXPENSE)		
Dividend income	823,660	482,966
Miscellaneous income (expense)	1,389,324	788,020
Total other income	2,212,984	1,270,986
Interest income	25,579	141,126
Interest expense	(4,377,026)	(3,343,374)
Net interest expense	(4,351,447)	(3,202,248)
Income before income taxes	7,716,386	8,260,420
PROVISION FOR INCOME TAXES	(2,092,344)	(1,746,057)
Net income	\$ 5,624,042	\$ 6,514,363
BASIC AND DILUTED EARNINGS PER SHARE	\$ 5.33	\$ 5.43
WEIGHTED-AVERAGE BASIC AND DILUTED SHARES OUTSTANDING	1,054,964	1,200,644

See accompanying notes.

**Alaska Power & Telephone Company  
and Subsidiaries**  
**Consolidated Statements of Stockholders' Equity**  
**Years Ended December 31, 2025 and 2024**

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	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
BALANCE, December 31, 2023	\$ 1,213,276	\$ -	\$ 71,460,132	\$ 1,019	\$ 72,674,427
Net income	-	-	6,514,363	-	6,514,363
Sale of common stock	27,087	1,582,859	-	-	1,609,946
Repurchase of common stock	(52,351)	(1,518,880)	(1,602,811)	-	(3,174,042)
Fair value adjustment to interest rate swap, net of tax	-	-	-	(1,019)	(1,019)
Dividends to shareholders	-	-	(2,079,195)	-	(2,079,195)
BALANCE, December 31, 2024	1,188,012	63,979	74,292,489	-	75,544,480
Net income	-	-	5,624,042	-	5,624,042
Sale of common stock	26,536	1,789,571	-	-	1,816,107
Repurchase of common stock	(292,633)	(1,825,652)	(17,361,733)	-	(19,480,018)
Dividends to shareholders	-	-	(1,827,382)	-	(1,827,382)
Shares reclassified to mandatorily redeemable common shares	-	-	(4,209,182)	-	(4,209,182)
BALANCE, December 31, 2025	<u>\$ 921,915</u>	<u>\$ 27,898</u>	<u>\$ 56,518,234</u>	<u>\$ -</u>	<u>\$ 57,468,047</u>

See accompanying notes.

**Alaska Power & Telephone Company  
and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

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	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 5,624,042	\$ 6,514,363
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	13,784,596	13,005,099
Amortization of loan issuance costs	(46,237)	167,642
Noncash patronage dividends	(106,985)	(6,091)
Deferred income taxes	(1,283,684)	1,467,882
Recognition of deferred revenue	(2,587,827)	(907,636)
Accretion of rate stabilization asset	377,327	328,963
Changes in assets and liabilities		
Receivables	(2,482,933)	5,916,651
Income taxes	(45,219)	(1,824,992)
Other assets and liabilities	(1,010,016)	(907,801)
Net cash from operating activities	12,223,064	23,754,080
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property, plant, and equipment	(18,330,330)	(33,157,614)
Proceeds from sale of property, plant, and equipment	-	1,160,000
Grant funding received	5,600,342	7,148,475
Purchases of investments	(14,685)	(178,980)
Net cash used in investing activities	(12,744,673)	(25,028,119)

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See accompanying notes.

**Alaska Power & Telephone Company  
and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

	2025	2024
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	\$ 85,713,035	\$ 53,256,061
Payments on line of credit	(61,232,548)	(46,870,336)
Payments on long-term debt	(4,245,183)	(4,594,028)
Proceeds from sale of common stock	1,816,107	1,609,946
Repurchase of common stock	(19,480,018)	(3,174,042)
Dividends paid	(1,913,386)	(2,279,980)
	<u>658,007</u>	<u>(2,052,379)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	136,398	(3,326,418)
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of the year</b>	<u>1,801,151</u>	<u>5,127,569</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of the year</b>	<u>\$ 1,937,549</u>	<u>\$ 1,801,151</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for		
Interest expense	<u>\$ 5,678,674</u>	<u>\$ 4,643,561</u>
Federal income taxes	\$ 2,303,000	\$ 1,497,000
State income taxes	1,118,164	606,000
Total Income Taxes	<u>\$ 3,421,164</u>	<u>\$ 2,103,000</u>
Cash paid during the year for operating leases	<u>\$ 353,563</u>	<u>\$ 386,612</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Accrued dividends payable	\$ 380,290	\$ 466,294
Common shares subject to mandatory redemption reclassified from equity	4,209,182	-

See accompanying notes.

