

Alaska Power & Telephone Company

Consolidated Balance Sheet

(unaudited)

ASSETS

	<u>6/30/2025</u>	<u>12/31/2024</u>	<u>6/30/2024</u>
Property plant and equipment			
Electric	\$ 156,278,276	\$ 154,231,141	\$ 149,162,058
Telecommunications	165,395,166	163,204,468	144,050,628
Non-utility	9,634,098	9,635,526	9,930,052
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	331,307,540	327,071,135	303,142,738
Less: accumulated depreciation	(182,586,805)	(175,686,747)	(170,972,055)
	<hr/>	<hr/>	<hr/>
	148,720,735	151,384,388	132,170,683
Utility plant under construction	21,743,138	15,967,360	23,347,683
Net property, plant and equipment	<hr/>	<hr/>	<hr/>
	170,463,873	167,351,748	155,518,366
 Other assets			
Investments	5,593,217	5,151,659	4,966,588
Goodwill, net of amortization	-	-	-
Rate stabilization asset	3,658,328	3,840,946	4,011,473
ROU Assets - Leases	2,093,277	2,093,277	2,359,502
Other assets	4,907,884	3,778,033	3,260,856
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Total other assets	16,252,708	14,863,917	14,598,419
 Current assets			
Cash	1,938,571	1,801,150	2,174,667
Receivables, less allowance	7,058,035	6,918,922	5,272,665
Securities available for sale	-	3,287	2,849
Inventory and other current assets	10,080,269	10,494,044	9,720,786
Income Taxes Recoverable	17,504	9,465	-
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Total current assets	19,094,379	19,226,868	17,170,967
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TOTAL ASSETS	\$ 205,810,960	\$ 201,442,533	\$ 187,287,752

LIABILITIES AND STOCKHOLDERS' EQUITY

Stockholders' equity			
Common stock (\$1 par value)	\$ 1,205,500	\$ 1,188,012	\$ 1,208,523
Additional paid-in capital	1,219,327	63,979	(6,384,342)
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Retained earnings	73,802,856	74,292,490	76,303,265
YTD Net Income	3,673,109	-	3,308,702
Retained earnings	<hr/>	<hr/>	<hr/>
	77,475,965	74,292,490	79,611,967
Other comprehensive income / (loss)	-	-	411
Total stockholders' equity	<hr/>	<hr/>	<hr/>
	79,900,792	75,544,481	74,436,559
 Total long-term debt	59,001,573	60,849,445	64,967,564
 Other liabilities			
Deferred income taxes	17,330,343	17,322,304	15,854,422
Long term operating lease liability	1,741,124	1,739,905	1,979,213
Other deferred credits	26,471,696	24,188,165	17,240,609
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Total other liabilities	45,543,163	43,250,374	35,074,244
 Current liabilities			
Accounts payable and accruals	4,260,977	8,136,569	6,250,289
Line of credit	11,698,914	8,254,904	2,331,451
Current portion of long-term debt	5,053,387	5,053,387	3,843,574
Current portion of operating lease liability	352,154	353,373	384,071
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Total current liabilities	21,365,432	21,798,233	12,809,385
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TOTAL LIABILITIES & STOCKHOLDERS EQUITY	\$ 205,810,960	\$ 201,442,533	\$ 187,287,752

Alaska Power & Telephone Company
Consolidated Income Statements
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
REVENUE				
Electric	\$ 7,848,912	\$ 6,871,362	\$ 15,833,578	\$ 14,595,542
Telecommunications	9,393,262	8,790,047	18,341,711	17,178,220
Other Nonregulated	93,858	156,929	185,484	397,612
	<u>17,336,032</u>	<u>15,818,338</u>	<u>34,360,773</u>	<u>32,171,374</u>
EXPENSES				
Electric	5,860,882	4,936,908	11,645,273	10,382,707
Telecommunications	5,457,228	5,259,061	10,512,431	10,471,494
Other Nonregulated	(73,451)	(24,116)	(143,544)	71,915
Operations and maintenance expense	11,244,659	10,171,853	22,014,160	20,926,116
Depreciation and amortization expense	3,222,813	3,234,868	6,748,126	6,462,668
	<u>14,467,472</u>	<u>13,406,721</u>	<u>28,762,286</u>	<u>27,388,784</u>
OPERATING INCOME	2,868,560	2,411,617	5,598,487	4,782,590
OTHER INCOME (EXPENSE)				
Gain / (Loss) on investments	119,272	1,013,803	565,727	1,128,106
Extraordinary Gain / (Loss)	334,573	-	334,573	-
Miscellaneous	67,576	86,123	161,740	150,399
Total other income	<u>521,421</u>	<u>1,099,926</u>	<u>1,062,040</u>	<u>1,278,505</u>
Interest income	737	11,362	3,539	127,192
Interest expense	(844,290)	(862,254)	(1,707,237)	(1,773,103)
Net interest expense	<u>(843,553)</u>	<u>(850,892)</u>	<u>(1,703,698)</u>	<u>(1,645,911)</u>
Income before Tax	2,546,428	2,660,651	4,956,829	4,415,184
Provision for income taxes	659,493	694,702	1,283,721	1,106,482
NET INCOME	<u>\$ 1,886,935</u>	<u>\$ 1,965,949</u>	<u>\$ 3,673,108</u>	<u>\$ 3,308,702</u>
Earnings per share basic and diluted	\$ 1.58	\$ 1.63	\$ 3.08	\$ 2.72
Weighted average shares - basic and diluted	1,194,976	1,208,523	1,191,778	1,214,535

