2021 ANNUAL REPORT

ADAPT. ASPIRE. ACHIEVE.

2021 REWIND

COMMITTED TO SERVING ALASKAN COMMUNITIES

Bring the HEAT

AP&T and Sealaska Team Up to Promote Clean Energy in Rural Southeast Communities

Sealaska is expanding on an existing offer from AP&T that provides a $500 incentive to any customer who switches to a heat pump for home heating versus home heating oil or diesel. Sealaska shareholder households in the impacted communities are also eligible for an additional $500 from Sealaska, making the total incentive for shareholders $1,000 between the two programs. ***See page 26 for more details.***

On behalf of the Charitable Contributions Fund, AP&T is proud to announce the following funding disbursements in 2021:

Learn how to apply today at APTalaska.com/community-giving/

$ 5,000

Becky's Place Haven of Hope
Haines, Alaska

$ 5,000

Helping Hands Food Bank
Tok, Alaska

$ 5,000

Liberty Church
Craig, Alaska

$ 5,000

Boys & Girls Club
Metlakatla, Alaska

$ 3,000

Boys & Girls Club
Klawock, Alaska

$ 23,000

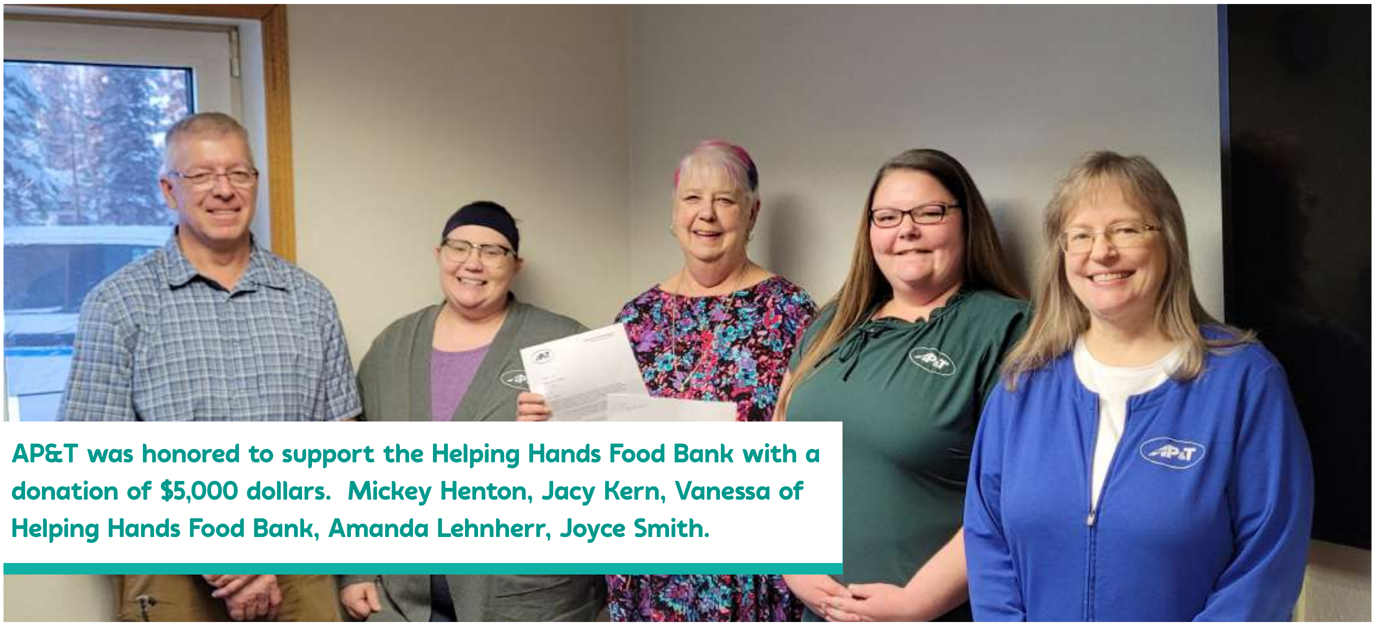
A total of $23,000 dollars in charitable giving in rural Alaska!

AP&T's employee-owners ensure that communities have reliable access to the utility services they depend upon.

Reliable utility service is a bare necessity for living in rural Alaska. Our crews also have a good deal of familiarity with the "bear" necessities.

In 2022, AP&T took "EV" on tour to Haines for consumer education and outreach. Haines and Gustavus lead the way in electric vehicles within AP&T's service areas!

Customers and AP&T crews experienced heavy snow during the winter of 2021-2022. AP&T personnel worked in difficult conditions to maintain reliable service.



AP&T was honored to support the Helping Hands Food Bank with a donation of $5,000 dollars. Mickey Henton, Jacy Kern, Vanessa of Helping Hands Food Bank, Amanda Lehnherr, Joyce Smith.

The newly-constructed Híilangaay hydropower project has helped convert Prince of Wales Island to near-100% renewable energy, with excesses available for economic development, and conversions to heat pumps and electric vehicles.

**As times change, AP&T remains mindful of its history.
We know where we've come from, and we know where we're going!**


VERTEX
VENT
AP&T
Alaska Power & Telephone

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BELIEVE IT

OR WATT

READY. SET. GROW.

A Message from the Chairman

As we embark on a new year, we are proud to celebrate a number of milestones that define and remind us of the value of an employee-owned organization that is focused on a vital mission in one of the most beautiful parts of our country. And this past year has been full of important initiatives to improve our service and reliability, including partnering with USDA to provide high speed broadband to customers.

As we look forward with anticipation to celebrating the 65th birthday of Alaska Power & Telephone Company, we are reminded of our many accomplishments through the passion and commitment of our employee-owners to our customers and the communities we serve. And speaking of service, I'm not sure any of us who are fortunate enough to serve as independent directors will ever come close to matching the contributions of Mike Barry, our longtime chairman, director, and friend. Mike has decided that he will step down as a director at this year's annual meeting. There are no words sufficient to express our gratitude to Mike for his selfless service to AP&T over 18 years. Suffice it to say he has had a significant role in shaping the direction and success of AP&T, and his handprints will be with us forever.

I am delighted the Board of Directors has put forth Kristin Mellinger for election to fill our open director position. Ms. Mellinger will further complement the impressive skill sets of our current directors and provide us with even better insights into the markets and customers we serve. I hope you are excited as I am about the work that has been accomplished in the last few years by adding highly qualified directors, including in the areas of enterprise risk management and governance. Just as we challenge senior management to continually improve their performance, your Board of Directors understands it has a similar obligation. And we plan to continue to meet that challenge with an increased focus on our disciplines, including our ESG responsibilities.

"AP&T is a very special organization, composed of dedicated employee-owners who are led by our CEO in creating a culture that recognizes its responsibilities to our stakeholders in an environment where they feel valued and appreciated."

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

A Message from the President & CEO

Michael Garrett, CPA
CEO, President

A POWER DRIVEN PAST

Happy Birthday AP&T!
2022 is our company's 65th birthday.

We have grown quite a bit in the 65 years. In the early days, the company we know as AP&T, was a closely held business owned by the Garrett family (I am no relation to the founder). Today, we are a prosperous, employee-owned company, leading the way in energy and telecommunications. In 1957, Mr. Arthur Garrett purchased a power utility in Skagway and ultimately sold off businesses located on Washington's Olympic Peninsula. Today, we operate solely in Alaska and continue to expand with plenty of opportunities that keep us focused on the region. Growth came organically to AP&T in the form of serving new communities or under-served communities. AP&T continues to capitalize on organic growth in its lines of business. In the 1990's, AP&T made some key acquisitions in energy and telecom culminating in the acquisition of GTE Alaska's southeast exchanges. AP&T leveraged the individual acquisitions to combine them and grow into a multi-tiered service company.

Our accomplishments could never have been achieved without the loyalty and dedication of our past and present employee-owners. Acknowledging our past and learning from our challenges goes to serve us as we forge our future. We have a lot of opportunities which we are pursuing with vigor. AP&T is also adapting to a new environment as we embrace the best practices of Enterprise Risk Management (ERM) and evaluating our corporate goals and determine how they align with acceptable Environmental Social and Governance (ESG) objectives.

As you read the contributions to this report from the AP&T team you can see 2021 was a good year. I'd like to add other observations to put a frame around 2021 results.

Our primary objectives for 2021 were:

- Achieve final completion of the Hiilangaay hydroelectric project and get past the "teething" stage. *(See Power Engineering Section)*
- Receive environmental approval on our ReConnect Project – SEALink - and begin the construction phase. *(See Business Development Report)*
- Capitalize on new transport development opportunities, including new grant opportunities.
- Successfully complete our energy rate filings, seek regulatory relief, and file for just and reasonable rates in our energy divisions.
- Exceed our penetration and performance goals for the Alternate Connect America Cost Model (ACAM).
- Exceed our financial performance goals (EBITDA, Net Income, Economic Value Added and Return on Assets).
- Integrate the best practices of ERM and ESG into the AP&T achievement framework.

As we worked to reach our goals, AP&T adapted to a new work environment caused by COVID-19. Travel restrictions, social distancing, remote work locations and virtual meetings are now the new normal. The fact is some of these new practices yielded more efficiency and improvements in employee morale. It wasn't all a bed of roses but I'm proud of how each and every one of us met the challenge.

New Transport Opportunities

During our efforts to achieve environmental approval by the USDA, we were informed of upcoming rounds under the ReConnect grant program. The third round opened around Christmas 2021. The team worked tirelessly into 2022 and filed two applications on February 22, 2022. Both applications included strategic investments in transport and fiber to the premises for customers. Our strategic focus for growth will be to develop middle mile opportunities. These projects will allow us to fix our data transport costs and give us opportunities to increase capacity to wholesale transport customers. Our focus on interconnecting southeast Alaska to the world via Canada has had its challenges but it also has its rewards.

Energy Rate Filings and Future Growth

Energy rate filings can take almost a year and a half to complete. We began the process in Q3 of 2020 and spent most of 2021 working through the regulatory process. We were successful in negotiating a settlement with the Department of Law and two interveners. Even with an agreed upon settlement, the Regulatory Commission of Alaska deemed a hearing necessary. That hearing took place early in 2022. On March 11, 2022, we received a favorable order approving our negotiated settlement.

Responsible growth continues to be elusive in the energy sector, as it has been the last few years. However, we are always investigating ways to lower the cost of energy to our customers and stabilize rates in the long term. Currently, we see external funding for projects coming from state and federal sources and we are hopeful those opportunities and economic growth in the interior will create a favorable environment to fund an intertie between Delta Junction and the communities of Tok and Northway.

Alternate Connect America Cost Model (ACAM) Penetration and Performance Goals

We are intently focused on meeting and exceeding our Alternate Connect America Cost Model service requirements. Prior investments in our Lynn Canal Fiber project (submerged fiber between Juneau, Haines, and Skagway), our Southeast Alaska Microwave Network (SAMN Network), and our existing last mile facilities give us a strong foundation to meet these goals. Local team leaders, outside plant engineering and mapping contributed to building out fiber to upgrade the available broadband service to customer locations but also capturing that data so we can effectively report the results to USAC. The efforts in 2021 were reported early 2022 to USAC noting that we have met 2028 goals with the 2021 reporting data. We aren't resting on our laurels as we continue to audit our data and complete broadband performance testing.

Performance Goals by Business Line

Energy

In 2021, our energy division performed better than in 2020 but below budget (adjusted for two one-time events noted in the Management Discussion and Analysis – MD&A). In 2020, when the pandemic limited travel and tourism, it greatly affected energy sales related to tourism and fishing. At the end of 2021, the number of energy customers served had only grown slightly (.03%) and energy sales increased by 8.3% over 2020 and 4% over 2019. Operating income between 2021 and 2020 only grew by 3.9% as labor related costs and non-fuel direct costs grew at a higher rate than net revenues. Between 2021 and 2020, EBITDA and operating income saw some growth (see the table below).