# Alaska Power & Telephone Company and Subsidiaries

## Notes to Consolidated Financial Statements

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### 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., Goat Lake Hydro, and Gustavus Utility Service Inc. 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.

During 2024, the Company formed a wholly owned subsidiary, Sealink Networks, Inc., with the purpose of developing a new cable landing station on the West Coast and associated long haul transport to serve Alaska and other locations. The Company incurred \$1.6 million and \$2.5 million in 2025 and 2024 in costs related to the development of the network, respectively, which is recorded on the balance sheets in utility plant under construction. The Company expects these costs to increase in future periods as the development continues and the construction (or buildout) of the network commences.

**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., North Country Telephone, Inc., Gustavus Utility Service Inc., and Sealink Networks, Inc. All material intercompany balances and transactions have been eliminated in consolidation.

**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 certain investments, unbilled revenue, costs to complete construction contracts, and deferred income taxes. Actual results could differ from those estimates.

**Recently issued accounting pronouncements** – In December 2023, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in this update require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5% of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate). For public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2024. The Company adopted the new standard and the additional disclosure requirements with prospective application are contained in Note 7 Income Taxes.

# Alaska Power & Telephone Company and Subsidiaries

## Notes to Consolidated Financial Statements

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**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.

**Restricted cash** – The Company maintains restricted cash balances related to NTIA grants. Cash received under these grants is not available for general use and may only be utilized as the Company earns the funds through the delivery of services to customers.

**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. The Company minimizes this risk by utilizing numerous financial institutions for deposits of cash funds.

**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.

# Alaska Power & Telephone Company and Subsidiaries

## Notes to Consolidated Financial Statements

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**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.

**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. 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, 2025 and 2024, 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.

Tax years ending December 31, 2023 through December 31, 2025 remain subject to examination for federal and state purposes.

**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 \$1,336,617 and \$1,264,568 at December 31, 2025 and 2024, respectively.

# **Alaska Power & Telephone Company and Subsidiaries**

## **Notes to Consolidated Financial Statements**

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**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 – 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).

# Alaska Power & Telephone Company and Subsidiaries

## Notes to Consolidated Financial Statements

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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 in 2025 and 2024 for adjustments related to prior-year differences between the recorded estimates and actual revenues. The company exited the NECA Pool in June 2025 and elected tariffed rates for interstate access revenues. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 2025 and 2024.

Additionally, telecommunications operating revenues include revenues received from intrastate revenue pools administered 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, 2025 or 2024.

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. At the start of 2025 the Company became part of the Alaska Connect Fund (ACF).

**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. The company exited the NECA Pool in June 2025 and elected tariffed rates for interstate access revenues.
- Universal service support revenues are administered by the 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, rents, and other incidental services.

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

# Alaska Power & Telephone Company and Subsidiaries

## Notes to Consolidated Financial Statements

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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 2025 or 2024.

**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, 2025 and 2024, were \$174,470 and \$147,151, 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.

# Alaska Power & Telephone Company and Subsidiaries

## Notes to Consolidated Financial Statements

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The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated 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 2024 consolidated financial statements to be in accordance with the 2025 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 30, 2026, 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 began amortizing the asset in 2022. The assets are expected to be amortized over a 10-year period.

**Alaska Power & Telephone Company  
and Subsidiaries  
Notes to Consolidated Financial Statements**

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**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 accounts for the components as a single lease component. Operating lease expense is recognized on a straight-line basis over the lease term and is included in either electric, telecommunications, or other expense in the consolidated 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 consolidated balance sheets 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 \$352,153 and \$386,612 in 2025 and 2024, respectively.