ALASKA POWER & TELEPHONE COMPANY
Consolidated Income Statements by Segment
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
ELECTRIC				
Revenues	\$ 7,848,912	\$ 6,871,362	\$ 15,833,578	\$ 14,595,542
Less: Cost of Power	(2,178,392)	(1,691,942)	(4,138,095)	(3,435,854)
Net Revenues	5,670,520	5,179,420	11,695,483	11,159,688
Operating Expenses				
NonFuel	3,682,490	3,244,966	7,507,178	6,946,853
Depreciation	1,231,166	1,186,489	2,481,066	2,375,043
Regulatory Credit	-	-	-	-
Total Operating Expenses	4,913,656	4,431,455	9,988,244	9,321,896
Operating Income - Electric	756,864	747,965	1,707,239	1,837,792
REGULATED TELECOMM				
Revenues	4,113,842	4,100,754	8,284,987	8,100,411
Operating Expenses				
Operating	2,498,824	3,071,679	5,081,328	6,198,151
Depreciation	1,016,985	1,231,001	2,321,408	2,469,914
Total Operating Expenses	3,515,809	4,302,680	7,402,736	8,668,065
Operating Income - Reg Tel	598,033	(201,926)	882,251	(567,654)
NON REGULATED TELECOM				
Revenues	5,279,420	4,689,293	10,056,724	9,077,809
Less: Cost of Goods Sold	(887,519)	(851,379)	(1,816,403)	(1,668,197)
	4,391,901	3,837,914	8,240,321	7,409,612
Operating Expenses				
Non-Regulated Operating	2,070,885	1,336,003	3,614,700	2,605,146
Depreciation	867,767	700,846	1,731,860	1,382,982
Total Operating Expenses	2,938,652	2,036,849	5,346,560	3,988,128
Operating Income - ATW	1,453,249	1,801,065	2,893,761	3,421,484
AP&T CONTRACT SERVICES				
Revenues	93,858	156,929	185,484	397,612
Less: Cost of Goods Sold	(96,726)	(162,807)	(182,691)	(392,224)
Net Revenues	(2,868)	(5,878)	2,793	5,388
Operating Expenses				
Non-Regulated Operating	(170,177)	(186,923)	(326,235)	(320,309)
Depreciation	106,895	116,532	213,792	234,729
Total Operating Expenses	(63,282)	(70,391)	(112,443)	(85,580)
Operating Income - NonReg	60,414	64,513	115,236	90,968
TOTAL OPERATING INCOME	2,868,560	2,411,617	5,598,487	4,782,590
OTHER INCOME / (EXPENSE)				
Gain/(Loss) on Investments	119,272	1,013,803	565,727	1,128,106
Extraordinary Gain / (Loss)	334,573	-	334,573	-
Miscellaneous Income/(Expense)	67,576	86,123	161,740	150,399
Total Other Income / (Expense)	521,421	1,099,926	1,062,040	1,278,505
CONSOLIDATED INCOME BEFORE INTEREST AND TAX	3,389,981	3,511,543	6,660,527	6,061,095
INTEREST				
Interest Income	737	11,362	3,539	127,192
Interest (Expense)	(844,290)	(862,254)	(1,707,237)	(1,773,103)
Total Interest - Net	(843,553)	(850,892)	(1,703,698)	(1,645,911)
INCOME BEFORE INCOME TAX	2,546,428	2,660,651	4,956,829	4,415,184
Provision for Income Tax	659,493	694,702	1,283,721	1,106,482
NET INCOME	\$ 1,886,935	\$ 1,965,949	\$ 3,673,108	\$ 3,308,702

Alaska Power & Telephone Company

Statement of Stockholders' Equity (unaudited)

	<u>Common Stock</u> (\$1 par value)	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Other Comprehensive Loss</u>	<u>Total</u>
Balance at December 31, 2023	\$ 1,213,276	\$ -	\$ 71,460,132	\$ 1,019	\$ 72,674,427
Net Income			6,514,363		6,514,363
Sale of Common Stock	27,087	1,582,859			1,609,946
Repurchase of Common Stock	(52,351)	(1,518,880)	(1,602,811)		(3,174,042)
Fair value adjustment to interest rate swap, net of tax	-			(1,019)	(1,019)
Dividends			(2,079,195)		(2,079,195)
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Balance at December 31, 2024	\$ 1,188,012	\$ 63,979	\$ 74,292,489	\$ -	\$ 75,544,480
Net Income			3,673,108		3,673,108
Sale of Common Stock	17,488	1,155,348			1,172,836
Repurchase of Common Stock	-	-			-
Fair value adjustment to interest rate swap, net of tax				-	-
Dividends		(964,233)			(964,233)
Other		474,600			474,600
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Balance at June 30, 2025 (unaudited)	\$ 1,205,500	\$ 729,694	\$ 77,965,597	\$ -	\$ 79,900,791