ENERGY	2021	2020	2019	2018	2017
EBITDA	$ 8,713,063	$ 8,076,457	$ 6,902,071	$ 8,030,114	$ 8,579,255
Operating Income	$ 4,713,434	$ 4,538,000	$ 3,538,000	$ 4,574,000	$ 5,124,000

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

We did not achieve our budgeted EBITDA or operating income objectives in energy. We missed the mark on EBITDA and operating income by $393,039 and $450,087, respectively. Actual net revenues exceeded budget but as mentioned above, labor related costs and non-fuel direct costs exceed our expectations. Please find the specifics in the table below:

	2021 Actual	2021 Budget	Variance
EBITDA	$ 8,713,063	$ 9,106,102	$ (393,039)
Operating Income	$ 4,713,434	$ 5,163,521	$ (450,087)

We continue our efforts to lower operating costs by making prudent investments in both generation and distribution plants within our core energy business. We have identified key investments in generation that will lower fuel costs and engine maintenance, and over time, will lower our overall expenses.

Telecom

My discussion and presentation of telecom results is slightly different than shown in the last section of this annual report. The Management's Discussion and Analysis of the annual report segregates regulated telecom activities from non-regulated activities. In practice, regulated and non-regulated services are dependent upon each other. The two services combined encompass traditional voice services, as well as broadband and data transport services. The year over year results for telecom are shown below:

TELECOM	2021	2020	2019	2018	2017
EBITDA	$ 13,708,297	$ 13,629,905	$ 14,701,362	$ 13,702,763	$ 14,733,768
Operating Income	$ 8,340,497	$ 8,603,257	$ 10,223,412	$ 7,640,619	$ 8,464,787

EBITDA grew between 2021 and 2020 primarily because increases in transport revenue. Operating income declined due to an increase in labor related costs and direct costs which predominately include data transport purchased from other providers.

We also missed achieving our budget objectives. Please see the comparison of 2021 budgeted EBITDA and operating income to actual.

	2021 Actual	2021 Budget	Variance
EBITDA	$ 13,708,297	$ 14,966,099	$ (1,287,802)
Operating Income	$ 8,340,497	$ 9,368,787	$ (1,028,290)

Results of telecom operations are influenced greatly by federal and state regulation. In 2021, we continued to see the effects of lower Alaska Universal Service Fund revenue and a change in cost study results which affect revenue from federal sources. Data transport and broadband demand remains strong. The primary reason for missing our budgeted goals, as mentioned above, are labor related costs and transport fees. We found ways to improve our labor budgeting to be more accurate, but we also experienced higher costs that expected related to health insurance, payroll taxes, paid leave and other fringe benefits. Transport fees grew more than expected due to the continued increased demand for broadband and ACAM performance requirements and our desire for the customer internet experience to be the best we can make it.

The AP&T board continually reinforces the mantra that if we expend efforts to do a task, we need to perform with excellence. I do not like to report that we missed some key financial goals but that is the fact. However, we don't want to forget the many successes of 2021 on behalf of our customers, employee-owners, and the communities we serve. The AP&T team will remain committed to excellence in all we do.

FEELING AMPOWERED

Power & Telecom Operations

Tom Ervin, Executive VP/COO, Power & Telecom Operations

2021 was a challenging, but very productive year despite the continued direct and indirect impact from COVID-19. We were able to complete an incredible amount of work across the power, telecom, and wireless operations. Getting materials and other supplies in a timely manner has always been a challenge, but due to COVID-related supply chain issues, we have taken an aggressive stance to mitigate these impacts by ordering early and building up inventories of critical items such as poles, transformers, conductors, fiber optic cable, optical terminations, and so-forth. In some instances, certain material is over a year out for delivery timelines. In 2021, we have nearly doubled our inventories to the degree we have approximately two years' worth of inventory for certain items. We feel this is a low risk venture due to the common use of these items as we will always have a need for them. We continue to be aggressive to ensure we have adequate supplies to deliver services to our customers in a timely manner. In addition to this, we have also pre-ordered critical generation components to ensure we are able to overhaul generation units at prescribed intervals.

We have made significant investments in power generation facilities, some of these include the upgrade of the Eagle power plant to install new, fuel efficient engines, switchgear, controls and cooling systems ($1.2M) the purchase of two CAT generators for Skagway ($800K, projected to continue into 2022). We continue to make improvements to the Haines power plant with the addition of a 12,000 gallon fuel tank (to be completed in 2022). This upgrade will allow us to source higher quality fuel and at a lower price from the refinery at Valdez. There are many other projects and investments in our generating facilities with the goal of 100% availability of generation assets.

2021 total company power sales improved over 2020, and 2022 promises to be a banner year. Prince of Wales continues to see load growth due to the gaining popularity and incentives for the installation of heat pump systems and the demand from fish processors. Upper Lynn Canal load increased over 2020 and looks promising for 2022. The interior/Tok region continues to see stable growth and is expected to improve significantly as the Kinross/Manh Choh Gold mine comes into full operation in 2024. We are currently doing analysis for power generation needs going forward. We are also planning a solar installation at Tok in 2022 at 40KW and plan to expand to 250KW in future years.

We made significant investment in smart/PLC (power line carrier) power metering in 2021 and that is a continuing effort going forward. One of our challenges is the obsolescence of the metering systems we are currently deploying due to aging technology of PLC systems. We are currently evaluating alternatives to the existing platforms, including wireless-based systems or perhaps a hybrid of the two. Our approach will be a soft transition to the new platform while keeping existing meters in place.

Approximately 60% of our vehicle fleet has been equipped with telematics tracking and logging devices. This is anticipated to be completed in 2022 and will be used to maintain our vehicles, improve employee driving habits, and develop metrics used by management for efficiency improvements such as idle time reduction and project planning.

The SAMN microwave network was upgraded in 2021 ($1.7M) to increase overall bandwidth capacity within the Juneau-Ketchikan backbone to 2.8 Gigabits. Although this may seem like a small increment in a fiber based network, it is dramatic, considering the original Bandwidth design of 155 Megabits in 2006. Regardless of the proliferation of fiber networks, including our own, the SAMN network will always play a crucial role as infrastructure for wireless networks.

There has been an incredible amount of team effort that went into the SEALink/ReConnect effort in 2021, and now it is time for implementation in 2022. We will rely heavily on expertise and talent within the company. One of our strengths has always been the ability for labor pooling across operations. We intend to utilize power crews for much of the fiber placement on Mitkof Island and on Prince of Wales. It is always a pleasure to work with these professionals, and allows everyone to play a part in the success of AP&T. Here's looking to another banner year!

Crews at AP&T's Haines, Alaska location perform "hot work" on energized lines, helping to address O&M needs while minimizing customer downtime.

Customer Service

Mary Jo Quandt, VP Chief Customer Officer

In January of 2021, our Customer Service Representatives (CSRs) began a year-long journey of looking at what we do in our jobs, why we are committed to our customers and how we can better serve our customers. Many of us at AP&T have been doing our jobs for a significant number of years. This is a testament to what a great company we are privileged to be a part of daily.

While there are many benefits to the wisdom that comes with doing our jobs over a long period of time, there is also the danger of becoming complacent. On the flip side, when we have new employees join our staff, the benefit of a new set of eyes and questions on why we do things a certain way can bring clarity to issues we should review. It is important to periodically take the time to analyze the "why" of our customer service work performance.

We began our journey with a group training which was attended by 25 CSRs over the course of two days. This was a highly interactive training session which covered just the basics of what we should be trying to achieve in our daily interactions with our customers.

Above: AP&T's employee-owners live, work and play in the communities it serves, and know better than anyone that "there's no place like home." Stacie Turner, Diana Boyd, Phyllis Sage, and Katie Jensen took that concept to an extreme during a recent Halloween celebration.

For the next 12 months, we had two 20-minute training sessions each month on varies topics. Options for individual CSR coaching were included in this program, plus three individual monthly "practice" calls from the trainers to each office location using questions that may be asked by their customers.

As you can imagine, this program required a significant time commitment in addition to the normal everyday duties performed by our CSRs. The attitude and commitment put forth by our CSR group for this program was impressive. As with everything asked of them, they roll up their sleeves, dig in and accomplish whatever needs to be done.

One of my favorite memories is when I was told the trainer forgot to login to the meeting on "Working with an Upset Customer." Our group stayed on the line, held their own meeting, and made good use of time in an unexpected situation. This is a topic that I am sure they all have plenty of experience handling. This is also a subject where our veteran CSRs could pass on their valuable experiences to newer AP&T CSRs.

Some of the most important reminders throughout the year were related to tone of voice, attitude, delivering difficult news, and the importance of consistency. This program demonstrated in many ways the importance of the small things we can do with our customers to turn a negative situation into a positive situation. Consistency in our daily interactions builds trust with our customers and gives customers a positive impression of our company.

The trainers in this program were very complimentary of our group and stated many times how much they enjoyed working with our CSRs. Our CSRs are an impressive group of professionals that are dedicated, knowledgeable and focused on providing the best service possible to their customers. AP&T is fortunate to have these employees at the front line of our interactions with our customers.

LITTLE THINGS COUNT

WE KEPT CLIMBING

Bryan Hayward poses on a utility pole in Metlakatla, AK

Telecom Engineering

Zachary Layman, VP Telecom Engineering/Operations

AP&T continues to see broadband usage increase, but the growth has stabilized which has made network planning more predictable. The Telecom Engineering and Operations team adapted to the challenges created by COVID-19 and accomplished many of our planned projects as well as several unplanned ones that came up throughout the year. Supply chain issues created by the pandemic began to impact projects late in 2021, and many orders were placed much earlier than normal for projects planned in 2022 to help mitigate these delays. The highlights below are a testimony to the effort and determination that continues to be demonstrated by the hard-working men and women in the local communities served by AP&T!

Highlights of Accomplishments:

Microwave Network Upgrade South of Juneau - The SAMN crew, with support from engineering, completed the planned radio replacements from Juneau to High Mountain, which is just outside of Ketchikan. This was a significant upgrade and nearly doubled the bandwidth available on the backbone of AP&T's transport in southeast Alaska. There were many challenges with this project such as equipment shipment delays, remote factory acceptance testing, and tremendous logistics at each site to get the new racks and radios in place with the existing equipment still in operation. Despite all the challenges this was finished on-schedule, underbudget, and with minimal customer impact. A fantastic performance by all involved.

Upgrades from 1Gig to 10G Connections – As usage on the network continues to grow, the need to upgrade equipment to support 10G increases, and the number of connections that need to be upgraded to 10G grows. Many connections between network equipment were upgraded in 2021, and these will continue as needed over the next several years. Some of these upgrades are internal to AP&T, and others are upgrades to external carriers.

Cell Site Connectivity – AP&T extended Ethernet connectivity to several cell sites for two different cellular providers. These connections were for new sites and circuit upgrades as conversions from T1 to Ethernet transport continue. These Ethernet connections were established in Tok, Haines, Hydaburg, Lindenburg Peak, and Craig.

Allakaket Switch Replacement – AP&T has dealt with many equipment issues in this exchange following a significant lightning strike in 2020. In 2021, the decision was made to replace the aging switch with a new IP based switch. While this initially went well, we continue to work through call quality issues. Telecom engineering and operations has invested significant time working on these issues with limited success. We are currently testing a new design that we hope will mitigate these issues for our local customers.

Robocall Mitigation – AP&T implemented a plan to help eliminate any robocalls originating in AP&T's network to be compliant with the FCC mandate. This implementation went smoothly, and the next step will be to implement what is being called STIR/SHAKEN, which is similar to spam filtering for email.

10-Digit Dialing and 988 for Suicide Prevention – Beginning October 2021, Alaskans can no longer use 7-digits to dial anywhere in Alaska. By mid-July Alaskans will be able to dial 988 to reach the National Suicide Prevention and Mental Health Crisis Hotline from any phone line that AP&T serves.

Mesh WiFi – AP&T rolled out a new product enabling significantly better WiFi coverage in the home using a Plume powered device. The product provides access to parental controls and enables customers to see the WiFi signal level for all connected devices while also monitoring the usage per device. This provides our customers more visibility and control of their home network and is designed to enable the network within the home to support the higher speeds available as more fiber to the home is installed across our network.