The Company's maturity analysis of lease liabilities as of December 31, 2025, is as follows:

2026	\$ 301,526
2027	230,735
2028	190,847
2029	119,842
2030	119,842
Thereafter	<u>1,723,102</u>
Total lease payments	2,685,894
Less interest	<u>(893,554)</u>
Present value of lease liabilities	1,792,340
Less current obligation	<u>(301,526)</u>
Long-term obligation	<u><u>\$ 1,490,814</u></u>

The weighted average remaining lease term is 17.16 years and the weighted average discount rate is 5%.

**Alaska Power & Telephone Company  
and Subsidiaries  
Notes to Consolidated Financial Statements**

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**Note 4 – Property, Plant, and Equipment**

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

	Account	Depreciation	Balance	Balance	Rate
Electric					
Hydroelectric	\$ 33,515,819	\$ 15,908,149	\$ 17,607,670	\$ 16,141,107	2%
Other generation	42,693,947	18,236,501	24,457,446	20,463,127	4% to 8%
Transmission and distribution	66,503,146	41,803,830	24,699,316	25,080,450	2.5% to 4%
Other	20,246,259	12,097,296	8,148,963	7,952,827	2.5% to 20%
Land	822,947	-	822,947	822,946	---
Plant held for future use	574,564	-	574,564	614,019	
Utility plant acquisition adjustment	1,178,112	1,178,112	-	-	6%
	<u>165,534,794</u>	<u>89,223,888</u>	<u>76,310,906</u>	<u>71,074,476</u>	
Telecommunications					
General support assets	22,103,263	12,983,315	9,119,948	9,264,055	2.5% to 20%
Central office assets	54,655,184	44,455,652	10,199,532	9,947,136	8% to 14%
Cable and wire facilities	87,276,387	33,498,992	53,777,395	51,808,960	3% to 6%
Towers	6,963,470	4,732,443	2,231,027	2,537,443	3%
Land	483,122	-	483,122	483,122	---
	<u>171,481,426</u>	<u>95,670,402</u>	<u>75,811,024</u>	<u>74,040,716</u>	
Nonutility					
Buildings	11,302,352	3,718,272	7,584,080	4,873,607	4%
Land	1,384,853	-	1,384,853	1,384,853	---
	<u>12,687,205</u>	<u>3,718,272</u>	<u>8,968,933</u>	<u>6,258,460</u>	
Total property, plant, and equipment	<u>\$ 349,703,425</u>	<u>\$ 188,612,562</u>	<u>\$ 161,090,863</u>	<u>\$ 151,373,652</u>	

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.

**Alaska Power & Telephone Company  
and Subsidiaries  
Notes to Consolidated Financial Statements**

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**Note 5 – Investments**

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

	2025	2024
Investment in National Bank of Cooperatives (CoBank)	\$ 3,584,653	\$ 3,477,669
Investment in Ketchikan Electric Company, LLC (KEC)	600,000	600,000
Investment in Haida Energy, Inc. (HE)	1,746,475	450,000
Other	770,899	623,990
	\$ 6,702,027	\$ 5,151,659

**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 average loan balance outstanding with the bank. This investment is recorded on the cost method. Patronage income was reported in the amounts of \$853,940 and \$798,702 for 2025 and 2024, 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 2025 and 2024.

**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 is required under the power purchase agreement with HEI to make the AEA principal payments, up to a maximum of \$20,000,000. These payments are credited against APC purchased power from HEI. As of December 31, 2025, no amount is due from HEI as purchased power exceeded AEA payments in 2025 and is forecasted to continue. The hydroelectric power project became fully operational in January 2021, at which time the required purchase of power commenced. 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 does not record 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 be required to 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 January 1, 2066, the maturity date, and is estimated to be \$109,731.

**Alaska Power & Telephone Company  
and Subsidiaries**  
**Notes to Consolidated Financial Statements**

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Other investments largely consist of the Company's use of captive structure for workers' 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, 2025.