Alaska Power & Telephone Company
Statement of Cash Flows
(unaudited)

	Six Months Ended	
	June 30,	
	2025	2024
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OPERATING ACTIVITIES		
Net income	\$ 3,673,108	\$ 3,308,702
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation & amortization	6,748,126	6,462,668
Equity in earnings of investees	(441,558)	-
Gain on forgiveness of debt	-	-
Accretion of rate stabilization asset	182,618	158,436
Changes in operating activities:		
Receivables	(139,113)	7,532,521
Payables	(6,901,148)	(3,941,478)
Income taxes recoverable	(8,039)	-
Other assets and liabilities	2,697,306	(499,975)
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Net Cash Provided by Operating Activities	5,819,339	13,020,874
INVESTING ACTIVITIES		
Acquisition of utility plant	(10,012,183)	(12,782,766)
Acquisition of plant provided by grant	-	-
Changes in other assets & investments	(503,319)	(589,237)
Proceed from Grants	3,287	-
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Net Cash Used in Investing Activities	(10,512,215)	(13,372,003)
FINANCING ACTIVITIES		
Proceeds (payments) of line of credit	3,444,010	462,272
Proceeds from long-term debt	-	-
Payments on long-term debt	(1,847,872)	(1,518,080)
Proceeds from grant funding	3,025,556	-
Grant funding unrecovered	-	-
Proceeds (uses) of special funds restricted	-	-
Payments of dividends	(964,233)	(1,143,580)
Net proceeds (uses) from common stock transactions	1,172,836	(402,386)
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Net Cash Provided (Used) by Financing Activities	4,830,297	(2,601,774)
Increase (decrease) in cash	137,421	(2,952,903)
Cash at beginning of year	1,801,150	5,127,569
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Cash at end of period	\$ 1,938,571	\$ 2,174,666
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Alaska Power & Telephone Company and Subsidiaries

Notes to Consolidated Financial Statements - UNAUDITED

The accompanying unaudited condensed consolidated financial statements of Alaska Power & Telephone Company (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they are not audited and do not include all information and footnotes required by GAAP for complete financial statements. These consolidated financial statements and footnotes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report for the year ended December 31, 2024. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2025, are not necessarily indicative of the results that may be expected for the year ending December 31, 2025. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates

Note 1 – The Company and Summary of Significant Accounting Policies

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

During 2024, the Company formed a wholly owned subsidiary, Sealink Networks, Inc., (SNI) with the purpose of developing a new cable landing station on the West Coast of the United States and associated long haul transport. During 2024, the Company incurred \$2.5 million in costs building the network, which is recorded on the balance sheets in utility plant under construction. The Company expects these costs to increase in future periods as buildout of the network continues to expand. The buildout of this network is referred to as Project Trident.

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

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

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

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

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

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

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

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

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

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

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

Goodwill – Between 1995 and 1997, AP&T purchased the power assets of three service areas in Alaska from existing power providers. The excess of the purchase price over the assets acquired has been recorded as goodwill in the amount of \$715,662 for the power properties. AP&T adopted Accounting Standards Update (ASU) 2014-02, *Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill*, for the year ended December 31, 2014. Under this guidance, goodwill is tested for impairment by management when a triggering event occurs that indicates the fair value of the reporting unit is less than its carrying amount. In addition, under this standard, management has elected to amortize goodwill on a straight-line basis over a period of 10 years. Total amortization expense related to goodwill for the years ended June 30, 2025, and 2024, was \$0 and \$0, respectively.

As of June 30, 2025, and 2024, the carrying amount of goodwill was \$0.

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

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

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

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 June 30, 2025, and 2024, the Company had no accrued amounts related to uncertain tax positions. Interest and penalties, if any, are recorded as interest expense and other expense, respectively.

Other deferred credits – Other deferred credits consist of customer advances for construction, grant funded projects, and other deferred revenue. Customer advances for construction of additions to the electric distribution systems are recorded as a liability and are amortized through discounted service billings to the customer over a 60-month period. At the end of the amortization period, any remaining balance is recorded as a reduction of the respective utility plant accounts. Customer advances for construction were \$1,323,807 & \$1,238,211 as of June 30, 2025, and 2024 respectively.

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

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

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

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

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

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

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

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

Telecommunications operating revenues include settlements based on AP&T's participation in the interstate revenue pools administered by the National Exchange Carrier Association (NECA) and regulated by the FCC. These revenues are determined by annually prepared separations and interstate access cost studies. Revenues for the current year are based on estimates prior to the submission of the cost study reporting actual results of operations. Additionally, the studies are subject to a 24-month pool adjustment period and final review and acceptance by the pool administrators. There was an insignificant revenue impact in 2024 and 2023 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 June 30, 2025, and 2024.

Additionally, telecommunications operating revenues include revenues received from intrastate revenue pools administered by the Alaska Exchange Carriers Association that are based on AP&T's relative cost of providing intrastate access service. These revenues are based on projections submitted periodically and intrastate access cost studies that are submitted every two years unless waived by the Regulatory Commission of Alaska. Management does not anticipate significant adjustments to recorded revenues for the years ended June 30, 2025, and 2024.

