UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For Quarterly Period Ended March 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For Transition Period From to

Commission File Number 000-26591

RGC Resources, Inc.
(Exact name of Registrant as Specified in its Charter)

Virginia **(State or Other Jurisdiction of Incorporation or Organization)**	**54-1909697** **(I.R.S. Employer Identification No.)**
519 Kimball Ave., N.E., Roanoke, VA **(Address of Principal Executive Offices)**	**24016** **(Zip Code)**

(540) 777-4427
(Registrant's Telephone Number, Including Area Code)
None
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, $5 Par Value	**RGCO**	**NASDAQ Global Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated-filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30 2022
Common Stock, $5 Par Value	9,791,422

GLOSSARY OF TERMS

AFUDC	Allowance for Funds Used During Construction
AOCI/AOCL	Accumulated Other Comprehensive Income (Loss)
ARO	Asset Retirement Obligation
ARP	Alternative Revenue Program, regulatory or rate recovery mechanisms approved by the SCC that allow for the adjustment of revenues for certain broad, external factors, or for additional billings if the entity achieves certain performance targets
ARPA	American Rescue Plan Act of 2021
ASC	Accounting Standards Codification
ASU	Accounting Standards Update as issued by the FASB
ATM	At-the-market program whereby a Company can incrementally offer common stock through a broker at prevailing market prices and on an as-needed basis
CARES/CARES Act	The Coronavirus Aid, Relief, and Economic Security Act
Company	RGC Resources, Inc. or Roanoke Gas Company
COVID-19 or Coronavirus	A pandemic disease that causes respiratory illness similar to the flu with symptoms such as coughing, fever, and in more severe cases, difficulty in breathing
CPCN	Certificate of Public Convenience and Necessity
Diversified Energy	Diversified Energy Company, a wholly-owned subsidiary of Resources
DRIP	Dividend Reinvestment and Stock Purchase Plan of RGC Resources, Inc.
DTH	Decatherm (a measure of energy used primarily to measure natural gas)
EPS	Earnings Per Share
ERISA	Employee Retirement Income Security Act of 1974
ESAC	Eligible Safety Activity Costs, a Virginia natural gas utility's operation and maintenance expenditures that are related to the development, implementation, or execution of the utility's integrity management plan or programs and measures implemented to comply with regulations issued by the SCC or a federal regulatory body with jurisdiction over pipeline safety
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation

FERC	Federal Energy Regulatory Commission
Fourth Circuit	U.S. Fourth Circuit Court of Appeals
GAAP	Generally Accepted Accounting Principles in the United States
HDD	Heating degree day, a measurement designed to quantify the demand for energy. It is the number of degrees that a day's average temperature falls below 65 degrees Fahrenheit
ICC	Inventory carrying cost revenue, an SCC approved rate structure that mitigates the impact of financing costs on natural gas inventory
IRS	Internal Revenue Service
KEYSOP	RGC Resources, Inc. Key Employee Stock Option Plan
LDI	Liability Driven Investment approach, a strategy which reduces the volatility in the pension plan's funded status and expense by matching the duration of the fixed income investments with the duration of the corresponding pension liabilities
LIBOR	London Inter-Bank Offered Rate
LLC	Mountain Valley Pipeline, L.L.C., a joint venture established to design, construct and operate MVP and Southgate
LNG	Liquefied natural gas, the cryogenic liquid form of natural gas. Roanoke Gas operates and maintains a plant capable of producing and storing up to 200,000 dth of liquefied natural gas
MGP	Manufactured gas plant
Midstream	RGC Midstream, L.L.C., a wholly-owned subsidiary of Resources created to invest in pipeline projects including MVP and Southgate
MVP	Mountain Valley Pipeline, a FERC-regulated natural gas pipeline project intended to connect the Equitran's gathering and transmission system in northern West Virginia to the Transco interstate pipeline in south central Virginia with a planned interconnect to Roanoke Gas' natural gas distribution system
NQDC Plan	RGC Resources, Inc. Non-qualified Deferred Compensation Plan
Normal Weather	The average number of heating degree days over the most recent 30-year period
PBGC	Pension Benefit Guaranty Corporation
Pension Plan	Defined benefit plan that provides pension benefits to employees hired prior to January 1, 2017 who meet certain years of service criteria