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

Years ending December 31,	
2026	\$ 434,783
2027	434,783
2028	434,786
2029	434,783
2030	434,783
Thereafter	<u>15,326,084</u>
	<u><u>\$ 17,500,002</u></u>

**Alaska Power & Telephone Company  
and Subsidiaries  
Notes to Consolidated Financial Statements**

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**Note 6 – Long-Term Debt**

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

	2025	2024
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 \$38,501	\$ 1,478,175	\$ 2,327,044
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 \$39,169.	1,210,831	1,534,372
Notes payable to the state of Alaska, secured by certain electric assets, with fixed interest rates ranging from 5.11% to 5.45%, maturing at various dates from 2026 through 2037.	1,317,056	1,412,240
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, 2025. Net of unamortized issuance costs of \$203,308.	9,621,692	10,032,899
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, 2025. Net of unamortized issuance costs of \$317,566.	23,744,934	25,783,236
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 5.41% at December 31, 2025. Net of unamortized issuance costs of \$136,276.	24,238,723	24,813,040
	61,611,411	65,902,831
Less current portion	(5,827,799)	(5,053,387)
	\$ 55,783,612	\$ 60,849,444

Annual maturities for the five years beginning January 1, 2026, are \$5,827,799, \$5,759,583, \$6,354,369, \$37,525,512, and \$1,017,736 respectively, and \$5,861,223, thereafter.

The Company has a \$35 million line of credit established with CoBank with a variable interest rate, maturing in 2026. As of December 31, 2025, the interest rate was 5.76%. In 2025, the Company established an additional line of credit for \$4 million with a variable interest rate, maturing in 2028. As of December 31, 2025, the interest rate was 5.66%. There were outstanding balances on the lines of credit of \$33,088,817 and \$8,254,904 at December 31, 2025 and 2024, respectively.

**Alaska Power & Telephone Company  
and Subsidiaries  
Notes to Consolidated Financial Statements**

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**Note 7 – Income Taxes**

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

	<u>2025</u>	<u>2024</u>
Current		
Federal	\$ 2,356,380	\$ 198,446
State	<u>1,019,641</u>	<u>79,560</u>
Total Current	<u>3,376,021</u>	<u>278,006</u>
Deferred		
Federal & State	<u>\$ (1,283,677)</u>	<u>\$ 1,468,051</u>
Total Deferred	<u>(1,283,677)</u>	<u>1,468,051</u>
	<u>\$ 2,092,344</u>	<u>\$ 1,746,057</u>

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

	<u>2025</u>	<u>2024</u>
Federal tax expense at statutory tax rate	\$ 1,620,441	\$ 1,734,568
State and local income taxes, net of federal income tax effect	523,764	418,344
Non-taxable or non-deductible items		
Nondeductible portion of meals expense	24,481	23,143
ESOP dividend	(163,413)	(201,017)
Other	-	5,381
Solar Power Generation Credit	(1,010)	(60)
Return to provision true-up of federal taxes	70,696	(225,994)
Other	17,385	(8,308)
	<u>-</u>	<u>-</u>
Provision for income taxes	<u>\$ 2,092,344</u>	<u>\$ 1,746,057</u>

**Alaska Power & Telephone Company  
and Subsidiaries  
Notes to Consolidated Financial Statements**

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

	<u>2025</u>	<u>2024</u>
Deferred tax asset		
Allowance for credit losses	\$ (9,256)	\$ (7,475)
Investment basis	(340,765)	(340,765)
Other	-	(7,971)
Lease liability	(496,657)	(583,000)
Deferred revenue	(5,550,871)	(3,841,307)
Start-up costs	(288,137)	-
Stock appreciation rights	(120,179)	-
Interest expense limitation	-	(23,965)
	<u>(6,805,865)</u>	<u>(4,804,483)</u>
 Deferred tax liability		
Accrued employee benefits	61,722	98,377
Prepaid expenses	58,472	41,050
Tax amortization and depreciation greater than book	20,837,654	20,341,609
Right of use lease asset	496,657	583,000
Deferred expenses	1,389,981	1,062,751
	<u>22,844,486</u>	<u>22,126,787</u>
 Total deferred tax liabilities		
	<u>22,844,486</u>	<u>22,126,787</u>
 Net deferred tax liability		
	<u>\$ 16,038,621</u>	<u>\$ 17,322,304</u>

The consolidated balance sheets include a total amount for income taxes receivable of \$54,684 at December 31, 2025. This consists of a federal payable and state receivable of \$41,414 and \$96,098, 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.