The Company's wireline and wireless universal service support revenue is intended to compensate the Company for the high cost of providing rural telephone service. Universal service support revenue includes funds received for Alaska Connect Fund (ACF) and other miscellaneous programs. ACF support is based on an amount determined by the FCC.

In 2024, the United States Court of Appeals for the Fifth Circuit found the FCC's universal service funding contribution mechanism to be unconstitutional following an appeal by Consumers' Research. This decision contrasts earlier findings to the contrary in the Sixth and Eleventh Circuits and the United States Supreme Court has subsequently granted the FCC's request for review of the split lower court decisions.

Alaska Power & Telephone Company and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

On June 27th, 2025, the US Supreme Court affirmed, in *FCC v. Consumers' Research*, the constitutionality of the Federal Communications Commission's (FCC) administration of the Universal Service Fund. This overturned a prior *en banc* decision by the US Circuit Court of Appeals for the Fifth Circuit and resolved a split among circuit courts of appeal regarding similar challenges brought by the same petitioners in 2023. The Supreme Court's decision allows the FCC to continue providing support for affordable telecommunications services through the Universal Service Fund, including its High-Cost support program, of which AP&T's subsidiaries are beneficiaries. This determination, together with the FCC's recent Alaska Connect Fund order, ensures that AP&T can expect to receive Congressionally mandated "sufficient and predictable" support for telecom operating expense for the next 10 years.

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. Effective July 1, 2025, Alaska Telephone Company (ATC) exited the National Exchange Carrier Association, Inc. ("NECA") Tariff F.C.C. No. 5. ATC became an issuing carrier for the JSI Tariff F.C.C. No. 1 effective July 1, 2025
- Universal service support revenues are administered by the Universal Service Administrative Company (USAC), based on rules established by the FCC.
- Alaska Universal Service support revenues are administered by the Alaska Universal Service Administrative Company (AUSAC), based on rules established by the RCA.

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

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

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

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

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

Earnings per share – AP&T has calculated its basic earnings per share based on the weighted-average number of shares of common stock outstanding. Diluted earnings per share reflect the impact of the dilution caused by outstanding stock options using the treasury stock method. There was no dilutive effect of any outstanding stock options in 2025 or 2024.

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

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

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

Advertising costs – AP&T expenses advertising costs as incurred. Advertising expenses during the year to date ended June 30, 2025, and 2024, were \$83,828 and \$126,175, 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 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.

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

Reclassifications – Certain reclassifications have been made to the 2024 financial statements to be in accordance with the 2025 presentation. These reclassifications had no effect on net income or stockholders' equity as previously reported.

Note 2 – Rate Stabilization Asset

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

Note 3 – Lease Agreements

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

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

The weighted average remaining lease term is 16.58 years and the weighted average discount rate is 5%.

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

Note 4 – Investments

AP&T's investments consist of the following:

	<u>6/30/2025</u>	<u>12/31/2024</u>	<u>6/30/2024</u>
Investment in National Bank of Cooperatives (CoBank)	\$ 3,584,653	\$ 3,477,669	\$ 3,477,669
Investment in Ketchikan Electric Company, LLC (KEC)	600,000	600,000	600,000
Investment in Haida Energy, Inc. (HE)	784,573	450,000	450,000
Other Investments	<u>623,991</u>	<u>623,991</u>	<u>438,919</u>
	<u>\$ 5,593,217</u>	<u>\$ 5,151,660</u>	<u>\$ 4,966,588</u>

CoBank – CoBank is organized as a cooperative and is owned by the customers it serves. As such, a portion of CoBank's earnings is returned to its customers based on their patronage with the bank. This investment is recorded on the cost method.

Ketchikan Electric Company, LLC – AP&T owns a 50% share of Ketchikan Electric Company, LLC (KEC) and accounts for the investment using the equity method. The principal purpose and business of KEC is to construct, own, operate, and manage a hydroelectric power system in the Ketchikan Gateway Borough. The investment represents capital contributions to KEC, as the Company is still in the development stage. There was no activity in 2025 and 2024.

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

Alaska Power Company (APC) entered into a power sales agreement with HE in 2015 that requires APC to purchase power from HE before diesel generation if HE has available energy. APC is required under the power purchase agreement with HE to make the AEA principal payments, up to a maximum of \$20,000,000. These payments are credited against APC purchased power from HE. As of June 30, 2025, APC has \$0 amount due from HE as purchased power exceeded AEA payments YTD 2025 and is forecasted to continue. The required purchase of power begins on the earlier of the commercial operation date of the Reynolds Creek project or January 31, 2020. The hydroelectric power project became fully operational in January 2021. As a result, the construction line of credit was converted into long-term debt and, therefore, the Company was required to begin making loan payments on behalf of HE, beginning in April 2020. Because this loan is debt for HE, the Company will not carry the debt. The quarterly principal-only payments of \$108,696 are to be paid by the Company throughout the life of the loan. Beginning on April 1, 2026, HE will pay interest on the loan, with interest calculated on the unpaid principal balance at the note rate unless there is a default; after a default, the applicable interest rate shall be the default rate. The Company's final payment will be due January 1, 2066, the maturity date, and is estimated to be \$109,731.