PGA	Purchased Gas Adjustment, a regulatory mechanism, which adjusts natural gas customer rates to reflect changes in the forecasted cost of gas and actual gas costs
Postretirement Plan	Defined benefit plan that provides postretirement medical and life insurance benefits to eligible employees hired prior to January 1, 2000 who meet years of service and other criteria
R&D credit	Research and development federal tax credit defined under Internal Revenue Code section 41 and the related regulations
Resources	RGC Resources, Inc., parent company of Roanoke Gas, Midstream and Diversified Energy
RGCO	Trading symbol for RGC Resources, Inc. on the NASDAQ Global Stock Market
Roanoke Gas	Roanoke Gas Company, a wholly-owned subsidiary of Resources
RSPD	RGC Resources, Inc. Restricted Stock Plan for Outside Directors
RSPO	RGC Resources, Inc. Restricted Stock Plan for Officers
SAVE	Steps to Advance Virginia's Energy, a regulatory mechanism per Chapter 26 of Title 56 of the Code of Virginia that allows natural gas utilities to recover the investment, including related depreciation and expenses and provide return on rate base, in eligible infrastructure replacement projects without the filing of a formal base rate application
SAVE Plan	Steps to Advance Virginia's Energy Plan, the Company's proposed and approved operational replacement plan and related spending under the SAVE regulatory mechanism
SAVE Rider	Steps to Advance Virginia's Energy Plan Rider, the rate component of the SAVE Plan as approved by the SCC that is billed monthly to the Company’s customers to recover the costs associated with eligible infrastructure projects including the related depreciation and expenses and return on rate base of the investment
SCC	Virginia State Corporation Commission, the regulatory body with oversight responsibilities of the utility operations of Roanoke Gas
SEC	U.S. Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
Southgate	Mountain Valley Pipeline, LLC’s Southgate project, which extends from the MVP in south central Virginia to central North Carolina, of which Midstream holds less than a 1% investment
S&P 500 Index	Standard & Poor’s 500 Stock Index
TCJA	Tax Cuts and Jobs Act of 2017
WNA	Weather Normalization Adjustment, an ARP mechanism which adjusts revenues for the effects of weather temperature variations as compared to the 30-year average

Some of the terms above may not be included in this filing

RGC RESOURCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2022 Unaudited	September 30, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,431,990	$ 1,518,317
Accounts receivable (less allowance for credit losses of $712,100, and $242,010, respectively)	10,997,174	4,949,900
Materials and supplies	1,043,133	1,031,666
Gas in storage	2,063,974	7,867,470
Prepaid income taxes	2,118,634	3,104,950
Regulatory assets	1,997,076	5,656,453
Interest rate swap	312,511	—
Other	4,556,142	1,015,099
Total current assets	32,520,634	25,143,855
UTILITY PROPERTY:		
In service	280,362,362	272,382,539
Accumulated depreciation and amortization	(78,862,695)	(76,038,433)
In service, net	201,499,667	196,344,106
Construction work in progress	17,209,963	15,305,578
Utility plant, net	218,709,630	211,649,684
OTHER ASSETS:		
Regulatory assets	6,706,015	6,769,759
Investment in unconsolidated affiliates	27,321,251	64,867,319
Benefit plan assets	1,344,713	1,259,639
Deferred income taxes	337,757	—
Interest rate swap	1,046,987	—
Other	371,498	418,937
Total other assets	37,128,221	73,315,654
TOTAL ASSETS	$ 288,358,485	$ 310,109,193