# Alaska Power & Telephone Company and Subsidiaries

## Notes to Consolidated Financial Statements

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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. Effective December 2025, the Plan was amended such that after termination of employment, participants' accounts attributable to ESOP AP&T shares may be converted to cash at the direction of the Plan's Administrative Committee in accordance with the terms of the Plan. Such conversions will be based on the fair value of Employer stock as determined by the annual independent valuation for the year in which termination of employment occurred. Conversions in 2025 related to the amendment were paid at the current independent valuation fair value.

On December 30, 2025, the Plan completed a special distribution related to terminated participants' ESOP accounts, affecting 84 participants.

A portion of participants elected to receive lump sum cash distributions based on the most recent independent valuation of \$68.26 per share, totaling \$11,522,171. In addition, certain accounts were mandatorily converted, and the related shares were repurchased by the Company at \$81.20 per share, resulting in total repurchases of \$2,203,893. The participants' account balances related to these shares were based on the prior valuation of \$68.26 per share.

For the mandatorily converted shares, the excess of the repurchase price over the prior valuation was allocated to active participants' accounts, such allocations totaled \$417,790.61. These transactions were carried out in accordance with the terms of the Plan, as amended, and the fair value of Employer stock was determined based on independent valuations.

In 2025, employer matching contributions and profit-sharing contributions were \$859,934 and \$374,055, respectively. In 2024, employer matching contributions and profit-sharing contributions were \$779,401 and \$365,763, respectively. The Plan was not leveraged as of December 31, 2025 and 2024.

### Note 9 – Stock Appreciation Rights

In 2025, the Company granted stock appreciation rights (SARs) to non-employee directors as a component of director compensation. Compensation cost related to SARs is recognized on a straight-line basis over the requisite director service period, which is generally the vesting period, and is included in compensation expense. Share-based compensation is recognized only for those awards that are expected to vest, with forfeitures recorded based on actuality and recorded in the period they take place.

On March 28, 2025, the Company granted 45,293 SARs under the AP&T Independent Director Long-Term Incentive Plan to non-employee directors at a strike price of \$68.26 and a grant date fair value of \$68.26. As of December 31, 2025, 45,293 remain outstanding. The grant date fair value was estimated using the Black Scholes option valuation method with the following weighted average assumptions as of December 31, 2025:

Expected dividend yield	2.03%
Risk-free interest rate	3.80%
Expected volatility	24.50%
Expected life	6.04

**Alaska Power & Telephone Company  
and Subsidiaries  
Notes to Consolidated Financial Statements**

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The Black-Scholes option valuation model is used by the Company for estimating the fair value of SARs. Option valuation models require the input of highly subjective assumptions, particularly for the expected term and expected stock price volatility. Changes in these assumptions can materially affect the fair value estimates.

There were no SARs exercised during 2025.

Share-based compensation expense for the SARs for years ended December 31, 2025 and 2024, was \$358,078 and \$0, respectively.

As of December 31, 2025, total unrecognized compensation expense related to nonvested SARS was \$228,013. This expense is expected to be recognized over a weighted-average period of 7.25 years.

	SARs Available for Grant	SARS Outstanding	Aggregated Intrinsic Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balances, December 31, 2024	-	-	\$ -	\$ -	-
Shares authorized	-	-	-	-	-
SARs granted	45,293	-	1,133,863	68.26	-
SARs forfeited	-	-	-	-	-
SARs exercised	-	-	-	-	-
Balances, December 31, 2025	<u>45,293</u>	<u>-</u>	<u>1,133,863</u>	<u>\$ 68.26</u>	<u>7.25</u>

**Note 10 – Business Segment Information**

Through December 31, 2025, the Company has the following two reportable and operating segments: (i) Electric and (ii) Telecom. 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 advanced voice and data telecommunications service 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.