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

Other Investments - AP&T's other investments include equity and collateral of \$489,685 related to its membership in Valor Captive. Membership in a group captive is part the company's risk management strategy.

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 on June 30, 2025.

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

Years ending December 31,	
2025	\$ 434,783
2026	434,783
2027	434,783
2028	1,110,715
2029	1,117,616
Thereafter	<u>14,402,103</u>
	<u>\$ 17,934,783</u>

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

Note 5 – Long-Term Debt

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

	<u>6/30/2025</u>	<u>12/31/2024</u>	<u>6/30/2024</u>
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% and a maturity date of 9/30/2027. Net of unamortized issuance costs of \$47,400.	1,902,609	2,327,044	2,751,478
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 3.29% at September 30, 2022 and a maturity date of 1/31/2029. Net of unamortized issuance costs of \$135,375.	25,177,125	25,783,236	27,639,347
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 5DSOFR + CSA + 200 basis points. This is a \$25MM delayed draw term loan facility which closed on 9/8/2023, available thru 9/30/2024 and a maturity date of 9/30/2028. Net of unamortized issuance costs of \$161,617 for both the DDTL and LOC extension.	24,525,883	24,813,042	24,785,851
CoBank notes payable, secured by all assets of AP&T and its subsidiaries, due in quarterly installments based on a 15-year amortization with a fixed interest rate of 4.35% and a maturity date of 9/20/2029. Net of unamortized issuance costs of \$44,065.	1,372,602	1,534,372	1,696,143
CoBank notes payable, secured by all assets of AP&T and its subsidiaries, due in quarterly installments based on a 10-year amortization with a variable interest rate of 3.29% at September 30, 2022 and a maturity date of 4/13/2031. Net of unamortized issuance costs of \$222,705.	9,902,295	10,032,899	10,463,502
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.	1,381,635	1,412,240	1,474,817
SNI unamortized anticipated loan fees	(207,189)	-	-
	64,054,960	65,902,833	68,811,138
Less current portion	(5,053,387)	(5,053,387)	(3,843,574)
	<u>\$ 59,001,573</u>	<u>\$ 60,849,446</u>	<u>\$ 64,967,564</u>

Annual maturities for the five years beginning January 1, 2025, are \$5,053,387, \$5,827,089, \$5,751,086, \$6,354,401, and \$36,587,906 respectively, and \$7,018,051, thereafter.

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

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 income.

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

The Company has a \$20 million line of credit established with CoBank with a variable interest rate. There were outstanding balances on the line of credit of \$11,698,914 and \$2,331,451 on June 30, 2025, and 2024, respectively. The line of credit matures in 2026.

Note 6 – 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. At the board's discretion, the Company may also make a profit-sharing contribution which may be contributed to the qualified plan participants. Profit sharing can be settled in either cash or stock as determined by the board.

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. Terminated participants are provided an annual opportunity to elect a cash distribution for their ESOP AP&T shares. The distribution, **if elected**, is provided over multiple years based upon the most recent year-end independent valuation of share value.

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

Note 7 – Business Segment Information

Through June 30, 2025, the Company has two reportable and operating segments: (i) Electric and (ii) Telecom. AP&T's electric segment provides retail and wholesale electric service including both hydroelectric and diesel generation facilities in rural portions of Alaska. AP&T's telecom segment provides advanced voice and data service in rural areas of Alaska. AP&T's reportable segments are strategic business units managed separately due to different operating and regulatory environments. The "other nonregulated" category includes the parent company and segments below the quantitative threshold for separate disclosure.

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

The following tables provide information for each operating segment:

Six Months Ended June 30, 2025

(all numbers in thousands)	Electric	Telecom	Other	Consolidated
Operating revenue	\$ 15,834	\$ 18,342	\$ 185	\$ 34,361
Operating expense	11,645	10,512	(144)	22,013
Depreciation and amortization	2,481	4,053	214	6,748
Operating income	1,707	3,776	115	5,598
Interest expense	791	20	896	1,707
Interest income	-	-	4	4
Total fixed assets	153,723	165,395	9,634	328,752
Total accumulated depreciation	(85,045)	(93,177)	(3,564)	(181,786)
Total fixed assets, net	68,678	72,218	6,070	146,966
Capital expenditure	3,534	5,157	335	9,026
EBITDA	4,454	7,826	1,129	13,409

Six Months Ended June 30, 2024

(all numbers in thousands)	Electric	Telecom	Other	Consolidated
Operating revenue	\$ 14,596	\$ 17,178	\$ 398	\$ 32,172
Operating expense	10,383	10,471	72	20,926
Depreciation and amortization	2,375	3,853	235	6,463
Operating income	1,838	2,854	91	4,783
Interest expense	890	22	861	1,773
Interest income	-	-	127	127
Total fixed assets	149,162	144,051	9,930	303,143
Total accumulated depreciation	(81,443)	(85,960)	(3,569)	(170,972)
Total fixed assets, net	67,719	58,091	6,361	132,171
Capital expenditure	3,880	9,309	(432)	12,757
EBITDA	4,330	6,704	1,490	12,524

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

Note 8 – Grant Awards

ReConnect

The Company was awarded multiple grants from the Rural Utility Service (RUS) under the ReConnect Program to construct network infrastructure and connectivity for certain eligible communities and locations. The total grants awarded were \$83,907,520. The grants require that the Company provide an additional \$27,969,174 in matching funds related to these grants. The funding of these grants, used to reimburse the Company for its construction costs, is distributed throughout the construction project. The Company has five years from the date that funds are first made available to complete construction and once construction is complete, the Company is obligated to provide services to the participants.