Fiber to the Home or Business – AP&T remains focused on extending fiber to the home to as many customers as possible. 2021 saw fiber to the home buildouts begin or continue in the following communities: Craig, Haines, Hollis, Petersburg, Skagway and Tok. These projects require significant dedication by the local crew with support from technicians traveling to assist from other exchanges. The teamwork and willingness to come help which was demonstrated across the company in 2021 is a vital part of getting these projects accomplished.

We expect supply chain issues to impact operations over the next several years. The lead times on some items will be very long, and prices are increasing significantly. The AP&T team is continuing to monitor and adjust to the situation as needed. Some items can be purchased well in advance, while others risk becoming outdated if ordered too soon. The Telecom Engineering and Operations team has much to be proud of in 2021 and we are working hard to meet our goals in 2022.

Ketchikan, Alaska

THE FUTURE LOOKS BRIGHT

Power Engineering

Jeff Rice, P.E., VP Energy Engineering/Operations

2021 was a challenging year and more active as employees began traveling again to catch up on construction efforts deferred by the pandemic. As always, our successes were built upon the perseverance and grit of our employee-owners. Linemen dispatched in the middle of the night and worked with our generation staff to provide temporary power during heavy storms in southeast Alaska storms. Customer service representatives fielded customer calls and brought crews food in the field. Workers traveled to mountaintop lakes and remote plants by boat, plane and ATV to install new systems and renew failing equipment. All sustained by our commitment to care for one another through this time of change.

Eagle is one of our more remote properties in Alaska, and a challenging place to execute the powerplant rebuild that was completed in November of 2021. Planning for the project began in 2020 and materials were ferried onsite as road access opened in 2021. The Tok service area staff and project engineers worked continuously for several months in the fall to replace the three diesel generators, re-integrate the solar array and replace all of the electrical switching apparatus. The plant is renewed and automated, ready for years of service to come.

Híilangaay Hydro had a rocky start to operations but a strong finish this period. The plant experienced an expected level of break-in problems, including mechanical issues with the intake structure and at the turbine itself. Complicating this were a host of difficulties: when repaired and restarted in the dead of winter, we found icing played havoc with systems put in place to protect fish populations. Marine access problems cropped up resulting in transport times to site of four to six hours one way. The most intense winter storms in a decade on Prince of Wales cut the project off from the outside power a number of times.

Our Prince of Wales team worked hard to overcome these obstacles and make the project successful. This team showed the tenacity of our employee-owners in the face of adversity, in a project where the first year carried troubles from construction forward into operation. However, the project was online for the critical fish processing period in 2021, and since the beginning of 2022 the project has been going strong. We have begun to dramatically reduce diesel engine peaking on the island grid, and winter flows out of the Híilangaay project have been steady when our higher elevation lake at Black Bear freezes. We expect future years to see all hydro operation on this grid during normal operation and typical water years, reducing dependence on fossil fuels even as load grows.

In Upper Lynn Canal we are installing a new submarine cable at depths up to 400 meters, connecting Skagway to Kasidaya Hydro and Haines to Goat Lake Hydro. This replaces the cable found 'stretched to its limits' by undersea ground movement in 2019. We are concurrently replacing two out of the four diesel engines serving for Skagway's backup power, racing to beat the tourist season. In the Tok area operations we are moving towards new energy sources. A 38kW solar array is being constructed this year on the Tok system, with land cleared and prepared for future expansion to a 250kW array. AP&T is also pursuing grant funds to study the feasibility of a 'right sized' railbelt interconnect for Tok. We are committed to finding ways to continue decreasing our reliance of diesel power in the interior and continuing to search for ways to do so that are right for the communities served.

One of our core values is practical innovation and leveraging technology appropriate to our business. The energy engineering staff has been working towards more advanced methods of design. Some of our indoor facilities have little or no record of drawings and plans for maintenance and repair. We have expanded 3D imagery capture to begin translating 3D pictures, laser and LIDAR scans into piping diagrams, elevations, and floor plans we can use to reduce travel and construction uncertainty. For outdoor transmission and distribution, we are joining the telecom arm in a GIS mapping effort that will allow our line crews to move from hand drawings and lists to computerized design and inventory processes.

We also are forming a new technical core team focusing on the diesel power plants that breaks from past tradition of plants being managed largely with local personnel. With retirements, turnover, and more complex equipment, we need improved consistency across the utility in how we install, operate, and maintain our diesel engines. This new group will travel between sites and work with engineering to provide and spread a higher level of internal expertise to operators at each property. The strategy has already been paying dividends in higher plant readiness.

In the communities we serve spring is arriving and 2022 looks to be even more active than 2021. In the Tok area, the Kinross Mahn Choh mining prospect continues moving towards its construction phase. Tok has seen an uptick in load and we expect load to increase considerably in late 2022 as these construction activities begin. In Prince of Wales, Craig's Silver Bay Seafood processing plant is poised to utilize Híilangaay hydro capacity instead of diesel fuel for their fish run processing. Skagway looks to welcome tourists back in the first full tourist season since 2019. AP&T is excited about these opportunities for our communities in the year ahead.

"As AP&T looks to the future, we take nothing for granted, and we recognize that together, we have limited time to do unlimited good."

— Jason Custer, VP Business Development

Business Development

Jason Custer, VP Business Development

In 2021, the world sought economic recovery amidst ongoing economic challenges. AP&T accelerated key projects towards completion, endeavoring to stay ahead of impending supply chain challenges and inflation, and ensuring our stakeholders have the infrastructure necessary to support sustainability, resilience, and evolution. As new infrastructure funding opportunities continue to become available, AP&T will continue to collaborate extensively with diverse stakeholders, uniting around common interests to support the common good.

SEALink Construction Beginning in 2022. Excitingly, AP&T is proceeding with construction of its USDA-funded SEALink project in 2022 – two years ahead of its original schedule. Federal agencies provided necessary environmental approvals in late 2021, in time for AP&T to finalize a 2022 cable supply/install agreement with Norddeutsche Seekabelwerke (a subsidiary of Prysmian Group), and terrestrial construction contracts with Alaska-based firms. The SEALink project will create a 214-mile submarine fiber optic cable from Prince of Wales Island to Juneau, with an overland crossing on Mitkof Island through the community of Petersburg. The project also involves terrestrial network build-outs in the communities of Coffman Cove and Kasaan, which currently lack broadband service. The project is funded by a $21.5m grant from USDA Rural Utility Services and over $7m in matching funds from AP&T.

SEALink provides a robust platform for future broadband expansion and incremental growth. AP&T is actively engaged with tribes, rural communities, government agencies, and other telecom service providers to find exciting ways to enhance the usefulness and value of SEALink to the region.

Gustavus Intertie. In 2021, AP&T successfully completed construction of the Gustavus Intertie. This project, funded by the National Park Service, allows Glacier Bay National Park to shut down its off-grid diesel generators and purchase clean energy from AP&T's underutilized Falls Creek hydropower project. Selling energy to the park will result in significant energy cost-savings for Gustavus' ratepayers and the NPS, and avoidance of 18,000 tons of carbon dioxide over a 30-year period – the equivalent of 1.15m gallons of diesel fuel. Current fuel prices (above $110/barrel at the time of writing) significantly underscore the value of locally-available hydropower.

Skagway-Kasidaya Submarine Intertie. In 2021, AP&T conducted a procurement and engaged Westpark Electric – a British Columbia-based contractor – to replace a failing segment of the submarine cable that interconnects Skagway, Haines, and the Kasidaya hydro project. Manufacturing is occurring in 2022, with installation anticipated to occur in 2023. This project will ensure that Haines and Skagway can continue to reliably share access to hydropower resources that help lower the cost of energy in both communities and will support regional economic development goals such as the Lutak Dock expansion near Haines, and Skagway's beneficial electrification objectives.

Collaborative Broadband Development. In recent months, AP&T has worked closely with numerous tribal entities to develop collaborative broadband concepts and grant funding proposals to help bridge the significant "digital divide" between densely-populated urban communities and underserved remote, rural communities like those found in southeast Alaska. AP&T also submitted multiple grant applications to Round 3 of the USDA RUS ReConnect broadband program.

AP&T anticipates continued federal investment in broadband infrastructure in the months to come, and will work diligently and collaboratively to develop grant requests for projects that address community needs, tribal stakeholder objectives, and federal policy goals. Broadband is particularly essential to the USDA US Forest Service's implementation of the Southeast Alaska Sustainability Strategy within the context of the Tongass National Forest.

Beneficial Electrification. AP&T is supporting consumer interest in de-carbonization and beneficial electrification technology through incentive programs for electric vehicles ($1,000), public charging stations ($1,000), and heat

pumps ($500). Through an exciting new partnership with Sealaska Corporation, Sealaska shareholders are now eligible for a matching $500 heat pump incentive - $1,000 in total rewards for committing to clean, locally-available renewable energy. To date, these incentives have helped to leverage over $500,000 in consumer investment in beneficial electrification technology. The "early adopters" in AP&T's service areas are helping to educate their peers, and improve other consumers' confidence in these technologies, which can be unfamiliar in rural Alaska. Installers report long backlogs of orders, and reports from housing authorities, tribes, and businesses indicate that beneficial electrification technology will be an important driver of organic load growth in years to come. Environmentally-focused organizations have proven to be valuable collaborators, and key champions for putting clean, hydropower surpluses to use as a source of heat and mobility.

Renewable Energy Certificates. Demand and pricing for renewable energy certificates (RECs) has grown to the point where AP&T is now able to sell RECs for its entire hydropower generation fleet in voluntary markets. This includes RECs for assets that are decades old, and have small impoundments. In 2021, AP&T was able to sell RECs backdated as far as 2018. Although modest, this revenue stream is a welcome reward for our company's visionary commitments to renewable energy and de-carbonization.

Evolution, Mindfulness, and Gratitude. The pandemic has intensified focus on the interdependencies between economic, social, and environmental activity. More than ever before, AP&T is collaborating broadly, finding areas of common interest with environmental organizations, tribal stakeholders, competitors, and government agencies. In today's increasingly complex and volatile world, focusing on our common values will help us overcome shared difficulties, and achieve amazing results for the communities AP&T serves. As our world continues to evolve, AP&T will be moving forwards with an attitude of mindfulness towards the needs of our stakeholders, and gratitude for the diverse collaboration that makes our success possible. As AP&T looks to the future, we take nothing for granted, and we recognize that together, we have limited time to do unlimited good.

Juneau, Alaska

FIND WHAT *SPARKS* A LIGHT IN YOU

AND YOU'LL ILLUMINATE THE WORLD.

JUNEAU — **Sealaska and Alaska Power & Telephone (AP&T) have teamed up to offer AP&T customers on Prince of Wales Island and in Haines, Skagway and Gustavus a significant incentive to upgrade their home heating to a more sustainable, less expensive alternative**.

Sealaska is expanding on an existing offer from AP&T that provides a $500 incentive to any customer who switches to a heat pump for home heating versus home heating oil or diesel. Sealaska shareholder households in the impacted communities are also eligible for an additional $500 from Sealaska, making the total incentive for shareholders $1,000 between the two programs.

AP&T and Sealaska Team Up to Promote Clean Energy in Rural Southeast Communities

“We are proud to be able to extend the opportunity to shareholders on Prince of Wales and in a handful of other Southeast communities,” said Sealaska President and CEO Anthony Mallott. “Our commitment to ocean health is first and foremost about ensuring our shareholders and descendants have access to clean air, water and land, and the traditional foods that come from them. We are pursuing that globally and right here at home.”

Heat pumps are significantly more energy efficient than carbon-based heat sources. Heat pumps work by transferring heat energy from the air outside the home (even in cold temperatures) into the home. A typical heat-pump system includes an outdoor unit that looks a lot like an air conditioner, and an indoor air-handling unit, which moves hot air across the coils and fans to evenly warm the home.