Operating income is the segment measure of profit or loss reported to the chief operating decision maker for purposes of assessing the segments' performance and making capital allocation decisions. The Company believes operating income is a useful measure of its operating results as it provides relevant information to investors and other users of our financial statements in evaluating the Company's business in a manner consistent with management's evaluation of business performance. The Company's chief operating decision maker is the Chief Financial Officer.

**Alaska Power & Telephone Company  
and Subsidiaries  
Notes to Consolidated Financial Statements**

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The following tables provide information for each operating segment:

Year Ended December 31, 2025 (all numbers in thousands)	Electric	Telecom	Other	Consolidated
Revenue	\$ 31,403	\$ 37,121	\$ 807	\$ 69,331
Depreciation and amortization	4,936	8,410	439	13,785
Operating income	2,583	7,037	235	9,855
Interest expense	1,552	92	2,733	4,377
Interest income	-	-	26	26
Total fixed assets	165,534	171,482	12,687	349,703
Total accumulated depreciation	(89,224)	(95,671)	(3,718)	(188,613)
Total fixed assets, net	76,310	75,811	8,970	161,091
Capital expenditures	9,568	5,877	2,885	18,330

Year Ended December 31, 2024 (all numbers in thousands)	Electric	Telecom	Other	Consolidated
Revenue	\$ 29,536	\$ 34,263	\$ 865	\$ 64,664
Depreciation and amortization	4,762	7,793	450	13,005
Operating income	3,829	5,845	518	10,192
Interest expense	1,750	44	1,549	3,343
Interest income	-	-	141	141
Total fixed assets	155,409	163,194	9,635	328,238
Total accumulated depreciation	(84,335)	(89,153)	(3,377)	(176,865)
Total fixed assets, net	71,074	74,041	6,259	151,374
Capital expenditures	4,895	28,301	(38)	33,158

**Note 11 – Other Assets**

Other assets consist of the following at December 31:

	2025	2024
Miscellaneous regulatory assets - power	\$ 4,029,532	\$ 2,991,712
Related-party receivable	-	498,719
Other	1,261,803	481,590
	<u>\$ 5,291,335</u>	<u>\$ 3,972,021</u>

**Alaska Power & Telephone Company  
and Subsidiaries  
Notes to Consolidated Financial Statements**

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**Note 12 – Operating Revenue**

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

	For the Year Ended December 31, 2025		
		Revenue	
	Total	From Contracts With Customers	Other Revenue
Electric	\$ 31,402,873	\$ 31,234,811	\$ 168,062
Telecommunications	37,121,268	25,741,717	11,374,606
Other	806,944	756,406	50,538
	\$ 69,331,085	\$ 57,732,934	\$ 11,593,206
	For the Year Ended December 31, 2024		
		Revenue	
Total	From Contracts With Customers	Other Revenue	
Electric	\$ 29,536,409	\$ 29,373,332	\$ 163,077
Telecommunications	34,263,110	25,158,038	9,105,072
Other	864,876	798,399	66,477
	\$ 64,664,395	\$ 55,329,769	\$ 9,334,626

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 Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (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 sheets.

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*.

**Alaska Power & Telephone Company  
and Subsidiaries  
Notes to Consolidated Financial Statements**

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

	2025	2024
Contract assets		
Unbilled revenue	\$ 1,102,493	\$ 885,378

**Note 13 – Deferred Revenue**

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 \$50,889,884. 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, 2025, the Company has received a total of \$28,475,335 in grant proceeds associated with these awards. All grant funding has been recorded as deferred revenue on the consolidated balance sheets and will be recognized as revenue over a period that aligns with the depreciable lives of the constructed assets. To date, the Company has recognized \$3,671,396 in revenue, leaving a remaining balance of \$24,857,938 in deferred revenue to be recognized. The Company expects to recognize \$1,725,444 in revenue related to these grants in 2026 which are classified as a current deferred revenues within the consolidated balance sheets as of December 31, 2025.