All grant funding is recorded as deferred revenue on the balance sheet and will be recognized as revenue over a period that aligns with the depreciable lives of the constructed assets.

As of June 30, 2025, \$828,736 of deferred grant revenue has been recognized in the current year. The balance of deferred revenue to be recognized in future periods is \$23,779,045.

Tribal Assistant Program (TAP)

National Telecommunications and Information Administration (NTIA) provides grants to tribes for high-speed broadband services. While the grants are provided to the tribes as grantees, funding is remitted to the custody of AP&T Wireless as service provider. Funds received by AP&T Wireless are recorded as deferred revenue and recognized monthly as services are billed and provided to tribal customers. On June 30, 2025, cash balances held by AP&T Wireless for this program is \$1,449,247.

MANAGEMENT'S DISCUSSION OF OPERATIONS

Overview

AP&T, an Alaskan C corporation, provides electric and telecom services to 40 locations in rural Alaska. AP&T's service area spans a distance from the Arctic Circle to the southern tip of Alaska, approximately 1,100 miles. AP&T's regulated electric operating results are derived from its distribution, transmission, and generation subsidiaries. AP&T's energy portfolio is approximately 75% clean, renewable hydro, with 25% fossil-fuel based. AP&T's telecom financial results are a combination of traditional voice services, as well as broadband and data transport services (both regulated and non-regulated operations). Other reflects activities by the parent, AP&T, such as contract services or project-specific construction activities which may not be recurring year to year.

The following table is derived from the variances in the year-to-date Business Segment Information found in Note 7 of the Notes to the Unaudited Consolidated Financial Statements:

Variances between the Six Months Ended June 30, 2025 and 2024

(all numbers in thousands)	Electric	Telecom	Other	Consolidated
Operating revenue	\$ 1,238	\$ 1,164	\$ (213)	\$ 2,189
Operating expense	1,262	41	(216)	1,087
Depreciation and amortization	106	200	(21)	285
Operating income	(131)	922	24	815
Interest expense	(99)	(2)	35	(66)
Interest income	-	-	(123)	(123)
Total fixed assets	4,561	21,344	(296)	25,609
Total accumulated depreciation	(3,602)	(7,217)	5	(10,814)
Total fixed assets, net	959	14,127	(291)	14,795
Capital expenditure	(346)	(4,152)	767	(3,731)
EBITDA	\$ 124	\$ 1,122	\$ (361)	\$ 885

Consolidated operating revenues increased by 6.8% or \$2.189 million over the previous year for the six months ending June 30. Electric increased 8.48% and telecom increased 6.78%. The increase in electric revenue is mainly due to the 17.86% rate increase over prior year interim rate of 15% in Alaska Power Company (APC) and a 40% increase in the interim and refundable rate for Goat Lake Hydro (GLH) to .08820 cents per kWh. The increase in telecom reflects a 30% increase in Alaska Connect Fund, off setting reductions in revenue due to negative NECA pooling and compression in special access revenue due to robust satellite competition.

Consolidated operating expenses increased 5.19% or \$1,087 million. Electric increased 12.15% and telecom increase 0.39%. Electric had increases in cost of power due to hydro maintenance shifting fuel to diesel and Haida Energy Corporation. Telecom is closely managing expense, reducing labor where appropriate.

Consolidated operating income had a net increase of 17.04% or \$815 thousand. This is largely due to the increase in revenue year over year while managing expense growth.

AP&T generated \$13.4M in EBITDA (refer to note 7) for the first six months of 2025, a \$885 thousand or 7.07% increase from the results for the same period 2024. In addition to the increase in operating revenues, AP&T recognized additional CoBank patronage in 1Q25 of \$325 thousand and \$335 thousand from the Haida Energy Inc. investment.

The Statement of Cash Flows reflects continued steady cashflow from operations. Net income before depreciation generated \$10.4 million to date June 30, 2025, and \$9.8 million June 30, 2024. Cash provided

by Operating activities decreased due to the timing of receipts of grant funds in accounts receivable and deferred liabilities and accounts payable for grant related contractors.

Investing activities reflected a steady acquisition of capital assets of \$10.5 million as of June 30, 2025, and \$13.4 million in June 30, 2024. 2024 capital plan included more grant funded projects than 2025.

Financing activities provided cash of \$4.8 million reflective of borrowing from the Line of Credit. In addition, \$3M in grant funds received. Net proceeds from common stock transactions June 30, 2025, were larger than June 30, 2024 due to timing of ESOP repurchase obligations.