“AP&T is very thankful to partner with Sealaska Corporation to empower southeast Alaskans to make efficient use of locally-available hydropower through heat pumps,” said Jason Custer, Vice President of Business Development for AP&T. “The benefits are tremendous: household energy cost-savings, elimination of emissions, improved indoor air quality, and no more worrying about fuel theft or spills.”

With the addition of Haida Corp.’s Híilangay hydroelectric project on Prince of Wales Island in the last year, customers who take advantage of the $1,000 incentive from AP&T and Sealaska can switch to 100% renewable energy and make a substantial impact on the amount of diesel and home heating oil being burned on the island. Between January and November of 2021, Híilangay project displaced more than 110,000 gallons of diesel.

Source — Sealaska Corporation

Amy Miller *(she/her/hers)*
Communications Manager | Sealaska

Bring the HEAT

ALASKANS ARE SWITCHING TO HEAT PUMPS

A heat pump is an energy efficient heating system that runs on locally-produced electricity. Many of AP&T's customers are installing heat pumps in their homes, businesses, and community facilities to switch from costly fossil fuels to 'clean heat' powered from local, renewable hydropower.

To learn more and apply, visit www.aptalaska.com/heat-pumps/. AP&T's website also has a list of local contractors who can install heat pumps and a video recording of a webinar explaining the program.

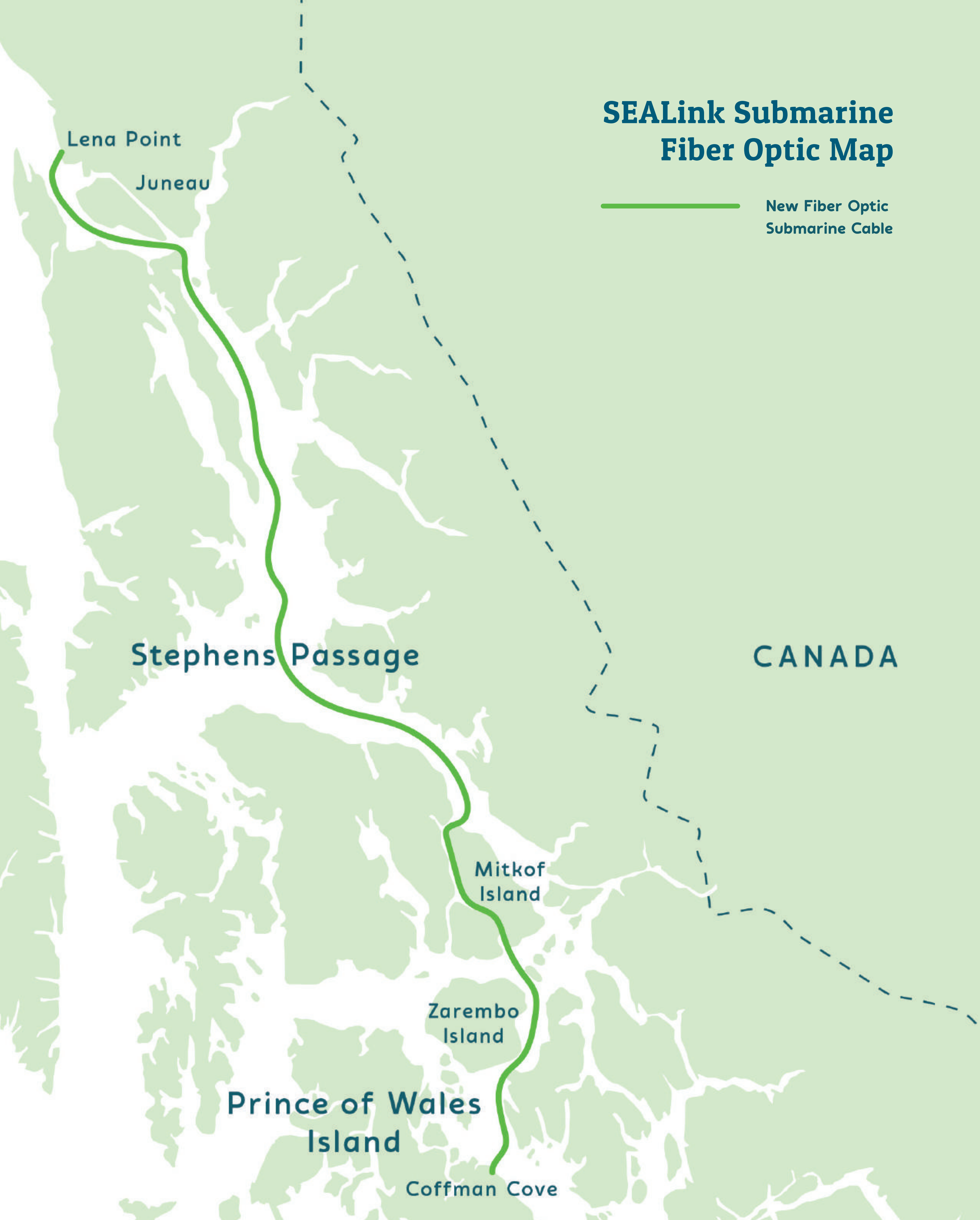
Cash-in on these benefits:

- **Potential savings on heating bill**
- **Convenience/low maintenance**
- **Cleaner indoor and outdoor air**
- **Safe heating option**
- **Community resilience**
- **Locally installed and maintained**
- **Less volatile pricing than fossil fuels**
- **Environmentally friendly**
- **Efficient use of energy**
- **No risk of fuel spills or leaks**

Calculate Potential Savings at www.heatpump.cf

AP&T

Alaska Power & Telephone — Committed to Serving Alaskan Communities
Empowering Alaskans with clean, renewable energy.


SEALink Submarine Fiber Optic Map
New Fiber Optic Submarine Cable
Lena Point
Juneau
Stephens Passage
CANADA
Mitkof Island
Zarembo Island
Prince of Wales Island
Coffman Cove

AP&T contractor TerraSond embarks on the Qualifier 105 to conduct a geophysical and hydographic study for the SEALink submarine fiber optic cable. Installation is scheduled for 2022.

Human Resources

Christina Hamlin, VP Chief Human Resource Officer

Organizational survival in a competitive environment depends in part on having identified and developed successors for key positions. Succession management is a priority and a part of Alaska Power & Telephone's strategic business plan. Our process of identifying high-potential employees; evaluating and honing their skills and abilities; and preparing them for advancement into positions that are key to the success of AP&T's operations involves understanding AP&T's long-term goals and objectives. When identifying candidates and their developmental needs, we also look to define workforce trends and predictions. With effective succession management, AP&T can continue to run smoothly and effectively while avoiding extended and costly vacancies. Planning for both the foreseen and unexpected absences of individuals who hold key roles at Alaska Power & Telephone has been a concerted effort continuing throughout 2021 and is key to our success and survival.

Most employees today want more than a paycheck. The opportunity to grow and develop as part of one's "work" is a factor that can retain talent. AP&T is supporting these growth and development opportunities more than ever. When posting for a current job opening, we first look at who internally could fill the role. The advantage of an internal candidate is that we know them, their work ethic, their talent, and their ability to mesh within our teams. We strive to work with them to develop a personalized growth and development plan that will help them reach the skill level required for the position. Additionally, understanding company culture and being an organizational fit are both linked to reduced turnover, increased organizational commitment, and increased employee satisfaction. During 2021, we were able to provide several growth opportunities for our internal teammates. Providing these opportunities is crucial to employee growth and morale, and the overall wellness of AP&T. One of the greatest things about these growth opportunities is reading the company announcements on SharePoint and seeing how supportive our employees are of one another.

Succession management and employee development are sound investments in Alaska Power & Telephone's future. As Donald Rumsfeld once said, "The secret to successful leadership and management is not really a secret: it's picking the right people." As we enter our 65th year as a trusted Energy and Telecom organization, we want to take a moment to celebrate and recognize the AP&T employees who are also celebrating a milestone –

5-Year

Tyler Bosdell, Diana Boyd, Lloyd Crookes, Christina Hamlin, Jason Hubbard, Matthew Jemin, Steve Kramer, Eddie McQuaid, Anne Ritchey and Josh Stukey

10-Year

Mackenzie Dahl and James Nelson

15-Year

Wade Adamson, Jann Hagen, Louisa James
Tim Montgomery, Kelsey Richter, Cody Schwegel
and Jackie Westcott

20-Year

Kathy Brendible, Danny Gonce, Carl Schwegel and Gary Soderberg

25-Year

Nora Kampnich and Sharon Filyaw

30-Year

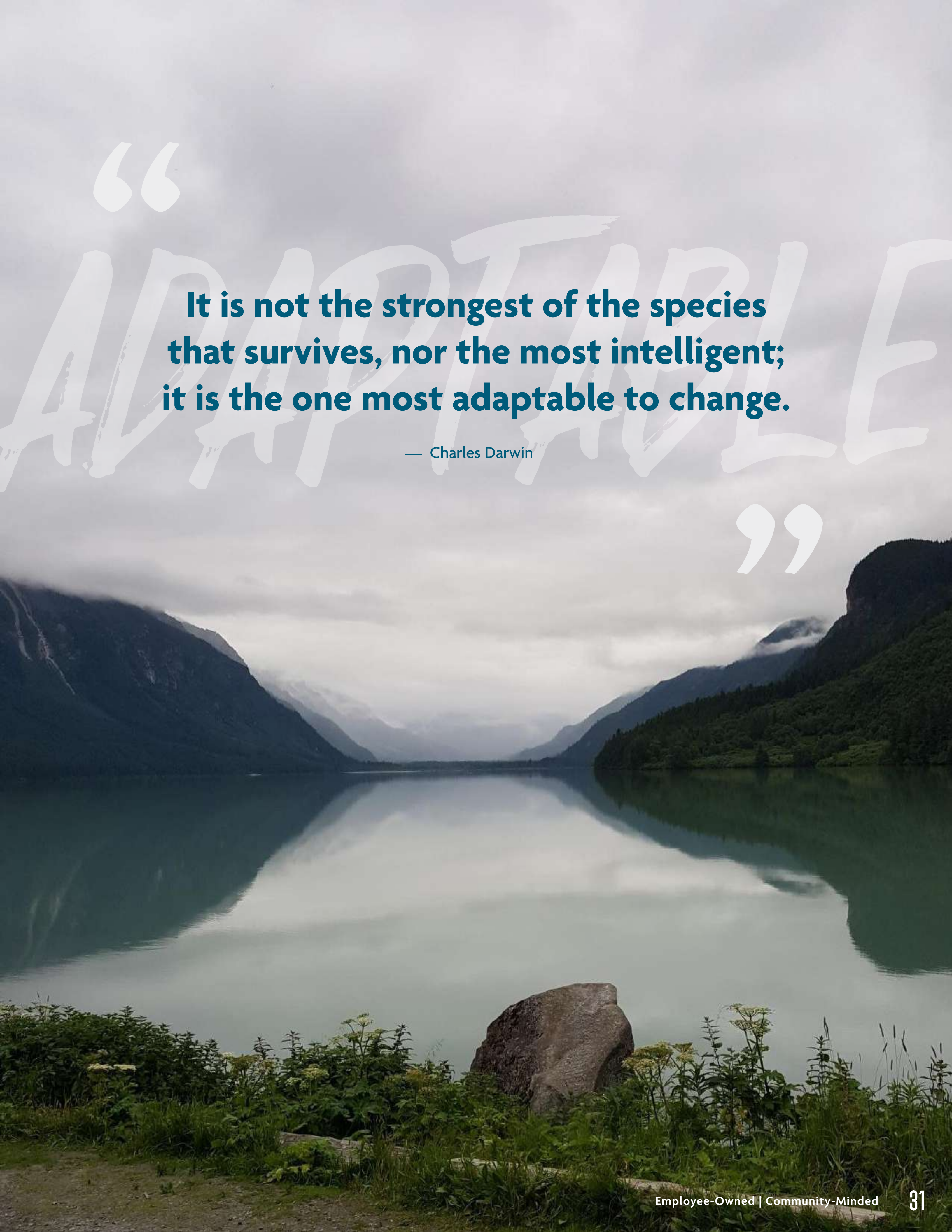
Carl Danielson

35-Year

John Harvey and Mickey Henton

40-Year

John Moots


ADAPTABLE
"It is not the strongest of the species that survives, nor the most intelligent; it is the one most adaptable to change."
— Charles Darwin