The Company has received funds from multiple tribal organizations for the prepayment of high-speed broadband services for qualified participants. The prepayments are recorded to deferred revenues on the consolidated balance sheets and recognized as services are provided and billed monthly. The balance of deferred prepayment revenue as of December 31, 2025 was \$1,078,173.

**Note 14 – Stockholders' Equity**

Effective October 21, 2025, the Company executed an agreement with a shareholder to repurchase 140,823 common shares for \$7,041,150 in three equal tranches commencing in 2025. The consideration paid for the common shares repurchased during 2025 totaled \$2,347,050 in exchange for 46,941 shares. Upon the Company's purchase of the shares, the shares were retired, reducing issued shares by 46,941. The remaining two tranches will be executed December 1, 2026, and December 1, 2027.

The redemption was remeasured at present value based on the amount to be paid on the settlement date. The discount recorded was \$391,036 which was measured at inception of the repurchase agreement with an implicit interest rate of 6.0%. The discount will be accreted to interest expense from inception of the repurchase agreement through the settlement date. The Company's unconditional obligation to repurchase the shareholder's shares represents a liability to the Company, thus, the amount subject to redemption was reclassified from equity to current liabilities as of December 31, 2025. As of December 31, 2025, the remaining 93,882 shares are still considered issued and outstanding.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

61.5809° N, 149.4411° W

ALASKA POWER & TELEPHONE COMPANY



# AP&T RETIREES

**We at AP&T Congratulate our 2025 Retirees.**

It has been a privilege working with you all, and now it is an honor to help you celebrate your retirements.



**Jayne "Dolly" Henton**  
Administrative Assistant  
*Tok, Alaska*

31 Years of Service (1994-2025)



**Steven Kramer**  
Senior Director of Regulatory Affairs II  
*Wasilla, Alaska*

8 Years of Service (2017-2025)



**Phyllis Sage**  
CSR III  
*Haines, Alaska*

22 Years of Service (2003-2025)



**Nora Mills**  
Senior Accountant  
*Port Townsend, Washington*

24 Years of Service (2001-2025)

63.6587° N, 144.0658° W

ALASKA POWER & TELEPHONE COMPANY



# IN MEMORIAM

We honor the memory and legacy of our past employee-owners,  
whose contributions will forever be remembered and cherished.

Marilyn O'Meara  
Executive Administrative Assistant  
Port Townsend, Washington  
*12 Years of Service (1995 - 2007)*

Ralph New  
Construction Project Splicer  
Tok, Alaska  
*11 Years of Service (2000-2011)*

# NOTICE TO SHAREHOLDERS

## Notice to Shareholders:

The annual meeting will be held on Wednesday, May 20th, 2026, at 9:00am, AK via a live webcast at:

[www.virtualshareholdermeeting.com/APTL2026](http://www.virtualshareholdermeeting.com/APTL2026)

## Annual Report Production:

Spring Barry of North Creative™ Design Co., LLC, Ashley Nelson, Alex Eissler, and Jason Custer

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The AP&T Team

Jeremy Barry of North Creative™ Design Co., LLC

## Disclaimer:

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

## REGARDING AP&T STOCK

Postal correspondence should be mailed to:

Computershare  
P.O. Box 505000  
Louisville, KY 40233

Overnight correspondence should be sent to:

Computershare  
462 South 4th Street, Suite 1600  
Louisville, KY 40202

**Shareholder Website:** [www.computershare.com/investor](http://www.computershare.com/investor)

**Shareholder Online Inquiries:** <https://www-us.computershare.com/investor/contact>

## Telephone:

Toll Free in the US (800) 962-4284  
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## For information regarding the acquisition or sale of AP&T stock, please contact:

SJ Wolfe Investments  
Broker Dealer  
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