Events of note during Quarter:

On June 27th, 2025, the US Supreme Court affirmed, in *FCC v. Consumers' Research*, the constitutionality of the Federal Communications Commission's (FCC) administration of the Universal Service Fund. This overturned a prior en banc decision by the US Circuit Court of Appeals for the Fifth Circuit and resolved a split among circuit courts of appeal regarding similar challenges brought by the same petitioners in 2023. The Supreme Court's decision allows the FCC to continue providing support for affordable telecommunications services through the Universal Service Fund, including its High-Cost support program, of which AP&T's subsidiaries are beneficiaries. This determination, together with the FCC's recent Alaska Connect Fund order, ensures that AP&T can expect to receive Congressionally mandated "sufficient and predictable" support for telecom operating expense for the next 10 years.

Effective July 1, 2025, Alaska Telephone Company (ATC) exited the National Exchange Carrier Association, Inc. ("NECA") Tariff F.C.C. No. 5. Continued participation in the NECA Tariff was resulting in negative revenue pooling for ATC. Exiting the NECA tariff allows ATC to eliminate negative cash pooling. ATC became an issuing carrier for the JSI Tariff F.C.C. No. 1 effective July 1, 2025.

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

Alaska Power & Telephone

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Ketchikan, AK 99901

360-385-1733
www.aptalaska.com
Info@aptalaska.com
SIC Code - 4813

Quarterly Report

For the period ending 6/30/2025 (the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

1,188,012 as of 12/31/2024

1,205,500 as of 6/30/2025

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No:

Change in Control

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: No:

¹ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

Alaska Power & Telephone Company

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Alaska, Active

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

The address(es) of the issuer's principal executive office:

**136 Misty Marie Ln.
Ketchikan, AK 99901**

The address(es) of the issuer's principal place of business:

Check if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: Yes: If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: **Computershare**
Phone: **303-262-0789**
Email: **christine.abbey@computershare.com**
Address: **150 Royal Street
Canton, MA 02021**

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	APTL	
Exact title and class of securities outstanding:	Common Stock	
CUSIP:	011764206	
Par or stated value:	\$1	
Total shares authorized:	10,000,000	as of date: 06/30/2025
Total shares outstanding:	1,205,500	as of date: 06/30/2025
Total number of shareholders of record:	76	as of date: 06/30/2025

All additional class(es) of publicly quoted or traded securities (if any):

Trading symbol:	_____	
Exact title and class of securities outstanding:	_____	
CUSIP:	_____	
Par or stated value:	_____	
Total shares authorized:	_____	as of date: _____
Total shares outstanding:	_____	as of date: _____
Total number of shareholders of record:	_____	as of date: _____

Trading symbol:	_____	
Exact title and class of securities outstanding:	_____	
CUSIP:	_____	
Par or stated value:	_____	
Total shares authorized:	_____	as of date: _____
Total shares outstanding:	_____	as of date: _____
Total number of shareholders of record:	_____	as of date: _____

Other classes of authorized or outstanding equity securities:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	_____	
CUSIP (if applicable):	_____	
Par or stated value:	_____	
Total shares authorized:	_____	as of date: _____
Total shares outstanding (if applicable):	_____	as of date: _____
Total number of shareholders of record (if applicable):	_____	as of date: _____

Exact title and class of the security:	_____	
CUSIP (if applicable):	_____	
Par or stated value:	_____	
Total shares authorized:	_____	as of date: _____
Total shares outstanding (if applicable):	_____	as of date: _____
Total number of shareholders of record	_____	

(if applicable):

_____ as of date: _____

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. For common equity, describe any dividend, voting and preemption rights.

Right to receive dividends as declared by the board of directors.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

3. Describe any other material rights of common or preferred stockholders.

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.**

The company is a plan sponsor for an Employee Stock Ownership Plan (ESOP). As part of the ESOP, the company settles certain retirement liabilities and certain plan obligation in which shares are issued or retired (for cash) regularly in accordance with the terms of ESOP plan documents.

The ESOP plan includes, at the board of directors' discretion, profit sharing, which may be settled in cash or stock.

The company offers a dividend reinvestment plan (DRIPS) to qualified ESOP participants and issues shares ESOP holders.

The company offers a Long Term Incentive Plan (LTIP) to certain officers in which they can be awarded Restricted Stock Units (RSU's) which may or may not have a vesting period but are required to be held for one year from date of award. RSUs are not part of the ESOP plan.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: Yes: (If yes, you must complete the table below)

Shares Outstanding as of Second Most Recent Fiscal Year End: Opening Balance Date <u>12/31/2024</u> Common: <u>1,188,012</u> Preferred: _____			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to. *You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
Various 2025	Issuance	1,702	Common	Various	No	Individuals	LTIP	restricted	
Various 2025	Issuance	5,480	Common	Various	No	Individuals	Profit Sharing to ESOP	restricted	
Various 2025	Issuance	10,306	Common	Various	No	Individuals	401K / Retirement Matching		
Various 2025	ESOP Distributions		Common	Various	N/A	N/A	ESOP redemptions		
Shares Outstanding on Date of This Report: Ending Balance Date <u>06/30/2025</u> Common: <u>1,205,500</u> Preferred: _____									

Example: A company with a fiscal year end of December 31st, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2021 through December 31, 2022 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: Yes: (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. *You must disclose the control person(s) for any entities listed.	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____

_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

Use the space below to provide any additional details, including footnotes to the table above:

4) Issuer’s Business, Products and Services

The purpose of this section is to provide a clear description of the issuer’s current operations. (Please ensure that these descriptions are updated on the Company’s Profile on www.otcmarkets.com).