Service Area Map

Power Services

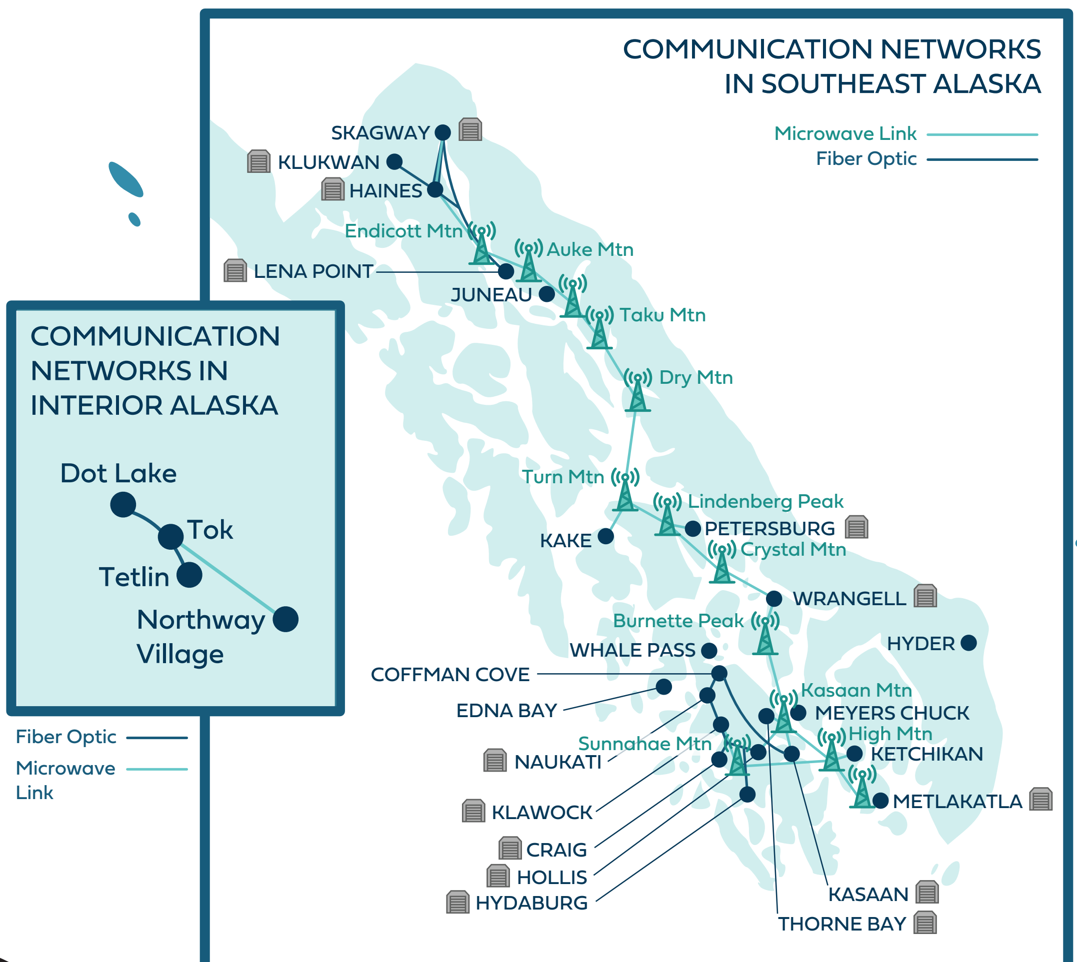
Communications Facility

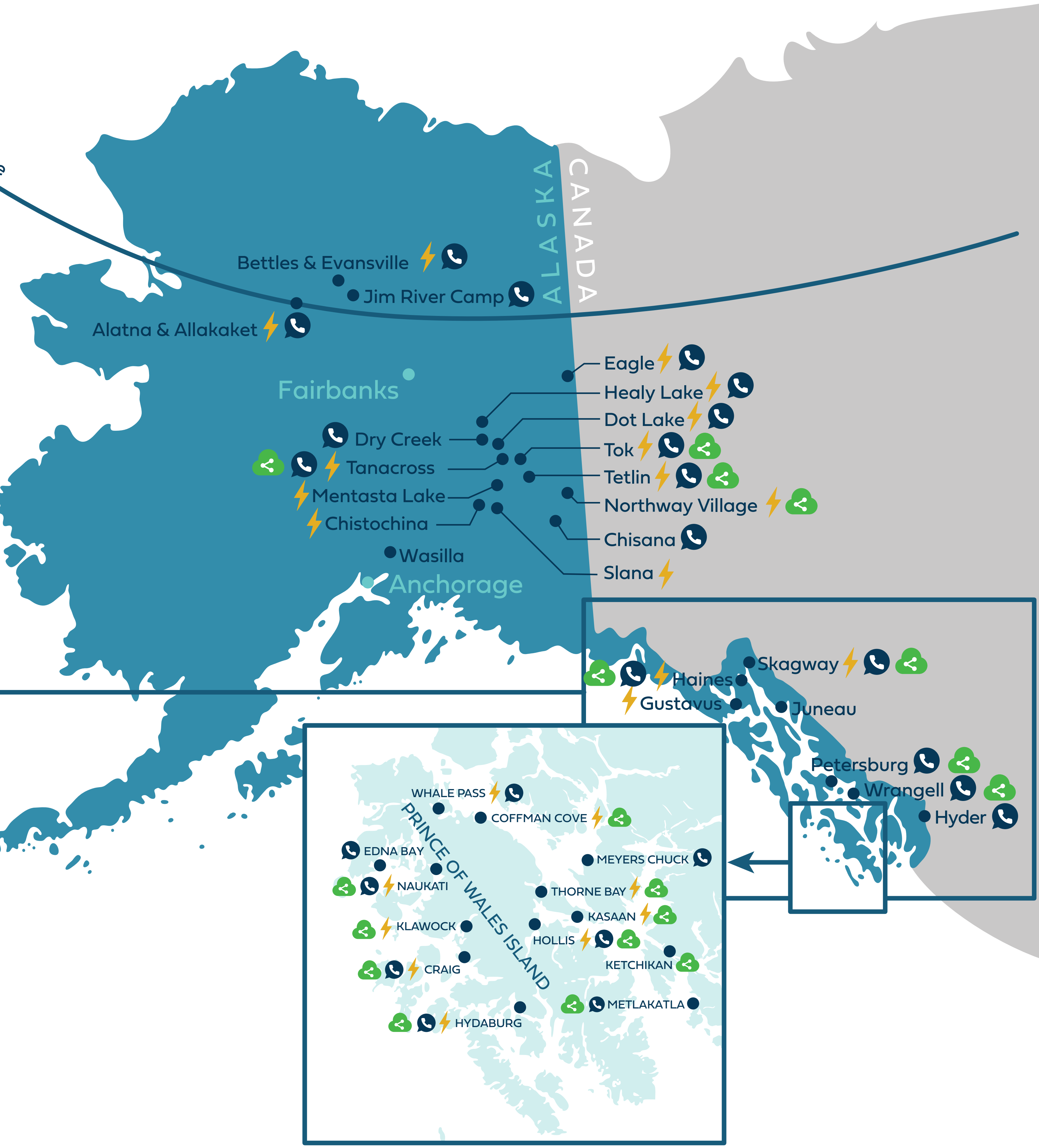
Data Services

SAMN Tower

Telecom Services

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




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

Alaska Power & Telephone Company

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

Company Overview

During 2021 total revenue from all operations was $63.4 million, an increase of $8 million over the previous year. $6.1 million of the increase was the result of a special construction contract. Net Income for the year increased to $12.85 million from $8.7 million for 2020, an increase of $4.1 million. The primary source of this change was related to extraordinary gains for the forgiveness of the PPP loan and recovery of taxes from a non-recurring line extension project (see the "Other Income and Expense" section of this report). The Company generated $19.25 million of cash from operations and invested $17.8 million into property plant and equipment. Total long-term debt (including the current portion) increased by $1.8 million to a total of $38.2 million as of December 31, 2021. Stockholder's equity increased by $10.4 million to a total of $66 million giving AP&T an equity to capitalization ratio of 63.4%, an increase of 4.8%. Total dividends to shareholders declared during the year were $2.67 million. Based on a weighted average of 1.25 million shares, the Company generated earnings per share of $10.27.

Operations by Segment

Electric Operations – Total 2021 sales for electric operations were 69.8 GWh, an increase of 8.3% from the previous year's results. Hydroelectric resources provided 55 GWh of generation, a 4.4% increase over the previous year. Gross revenue generated by power operations was $23.1 million, a 17.6% increase from 2020. Year-over-year sales in Gustavus, Haines and Prince of Wales Island increased by 13.2%, 11.5% and 11.2% respectively. Sales in the Tok region increased by 3.8% while Skagway increased 1.3%. Total operating expenses for the year increased by $2.9 million or 25% primarily due to a higher cost of power. Operating income for the year was $4.9 million, an increase of $347,000 or 7.6%. Energy sales have improved across our service areas due to improvements in the economy or a shift in energy usage compared to 2020. Mining, fishing and other resource activities on the Prince of Wales Island have improved. Tourism in the Upper Lynn Canal has also improved from 2020. The Interior has seen energy usage rise due to the easing of travel restrictions and tourism.

Telecommunications Operations – Gross revenues for regulated telecommunications operations remained constant year-over-year at $17.5 million. Operating expenses for the year increased by $250 thousand, or 2.1% to $12 million. Depreciation expense increased by $369 thousand or 11.2% as additional plant was placed into service. As a result, regulated telecommunication services' operating income decreased by $661 thousand or 27%, to a total of $1.8 million.

Non-regulated Operations – Non-regulated operations consist of AP&T Wireless, AP&T Long Distance (both provide telecom services) and AP&T's contract services. The primary source of revenue from non-regulated operations is derived from AP&T Wireless operations. Revenues for AP&T Wireless increased by $1.67 million, or 11.4%, to $16.2 million. Broadband and data transport sales were the primary sources of the increase. Long Distance services contributed $139 thousand in revenue, a decrease of 18.4%. A non-recurring line extension construction contract added an additional $6 million in revenue. Operating income from non-regulated telecom operations was $6.5 million, an increase of 6% or $371 thousand over the prior year. Total operating income for the segment of $7.1 million was recorded.

Other Income and Expense

AP&T receives patronage-based dividends from CoBank, its primary lender. CoBank bases its patronage on 0.95% of AP&T's average outstanding loan balances. CoBank also made a special patronage distribution resulting in AP&T receiving a total of 1.14% and 1.12% patronage on its outstanding loan balances for the years 2021 and 2020 respectively. The Company recorded patronage dividends of $472 thousand for 2021, and $485 thousand for 2020.

During the first half of 2021, the Company received notice that its application for forgiveness of its loan from the Payroll Protection Plan was approved. Consequently, a gain from the extinguishment of debt of $2.6 million was recorded.

As part of the non-recurring line extension contract, the Company collected federal income taxes for the value of the property which the Company will ultimately own and operate. Consequently, the Company recorded a gain on the excess contribution in aid of construction of $2.7 million.

The Company routinely re-evaluates the functionality and viability of its various assets and projects in order to determine the proper valuation of the balance sheet. When appropriate, AP&T will write down or retire those assets. Accordingly, the Company recorded miscellaneous charges of $498 thousand and $277 thousand in 2021 and 2020 respectively.