A. Summarize the issuer’s business operations (If the issuer does not have current operations, state “no operations”)

**In SE Alaska, the company provides:
Electric power generation transmission and distribution
Regulated and non-regulated telecom services**

B. List any subsidiaries, parent company, or affiliated companies.

**ALASKA POWER & TELEPHONE COMPANY – 52103D
ALASKA POWER COMPANY – 5181D
ALASKA TELEPHONE COMPANY – 5711D
AP&T LONG DISTANCE, LLC. – 60348D
AP&T WIRELESS, INC. – 60349D
BBL HYDRO, INC. – 52178D
BETTLES TELEPHONE, INC. – 14851D
GOAT LAKE HYDRO, INC. – 60355D
GUSTAVUS UTILITY SERVICES INC.
NORTH COUNTRY TELEPHONE, INC. – 51622D
SEALINK NETWORKS INC. –**

C. Describe the issuers’ principal products or services.

Utility services

5) Issuer’s Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

See financial’s for value of fixed and ROU assets.

6) Officers, Directors, and Control Persons

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the company, individuals or entities controlling more than 5% of any class of the issuers securities, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
<u>Robert B. Engel</u>	<u>Independent Director</u>	<u>Naples, FL</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>William Marks</u>	<u>Director</u>	<u>Seattle, WA</u>	<u>N/A</u>	<u>Common</u>	<u>N/A</u>	<u>N/A</u>
<u>Tom Ervin</u>	<u>Director</u>	<u>Tok, AK</u>	<u>1,647</u>	<u>Common</u>	<u>0.1366%</u>	<u>N/A</u>
<u>Randy Johnson</u>	<u>Independent Director</u>	<u>Ketchikan, AK</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>Kristin Mellinger</u>	<u>Independent Director</u>	<u>Soldotna, AK</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>Lori L. O'Flaherty</u>	<u>Independent Director</u>	<u>Greenwood Village, CO</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>Tina Pidgeon</u>	<u>Independent Director</u>	<u>Haddonfield, NJ</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>Wilson Western Electric Trust</u>	<u>Shareholder</u>	<u>Port Townsend</u>	<u>246,738</u>	<u>Common</u>	<u>20.46%</u>	<u>Derek Michel</u>
<u>Alaska Power & Telephone Company Employee Stock Ownership Savings Plan & Trust</u>	<u>Owner of more than 5%</u>	<u>Ketchikan, WA</u>	<u>499,978 (as of record date 06/30/2025)</u>	<u>Common</u>	<u>41.47%</u>	<u>N/A</u>

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

No

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

No

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

No

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

No

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

No

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

No

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

**The following information for third party service providers is already noted on OTCIQ.
There are no changes.**

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Scott W. MacCormack, Partner, Holland & Knight
Address 1: 701 Fifth Avenue, Suite 4700
Address 2: Seattle, Washington 98104
Phone: 206.505.4002 | Fax 206.505.4099 | Mobile 206.618.3798
Email: Scott.MacCormack@hklaw.com

Accountant or Auditor

Name: Gregg Amend
Firm: Moss Adams
Address 1: 601 W Riverside Ave Ste 1800
Address 2: Spokane WA, 99201
Phone: (509) 747-2600
Email: Gregg.Amend@mossadams.com

Investor Relations

Name: _____
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

All other means of Investor Communication:

Twitter: _____
Discord: _____
LinkedIn: _____
Facebook: _____
Website: www.aptalaska.com/shareholder-information

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: _____
Firm: _____
Nature of Services: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: Wanda Tankersley
Title: CFO
Relationship to Issuer: Officer

B. The following financial statements were prepared in accordance with:

- IFRS
 U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: **Hank Altschuler**

Title: **Controller**

Relationship to Issuer: **Management**

Describe the qualifications of the person or persons who prepared the financial statements:⁵ **CPA**

Provide the following qualifying financial statements:

- a. Audit letter, if audited;
- b. Balance Sheet;
- c. Statement of Income;
- d. Statement of Cash Flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial Notes

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be "machine readable". Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, **William Marks** certify that:

1. I have reviewed this Disclosure Statement for **Alaska Power & Telephone Company** ;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

8/12/2025

William Marks

⁵ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

[CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer:

I, **Wanda Tankersley** certify that:

1. I have reviewed this Disclosure Statement for **Alaska Power & Telephone Company**;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

8/12/2025

Wanda Tankersley

Wanda Tankersley (Aug 13, 2025 12:09:31 AKDT)

[CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")









APT 2Q25 Financial Report Notes MDO Disclosure 8.12.25

Final Audit Report

2025-08-13

Created:	2025-08-13
By:	Hank Altschuler (hank.a@aptalaska.com)
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-  Document e-signed by Wanda Tankersley (wanda.t@aptalaska.com)
Signature Date: 2025-08-13 - 8:09:31 PM GMT - Time Source: server
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