Financial Condition

During 2021, AP&T's investment in gross plant in service increased by $7.8 million or 3.3% to a total of $243.3 million. 61% of the additions were directed towards the energy sector as the Company focused on upgrading its facilities to reduce costs, to reduce our carbon footprint and increase our portfolio of renewable energy, and to ensure that clean, safe, affordable and reliable power can be provided to our customers. Telecommunication related construction focused on new installations, service upgrades and additional transport facilities necessary to improve service to our customers while meeting the requirements required with the Company's participation in the Alternate Connect America Cost Model (ACAM). Current assets increased by $3.7 million year-over-year. An increase in accounts receivables was driven by the completion of a large line extension contract at the end of the year. Inventory and other current assets increased by $770 thousand as the Company began acquiring the materials necessary for the upcoming construction season in the face of supply chain disruptions.

AP&T's Lindenburg Peak mountaintop communications site plays an essential role in ensuring the availability of services rural communities rely upon.

Total stockholders' equity increased by 18.7% or $10.4 million after a reduction of $2.7 million in declared dividends to shareholders. Common stock transactions with the Company's Employee Stock Ownership Plan led to a decrease of 0.3% or 3,260 in shares outstanding. The increasing interest rate environment and the reduced balance of the Company's interest rate swap resulted in a $480 thousand positive adjustment to "accumulated other comprehensive loss." Long-term interest-bearing liabilities at year-end 2021 were $38.2 million, an increase of 4.9% or $1.8 million.

Liquidity and Capital Resources

Operating Activities – Cash flows provided by ongoing operating activities during 2021 increased by $6 million or 45.8% to a total of $19.25 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 most prominent items that account for the change in 2021 are the impact on our net income from the previously mentioned loan forgiveness, taxes on the line extension contract and changes in other assets and liabilities category "due to contractors" for the line extension project.

Investing Activities – Net cash used for investing activities during 2021 was $17.6 million, an increase of $6.2 million or 54.8% over the previous year. $11.5 million of the expenditures related to plant being placed in service, with another $6.3 being carried over due to multi-year projects and remains in utility plant under construction.

Financing Activities –The Company raised $12.3 million in proceeds through the issuance of long-term debt, $12 million of which was facilitated through CoBank. Outstanding balances on the Company's line of credit were reduced by $3.6 million. $267 thousand of cash was used to settle stock transactions with the Company's Employee Stock Ownership Program during the year, down from $743 thousand in 2020. Cash payments of dividends increased by $154 thousand or 6.3% to a total of $2.58 million. Net cash used by the Company for financing activities during 2021 was $2.5 million, an increase of 36.4% or $679 thousand year-over-year. AP&T ended the year with $1.1 million of cash on hand, a $925 thousand reduction from the previous year.

ESG Initiatives

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

Issues, Risks and Challenges

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

- The fundamental strength of AP&T is rooted in our ownership structure as an employee-owned organization. Our employee shareholders demonstrate the alignment and commitment that is necessary for us to fulfill our mission of providing vital services and products to our customers in our service territory. Our ability to continue to source highly skilled new employees, especially those needed to replace retiring employees, will be critical to our future success.

- Changes in Alaska's economic environment could have a negative impact resulting in decreases in existing revenues restricted opportunities for future growth.

- Reliance on government subsidies to our regulated electric and telecommunications customers could be affected by legislative or regulatory changes.

- Deterioration in the financial condition of AP&T could result in the violation of the financial covenants of its Master Loan Agreement with CoBank, causing a default in the terms of the Agreement.

- Risks related to our operations include failure to comply with existing processes, policies and procedures designed to optimize business operations; unexpected changes in compliance regulations; political, legal and economic instability; seasonal factors affecting hydrology; the impact of unanticipated changes in weather, or weather-related disasters, and unforeseen adverse tax consequences.

- AP&T is experiencing challenges in sourcing materials and equipment because of supply chain disruptions. While we continue to seek additional suppliers and better anticipate future needs to minimize the impact of these disruptions, we anticipate these conditions will continue resulting in potential delays on projects as well as increased costs for materials, equipment, and related freight costs.

- During 2021, inflationary pressures began to impact our cost of operations in a way that we have not experienced for over a decade. While the Company continues to proactively manage our costs and expenses, continued upward inflationary pressures will result in increases in our cost of operations that may not be able to be fully passed along to our customers.

- COVID-19 continued to impact our results in 2021. After the declaration of COVID-19 as a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic which have varied by jurisdiction. AP&T has continued to monitor and comply with requirements and following best practices to best protect our employees, customers, and communities. Some measures have resulted in increased costs, others have delayed or slowed project work. Other measures, particularly federal government stimulus programs to close the digital divide in rural communities could create opportunities to accelerate capital projects which improve broadband service in our service territory. The future impact around COVID-19 is not currently known or quantifiable.

Michael Garrett, CPA
CEO, President

Chad A. Haggar, CPA
Chief Financial Officer, VP, Treasurer

While remote work has risen in popularity, it cannot match the "view from the office" that AP&T's field personnel get to enjoy. Still water in El Capitan on Prince of Wales Island, Alaska.

5 Year Summary

$ Expressed in thousands except per share data

	2017	2018	2019	2020	2021
Operating Results					
Operating Income					
Electric Services	$ 5,124	$ 4,574	$ 3,538	$ 4,538	$ 4,885
Telecommunications	4,937	3,783	4,245	2,460	1,799
Non-Regulated Operations	5,394	4,565	(4,302)	6,833	7,071
Total Operating Income	$ 15,455	$ 12,922	$ 3,481	$ 13,831	$ 13,755
Total Operating Margin	27.5%	23.1%	6.3%	25.0%	21.7%
Cash Flow from Operations	$ 17,308	$ 15,970	$ 12,064	$ 13,208	$ 19,251
Net Income	$ 10,205	$ 6,452	$ 917	$ 8,740	$ 12,852
Earnings (loss) per Share - Basic	$ 7.88	$ 5.01	$ 0.72	$ 6.94	$ 10.27
Financial Position					
Total Capitalization	$ 101,594	$ 100,093	$ 90,666	$ 91,974	$ 104,135
Weighted-Average Shares Outstanding	1,294,569	1,286,718	1,273,448	1,259,089	1,251,812
Book Value per Share - Basic	$ 37.19	$ 40.80	$ 39.39	$ 44.34	$ 52.77
Share Price per Valuation	$ 56.73	$ 61.80	$ 65.82	$ 74.14	TBD
Key Ratios					
Cash from Operations/Revenue	30.7%	28.6%	21.8%	23.8%	30.4%
EBITDA	$ 24,058	$ 21,399	$ 11,951	$ 22,909	$ 28,132
EBITDA / Revenue	42.7%	38.3%	21.6%	41.3%	44.4%
Debt / Capitalization	52.7%	47.7%	45.1%	39.6%	36.6%
Equity / Capitalization	47.3%	52.3%	54.9%	60.4%	63.4%
Return on Assets	8.2%	5.2%	0.8%	7.0%	9.4%
Return on Equity	21.2%	12.3%	1.8%	15.7%	19.5%
Dividends Declared / Share	$ 1.51	$ 1.86	$ 1.92	$ 1.92	$ 2.13

REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS

**ALASKA POWER & TELEPHONE COMPANY
AND SUBSIDIARIES**

December 31, 2021 and 2020

MOSSADAMS

Table of Contents

MOSSADAMS

Report of Independent Auditors

The Board of Directors
Alaska Power & Telephone Company and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Alaska Power & Telephone Company and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Alaska Power & Telephone Company and Subsidiaries as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Alaska Power & Telephone Company and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Alaska Power & Telephone Company and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alaska Power & Telephone Company and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Moss Adams LLP

Spokane, Washington
April 7, 2022

Alaska Power & Telephone Company
Consolidated Balance Sheets

ASSETS

	December 31, 2021	December 31, 2020
PROPERTY, PLANT, AND EQUIPMENT		
Electric	$ 125,911,274	$ 121,158,331
Telecommunications	110,642,720	108,246,964
Nonutility	6,788,825	6,130,667
	243,342,819	235,535,962
Less accumulated depreciation and amortization	148,049,310	142,277,861
	95,293,509	93,258,101
Utility plant under construction	11,705,048	5,388,727
Total property, plant, and equipment	106,998,557	98,646,828
OTHER ASSETS		
Investments	5,336,642	5,398,992
Goodwill, net of amortization	121,355	181,899
Rate stabilization asset	4,629,219	4,702,239
Other assets	1,931,006	1,388,688
Total other assets	12,018,222	11,671,818
CURRENT ASSETS		
Cash and cash equivalents	1,102,425	2,027,372
Receivables, less allowance for doubtful accounts of $28,419 in 2021 and $24,937 in 2020	11,341,171	7,278,345
Inventory and other current assets	5,732,173	4,961,226
Income tax refunds receivable	83,469	328,601
Total current assets	18,259,238	14,595,544
Total assets	$ 137,276,017	$ 124,914,190

See accompanying notes.

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2021	December 31, 2020
STOCKHOLDERS' EQUITY		
Common stock, $1 par value, 10,000,000 shares authorized, 1,250,182 and 1,253,442 shares issued and outstanding in 2021 and 2020, respectively	$ 1,250,182	$ 1,253,442
Additional paid-in capital	1,070,052	1,334,084
Retained earnings	63,937,025	53,754,068
Accumulated other comprehensive loss	(283,954)	(764,048)
Total stockholders' equity	65,973,305	55,577,546
LONG-TERM DEBT, less current portion and unamortized loan fees	30,606,779	29,008,024
INTEREST RATE SWAP	393,600	1,057,721
OTHER LIABILITIES AND DEFERRED CREDITS		
Deferred income taxes	15,900,984	15,041,282
Other deferred credits	802,339	707,687
Total other liabilities and deferred credits	16,703,323	15,748,969
CURRENT LIABILITIES		
Accounts payable and other accrued liabilities	8,665,257	4,919,010
Billings in excess of construction	138,021	341,668
Line of credit	7,240,744	10,872,930
Current portion of long-term debt	7,554,988	7,388,322
Total current liabilities	23,599,010	23,521,930
Total liabilities and stockholders' equity	$ 137,276,017	$ 124,914,190

See accompanying notes.

Alaska Power & Telephone Company
Consolidated Statements of Income

	Years Ended December 31, 2021	2020
REVENUE		
Electric	$ 23,090,844	$ 19,630,323
Telecommunications	17,452,294	17,494,397
Other nonregulated	22,818,720	18,281,782
	63,361,858	55,406,502
EXPENSES		
Electric	14,563,615	11,663,141
Telecommunications	11,978,455	11,728,267
Other nonregulated	13,602,689	9,340,854
Operations and maintenance expense	40,144,759	32,732,262
Depreciation and amortization expense	9,461,667	8,843,269
	49,606,426	41,575,531
Income from operations	13,755,432	13,830,971
OTHER INCOME (EXPENSE)		
Dividend income	489,289	513,700
Gain from extinguishment of debt	2,617,185	-
Amortization of goodwill	(60,544)	(60,544)
Loss on abandoned project	-	(1,588)
Excess contribution in aid of construction	2,307,448	-
Miscellaneous	(498,939)	(276,614)
Total other income	4,854,439	174,954
Interest income	7,926	8,797
Interest expense	(2,292,008)	(2,606,483)
Net interest expense	(2,284,082)	(2,597,686)
Income before income taxes	16,325,789	11,408,239
Provision for income taxes	(3,473,691)	(2,668,355)
Net income	$ 12,852,098	$ 8,739,884
Basic and diluted earnings per share	$ 10.27	$ 6.94
Weighted-average basic and diluted shares outstanding	1,251,812	1,259,089

See accompanying notes.

	Years Ended December 31,	
	2021	2020
Net income	$ 12,852,098	$ 8,739,884
Other comprehensive income before tax		
Gain from fair value adjustment to interest rate swap	664,121	258,059
Income tax expense related to fair value adjustment to interest rate swap liability	(184,027)	(70,929)
	480,094	187,130
Comprehensive income	$ 13,332,192	$ 8,927,014

See accompanying notes.

Alaska Power & Telephone Company
Consolidated Statements of Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2019	$ 1,264,736	$ 2,066,155	$ 47,438,273	$ (951,178)	$ 49,817,986
Net income	-	-	8,739,884	-	8,739,884
Sale of common stock	21,657	1,403,820	-	-	1,425,477
Repurchase of common stock	(32,951)	(2,135,891)	-	-	(2,168,842)
Fair value adjustment to interest rate swap, net of tax	-	-	-	187,130	187,130
Dividends to shareholders	-	-	(2,424,089)	-	(2,424,089)
Balance at December 31, 2020	1,253,442	1,334,084	53,754,068	(764,048)	55,577,546
Net income	-	-	12,852,098	-	12,852,098
Sale of common stock	22,208	1,624,307	-	-	1,646,515
Repurchase of common stock	(25,468)	(1,888,339)	-	-	(1,913,807)
Fair value adjustment to interest rate swap, net of tax	-	-	-	480,094	480,094
Dividends to shareholders	-	-	(2,669,141)	-	(2,669,141)
Balance at December 31, 2021	$ 1,250,182	$ 1,070,052	$ 63,937,025	$ (283,954)	$ 65,973,305

See accompanying notes.

	Years Ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 12,852,098	$ 8,739,884
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	9,522,211	8,903,814
Amortization of loan issuance costs	426,209	114,185
Excess contribution in aid of construction	(2,307,448)	-
Loss on abandoned project	-	1,588
Gain from extinguishment of debt	(2,617,185)	-
Noncash patronage dividends	(104,324)	(102,762)
Loss on impairment of investment	-	159,336
Provision for loss on contracts	-	(1,805,847)
Deferred income taxes	660,689	474,795
Accretion of rate stabilization asset	73,020	(31,702)
Changes in assets and liabilities		
Receivables	(1,755,378)	(1,104,404)
Income taxes	245,132	1,737,602
Other assets and liabilities	2,255,769	(3,878,684)
Net cash from operating activities	19,250,793	13,207,805
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant, and equipment, net	(17,798,410)	(11,551,887)
Other investment	(15,000)	-
Proceeds from investment	181,674	164,619
Net cash from investing activities	(17,631,736)	(11,387,268)

See accompanying notes.

	Years Ended December 31,	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	$ 12,333,333	$ 2,599,444
Proceeds from line of credit	35,953,343	10,150,000
Payments on line of credit	(39,585,529)	(4,277,070)
Payments on long-term debt	(8,394,666)	(7,165,186)
Proceeds from sale of common stock	1,646,515	1,425,477
Repurchase of common stock	(1,913,807)	(2,168,842)
Dividends paid	(2,583,193)	(2,429,148)
Net cash from financing activities	(2,544,004)	(1,865,325)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(924,947)	(44,788)
CASH AND CASH EQUIVALENTS, beginning of the year	2,027,372	2,072,160
CASH AND CASH EQUIVALENTS, end of the year	$ 1,102,425	$ 2,027,372
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest expense	$ 1,951,632	$ 2,606,483
Income taxes	$ 3,024,433	$ 479,002
NONCASH INVESTING AND FINANCING ACTIVITIES		
Unrealized gain on interest rate swap, net of tax	$ 480,094	$ 187,130
Accrued dividends payable	$ 687,600	$ 601,652

See accompanying notes.

Note 1 – The Company and Summary of Significant Accounting Policies

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

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

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

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

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

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

Note 1 – The Company and Summary of Significant Accounting Policies (continued)

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

Valuation of accounts receivable – Accounts receivable are stated at the amount management expects to collect on outstanding balances. AP&T reviews the collectibility 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 material, labor, and similar items and charges for such indirect costs as engineering, supervision, payroll taxes, and pension benefits. AP&T capitalizes, as an additional cost of utility plant, an allowance for funds used during construction (AFUDC), which represents the allowed cost of capital used to finance a portion of construction work in progress for projects of more than one year in duration. AFUDC consists of debt and equity components that, when capitalized, are credited as noncash items to other income and interest charges.

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

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

Note 1 – The Company and Summary of Significant Accounting Policies (continued)

Goodwill – Between 1995 and 1997, AP&T purchased the power assets of three service areas in Alaska from existing power providers. The excess of the purchase price over the assets acquired has been recorded as goodwill in the amount of $715,662 for the power properties. AP&T adopted Accounting Standards Update (ASU) 2014-02, *Intangibles – Goodwill and Other (Topic 350) – Accounting for Goodwill*, for the year ended December 31, 2014. Under this guidance, goodwill is tested for impairment by management when a triggering event occurs that indicates the fair value of the reporting unit is less than its carrying amount. In addition, under this standard, management has elected to amortize goodwill on a straight-line basis over a period of ten years. Management has reviewed events and circumstances that may be considered a triggering event and determined no such event occurred during 2021 or 2020. Total amortization expense related to goodwill for the years ended December 31, 2021 and 2020, was $60,544 and $60,544, respectively.

Goodwill is included in other assets on the consolidated balance sheets. As of December 31, 2021 and 2020, the carrying amount of goodwill was $121,355 and $181,899, respectively, which included accumulated amortization of $9,145,045 and $9,084,501, respectively.

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

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

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

The Company records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50%. As of December 31, 2021 and 2020, the Company had no accrued amounts related to uncertain tax positions. Interest and penalties, if any, are recorded as interest expense and other expense, respectively.

Other deferred credits – Other deferred credits consist of customer advances for construction, grant funded projects, and other deferred revenue. Customer advances for construction of additions to the electric distribution systems are recorded as a liability and are amortized through discounted service billings to the customer over a 60-month period. At the end of the amortization period, any remaining balance is recorded as a reduction of the respective utility plant accounts. Customer advances for construction were $802,339 and $707,687 at December 31, 2021 and 2020, respectively.

Note 1 – The Company and Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

Note 1 – The Company and Summary of Significant Accounting Policies (continued)

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

Telecommunications operating revenues include settlements based on AP&T's participation in the interstate revenue pools administered by the National Exchange Carrier Association (NECA) and regulated by the FCC. These revenues are determined by annually prepared separations and interstate access cost studies. Revenues for the current year are based on estimates prior to the submission of the cost study reporting actual results of operations. Additionally, the studies are subject to a 24-month pool adjustment period and final review and acceptance by the pool administrators. There was an insignificant revenue impact for 2021 and 2020 for adjustments related to prior year differences between the recorded estimates and actual revenues. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 2021 and 2020.

Additionally, telecommunications operating revenues include revenues received from intrastate revenue pools administrated by the Alaska Exchange Carriers Association that are based on AP&T's relative cost of providing intrastate access service. These revenues are based on projections submitted periodically and intrastate access cost studies that are submitted every two years. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 2021 or 2020.

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

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

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

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

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

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

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

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

Note 1 – The Company and Summary of Significant Accounting Policies (continued)

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 2021 or 2020.

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.

Advertising costs – AP&T expenses advertising costs as incurred. Advertising expenses during the years ended December 31, 2021 and 2020, were $48,004 and $36,619, respectively.

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

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

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

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

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

- Goodwill impairment testing
- Interest rate swap

Note 1 – The Company and Summary of Significant Accounting Policies (continued)

The fair value of the Company's interest rate swap is determined based on Level 2 of the fair value hierarchy at December 31, 2021 and 2020.

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

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

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

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

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

Recently issued accounting pronouncements – *Lease accounting* – In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which is intended to increase transparency and comparability of accounting for lease transactions. The ASU will require lessees to recognize most leases on the balance sheet as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The effective date of ASU No. 2016-02 was deferred by ASU No. 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842): *Effective Dates for Certain Entities*, to annual periods beginning after December 15, 2021. The Company will adopt the provisions of this statement in the first quarter of its year ending December 31, 2022, and is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

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 April 7, 2022, which is the date the consolidated financial statements were available to be issued.

Note 2 – Rate Stabilization Asset

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

Note 3 – Lease Agreements

Operating leases – AP&T leases a portion of its office space and a portion of its utility plant under noncancelable leases. Rent expense on the noncancelable leases was $399,426 and $240,898 for 2021 and 2020, respectively. Certain leases include renewal provisions at AP&T's option. Minimum rental commitments under noncancelable operating leases are as follows:

2022	$	357,569
2023		321,242
2024		278,314
2025		248,063
2026		248,063

Additional cancellable lease agreements have been secured for the use of the land for hydroelectric operations. The term of the agreements extend for the life of the hydroelectric license of 50 years. Total Company rent expense was $963,608 and $754,048 in the years ending 2021 and 2020, respectively.

Note 4 – Property, Plant, and Equipment

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

	Plant Account	Accumulated Depreciation	2021 Net Balance	2020 Net Balance	Depreciation Rate
Regulated electric					
Hydroelectric	$ 29,583,756	$ 13,352,709	$ 16,231,047	$ 16,677,321	2%
Other generation	29,171,585	15,200,170	13,971,415	11,906,945	4% to 8%
Transmission and distribution	49,503,181	33,733,235	15,769,946	16,195,702	2.5% to 4%
Other	16,056,746	10,155,127	5,901,619	5,633,654	2.5% to 20%
Land	807,040	-	807,040	807,040	---
Utility plant acquisition adjustment	429,317	429,312	5	5	6%
	125,551,625	72,870,553	52,681,072	51,220,667	
Regulated telecommunications					
General support assets	10,599,852	7,022,816	3,577,036	3,182,961	2.5% to 20%
Central office assets	32,957,394	27,533,630	5,423,764	5,717,510	8% to 14%
Cable and wire facilities	32,064,596	22,117,508	9,947,088	9,254,094	3% to 6%
Land	460,962	-	460,962	460,962	---
	76,082,804	56,673,954	19,408,850	18,615,527	
Other nonregulated					
Buildings	6,052,567	3,318,862	2,733,705	2,823,800	4%
Nonregulated telecommunications	34,559,916	15,185,941	19,373,975	20,261,675	4% to 20%
Plant held for future use	359,649	-	359,649	109,669	---
Land	736,258	-	736,258	226,763	---
	41,708,390	18,504,803	23,203,587	23,421,907	
Total property, plant, equipment	$ 243,342,819	$ 148,049,310	$ 95,293,509	$ 93,258,101	

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

Note 5 – Investments

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

	2021	2020
Investment in National Bank of Cooperatives (CoBank)	$ 4,148,167	$ 4,239,989
Investment in Ketchikan Electric Company, LLC (KEC)	600,000	600,000
Investment in Haida Energy, Inc. (HE)	465,000	450,000
Other	123,475	109,003
	$ 5,336,642	$ 5,398,992

CoBank – CoBank is organized similar to a cooperative and is owned by the customers it serves. As such, a portion of CoBank's earnings is returned to its customers based on their patronage with the bank. This investment is recorded on the cost method. Dividend income was reported in the amounts of $472,219 and $484,652 for 2021 and 2020, 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 2021 and 2020.

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.

The Company constructed the project on behalf of HE under a cost-plus-fee, maximum price arrangement and recorded the following cumulative activity through the years ended December 31:

	2021	2020
Project billings	$ -	$ 22,100,000
Revenue recognized	-	21,758,332
Project expenditures	-	31,167,537
Project expenditures and accrued costs	-	31,585,000

As of December 31, 2021, the hydroelectric power project is fully operational. The earnings related to the power project for 2021 are not material.

Note 5 – Investments (continued)

Alaska Power Company (APC) entered into a power sales agreement with HE in 2015 that requires APC to purchase power from HE before diesel generation if HE has available energy. APC must also make principal payments on the loans that HE has with AEA, up to a maximum of $20,000,000. The required purchase of power begins on the earlier of the commercial operation date of the Reynolds Creek project or January 31, 2020. The Company determined that the Reynolds Creek project would not be operational by January 31, 2020. As a result, the construction line of credit was converted into long-term debt and, therefore, the Company was required to begin making loan payments on behalf of HE, beginning in April 2020. Because this loan is debt for HE, the Company will not carry the debt. The quarterly principal-only payments of $108,696 are to be paid by the Company throughout the life of the loan. Beginning on April 1, 2026, HE will pay interest on the loan, with interest calculated on the unpaid principal balance at the note rate unless there is a default; after a default, the applicable interest rate shall be the default rate. The Company's final payment will be due on January 1, 2066, the maturity date, and is estimated to be $109,731. The Company will receive power credits to be used against future purchases of power from HE in the same amount of the principal-only payments made on behalf of HE. The Company had $359,649 and $434,783 of prepaid power credits to offset against future payments as of December 31, 2021 and 2020, respectively.

Management reviews the value of these investments by evaluating if current events, future cash flows, and other circumstances indicate the fair value is less than the carrying value and has concluded that no impairment exists at December 31, 2021.

The following table represents future maximum commitments:

Years ending December 31,	2022	$ 434,783
	2023	434,783
	2024	434,783
	2025	434,783
	2026	764,004
	Thereafter	16,735,994
		$ 19,239,130

Note 6 – Long-Term Debt

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

	2021	2020
CoBank notes payable, secured by all assets of AP&T and its subsidiaries, due in quarterly installments and based on a 6-year amortization with a fixed interest rate of 4.98%.	$ 7,078,500	$ 7,672,500
CoBank notes payable, secured by all assets of AP&T and its subsidiaries, due in quarterly installments and based on a 15-year amortization with a fixed interest rate of 4.47%. Net of unamortized issuance costs of $109,693.	4,873,640	5,722,509
CoBank notes payable, secured by all assets of AP&T and its subsidiaries, due in quarterly installments and based on a 10-year amortization with a fixed interest rate of 2.78% at December 31, 2021. Interest rate swap agreement reduces exposure to interest rate fluctuations. Net of unamortized issuance costs of $177,287.	10,099,356	15,468,664
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%.	2,583,333	2,916,667
Notes payable to state of Alaska, secured by certain electric assets, with fixed interest rates ranging from 0.00% to 5.45%, maturing at various dates from 2022 through 2037.	1,777,085	1,913,182
CoBank Paycheck Protection Program (PPP) loan with a fixed interest rate of 1%. Interest and principal forgiven in 2022.	-	2,599,444
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 1.86% at December 31, 2021. Net of unamortized issuance costs of $358,480	11,416,520	-
Other term debt	333,333	103,380
	38,161,767	36,396,346
Less current portion	(7,554,988)	(7,388,322)
	$ 30,606,779	$ 29,008,024

Annual maturities for the five years beginning January 1, 2022, are $7,554,988, $7,442,134, $3,674,061, $4,363,976, and $3,494,258, respectively, and $11,632,350 thereafter.

Note 6 – Long-Term Debt (continued)

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

The Company has entered into an interest rate swap agreement on all of its variable rate long-term debt with CoBank. The interest rate swap became effective in August 2013 and amortizes over an additional 10-year term at 7.62% per annum. The fair value of the interest rate swap liability was $393,600 and $1,057,721 at December 31, 2021 and 2020, respectively, and is classified within Level 2 of the valuation hierarchy.

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

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

The Company has a $20 million line of credit established with CoBank with variable bullet interest rates ranging from 1.89% to 2.55%. There were outstanding balances on the line of credit of $7,240,744 and $10,872,930 at December 31, 2021 and 2020, respectively. The line of credit matures in 2024.

Note 7 – Income Taxes

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

	2021	2020
Current	$ 2,813,002	$ 2,191,360
Deferred	660,689	476,995
	$ 3,473,691	$ 2,668,355

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

	2021	2020
Income tax provision at federal rate of 21%	$ 3,427,270	$ 2,395,730
State income taxes, net of federal benefit	691,222	591,049
Impact of net operating loss carryback	-	(168,873)
Permanent items	(784,224)	(228,162)
Other	139,423	78,611
Provision for income taxes	$ 3,473,691	$ 2,668,355

Note 7 – Income Taxes (continued)

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

	2021	2020
Deferred tax asset		
Allowance for bad debt	$ (7,875)	$ (6,910)
Accrued employee benefits	(251,569)	(254,304)
Capital loss carryover	(1,167,884)	(1,167,884)
Book vs. tax basis of investments	(340,765)	(340,765)
Fair value adjustment of interest rate swap liability	(109,067)	(293,094)
Other	(17,474)	(5,235)
	(1,894,634)	(2,068,192)
Less valuation allowance	1,167,884	1,167,884
Total deferred tax assets	(726,750)	(900,308)
Deferred tax liability		
Prepaid expenses	463,498	466,431
Tax amortization and depreciation greater than book	14,284,002	14,214,085
Deferred revenues and expenses	1,880,234	1,261,074
Total deferred tax liabilities	16,627,734	15,941,590
Net deferred tax liability	$ 15,900,984	$ 15,041,282

The consolidated balance sheet includes a total amount for income taxes receivable of $83,469 at December 31, 2021. This consists of a federal receivable of $224,402 and a state payable of $140,933.

The Company has a capital loss carryover totaling $4,214,666 that is scheduled to expire December 31, 2022.

The valuation allowance as of December 31, 2021 is $1,167,884 and reflects no change from the year ended December 31, 2020.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, permits net operating losses (NOL) carryovers and carrybacks to offset 100% of taxable income for tax years beginning before 2021. In addition, the CARES Act allows NOLs incurred in 2018, 2019, and 2020 to be carried back to each of the five preceding tax years to generate a refund of previously paid income taxes. The Company filed a net operating loss carryback claim for its 2019 NOL which generated a federal refund of previously paid income taxes amounting to $398,314 and a state refund of $100,074.

Note 8 – Employee Stock Ownership Plan and Other Benefits

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

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

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

In 2021, employer matching contributions and profit sharing contributions were $624,883 and $348,362, respectively. In 2020, employer matching contributions and profit sharing contributions were $600,867 and $336,887, respectively. The Plan was not leveraged as of December 31, 2021 and 2020.

Note 9 – Business Segment Information

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

Year Ended December 31, 2021 (all numbers in thousands)	Regulated Electric	Regulated Telecom	Other Nonregulated	Consolidated
Operating revenue	$ 23,091	$ 17,452	$ 22,819	$ 63,362
Depreciation and amortization	3,642	3,675	2,145	9,462
Operating income	4,885	1,799	7,071	13,755
Interest expense	653	-	1,639	2,292
Interest income	-	-	8	8
Total fixed assets	125,552	76,083	41,708	243,343
Total accumulated depreciation	(72,871)	(56,674)	(18,504)	(148,049)
Total fixed assets, net	52,681	19,409	23,204	95,294
Capital expenditure	3,777	1,734	12,287	17,798

Note 9 – Business Segment Information (continued)

Year Ended December 31, 2020 (all numbers in thousands)	Regulated Electric	Regulated Telecom	Other Nonregulated	Consolidated
Operating revenue	$ 19,630	$ 17,494	$ 18,283	$ 55,407
Depreciation and amortization	3,429	3,306	2,108	8,843
Operating income	4,538	2,460	6,833	13,831
Interest expense	472	-	2,134	2,606
Interest income	-	-	9	9
Total fixed assets	121,049	74,221	40,266	235,536
Total accumulated depreciation	(69,828)	(55,605)	(16,845)	(142,278)
Total fixed assets, net	51,221	18,616	23,421	93,258
Capital expenditure	2,537	2,761	6,254	11,552

Note 10 – Other Assets

Other assets consist of the following at December 31:

	2021	2020
Miscellaneous regulatory assets - power	$ 1,242,942	$ 689,608
Other	688,064	699,080
	$ 1,931,006	$ 1,388,688

Note 11 – Operating Revenue

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

	For the Year Ended December 31, 2021		
	Total	Revenue From Contracts With Customers	Other Revenue
Electric	$ 23,090,844	$ 22,919,071	$ 171,773
Telecommunications	17,452,294	11,589,338	5,862,956
Other nonregulated	22,818,720	19,419,679	3,399,041
	$ 63,361,858	$ 53,928,088	$ 9,433,770

Note 11 – Operating Revenue (continued)

	For the Year Ended December 31, 2020		
	Total	Revenue From Contracts With Customers	Other Revenue
Electric	$ 19,630,323	$ 19,464,177	$ 166,146
Telecommunications	17,494,397	11,389,412	6,104,985
Other nonregulated	18,281,782	15,010,808	3,270,974
	$ 55,406,502	$ 45,864,397	$ 9,542,105

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

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

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

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

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

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

	2021	2020
Contract assets		
Unbilled revenue	$ 793,071	$ 682,684

Note 12 – Grant Awards

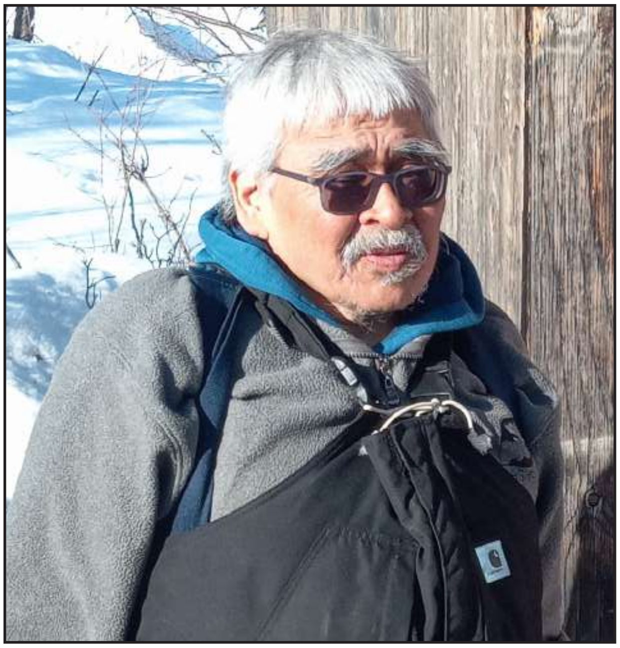
During 2021, the Company was awarded a grant totaling approximately $21,545,167 by the Rural Utility Service (RUS) under the ReConnect Program. The grant was awarded for the construction of broadband infrastructure that would be owned and operated by the Company to expand access to broadband services in rural areas in and around the Company's service territory. The Company is required to recognize grant proceeds related to the construction of assets as revenue over the life of the assets constructed. As of December 31, 2021, the Company is in the planning phases of the construction projects and has not received any grant funds.

MOSSADAMS

CONGRATS RETIREES!

We at AP&T congratulate our 2021 retirees.
It has been a privilege working with you, and now it is an honor helping you celebrate your retirements.

Gregory Mickelson, 43 Years with AP&T
VP/General Manager Power Operations
Craig, Alaska



Vincent 'Ben' Bergman, 26 Years with AP&T
Watchman Interior Division
Tok, Alaska

Larry Coupe, 20 Years with AP&T
Senior Engineer Hydro/Civil
Port Townsend, WA

Anthony Wise, 20 Years with AP&T
Teleco Combo Tech III
Craig, Alaska

Jay Capps, 16 Years with AP&T
Watchman Interior Division
Tok, Alaska

In Memoriam

Merle Snavley first became to work for Alaska Power & Telephone in Tok, in the summer of 1967. He and his family lived in Tok, Skagway, and Craig, Alaska while he worked for AP&T, until he retired in 1994. Merle will be greatly remembered - rest in peace.

MERLE SNAVLEY

December 3, 1927 - September 13, 2021

Assistant Vice President & Craig Manager

1981

Left: Roger Sperl, Acting Skagway Manager; Vernon Neitzer, VP & Chief Engineer; Alan See, VP & Tok Manager; Ralph Wilson, President; Allen Wirtz, Hydaburg Manager; Merle Snavley, Assistant VP & Craig Manager.

Right: The Operating Committee of the company consists of the following personnel: Ralph Wilson (Chairman); Merle Snavley; Alan See (Secretary); Vernon Neitzer; and Roger Sperl.

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A Notice to Shareholders

Notice to Shareholders:
The annual meeting will be held on Wednesday, May 25th, 2022 at 10:00am, PDT via a live webcast at:
www.virtualshareholdermeeting.com/APTL2022

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

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