RGC RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2022 Unaudited	September 30, 2021
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 19,705,200	$ 7,000,000
Dividends payable	1,908,139	1,549,841
Accounts payable	5,809,165	7,729,707
Capital contributions payable	773,090	2,140,637
Customer credit balances	682,959	1,539,680
Income taxes payable	88,080	—
Customer deposits	1,583,542	1,571,342
Accrued expenses	2,831,418	3,819,977
Interest rate swaps	—	332,389
Regulatory liabilities	3,195,059	329,959
Total current liabilities	36,576,652	26,013,532
LONG-TERM DEBT:		
Notes payable	105,125,000	116,110,200
Line-of-credit	—	17,628,897
Less unamortized debt issuance costs	(283,922)	(267,670)
Long-term debt, net	104,841,078	133,471,427
DEFERRED CREDITS AND OTHER LIABILITIES:		
Interest rate swaps	—	863,694
Asset retirement obligations	7,876,084	7,628,958
Regulatory cost of retirement obligations	14,126,243	13,640,567
Benefit plan liabilities	885,806	949,851
Deferred income taxes	5,883,375	14,948,213
Regulatory liabilities	12,706,518	12,891,242
Total deferred credits and other liabilities	41,478,026	50,922,525
STOCKHOLDERS' EQUITY:		
Common stock, $5 par; authorized 20,000,000 shares; issued and outstanding 9,789,895 and 8,375,092 shares, respectively	48,949,475	41,875,460
Preferred stock, no par, authorized 5,000,000 shares; no shares issued and outstanding	—	—
Capital in excess of par value	40,978,942	19,705,387
Retained earnings	15,194,355	39,656,296
Accumulated other comprehensive income (loss)	339,957	(1,535,434)
Total stockholders' equity	105,462,729	99,701,709
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 288,358,485	$ 310,109,193

See notes to condensed consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
UNAUDITED

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
OPERATING REVENUES:				
Gas utility	$ 29,499,219	$ 28,221,274	$ 52,730,874	$ 47,704,774
Non utility	30,464	32,388	61,889	65,905
Total operating revenues	29,529,683	28,253,662	52,792,763	47,770,679
OPERATING EXPENSES:				
Cost of gas - utility	14,923,575	14,447,057	26,239,980	22,147,756
Cost of sales - non utility	4,756	4,580	8,791	9,967
Operations and maintenance	4,242,007	3,931,470	7,932,321	7,433,592
General taxes	647,253	642,825	1,250,462	1,216,849
Depreciation and amortization	2,268,704	2,128,304	4,539,398	4,281,702
Total operating expenses	22,086,295	21,154,236	39,970,952	35,089,866
OPERATING INCOME	7,443,388	7,099,426	12,821,811	12,680,813
Equity in earnings (loss) of unconsolidated affiliate	(445)	(3,797)	71,682	1,352,886
Impairment of unconsolidated affiliates	(39,822,213)	—	(39,822,213)	—
Other income, net	344,510	287,548	666,949	617,574
Interest expense	1,103,844	1,007,764	2,208,700	2,027,593
INCOME (LOSS) BEFORE INCOME TAXES	(33,138,604)	6,375,413	(28,470,471)	12,623,680
INCOME TAX EXPENSE (BENEFIT)	(8,644,175)	1,607,935	(7,560,571)	3,132,939
NET INCOME (LOSS)	$ (24,494,429)	$ 4,767,478	$ (20,909,900)	$ 9,490,741
BASIC EARNINGS (LOSS) PER COMMON SHARE	$ (2.89)	$ 0.58	$ (2.48)	$ 1.16
DILUTED EARNINGS (LOSS) PER COMMON SHARE	$ (2.89)	$ 0.58	$ (2.48)	$ 1.16
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.195	$ 0.185	$ 0.390	$ 0.370

See notes to condensed consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
UNAUDITED

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
NET INCOME (LOSS)	$ (24,494,429)	$ 4,767,478	$ (20,909,900)	$ 9,490,741
Other comprehensive income (loss), net of tax:				
Interest rate swaps	1,535,499	494,294	1,897,773	663,019
Defined benefit plans	(11,191)	14,864	(22,382)	29,728
OTHER COMPREHENSIVE INCOME, NET OF TAX	1,524,308	509,158	1,875,391	692,747
COMPREHENSIVE INCOME (LOSS)	$ (22,970,121)	$ 5,276,636	$ (19,034,509)	$ 10,183,488

See notes to condensed consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
UNAUDITED

	Six Months Ended March 31, 2022				
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance - September 30, 2021	$ 41,875,460	$ 19,705,387	$ 39,656,296	$ (1,535,434)	$ 99,701,709
Net Income	—	—	3,584,529	—	3,584,529
Other comprehensive income	—	—	—	351,083	351,083
Cash dividends declared ($0.195 per share)	—	—	(1,642,324)	—	(1,642,324)
Issuance of common stock (13,914 shares)	69,570	230,278	—	—	299,848
Balance - December 31, 2021	$ 41,945,030	$ 19,935,665	$ 41,598,501	$ (1,184,351)	$102,294,845
Net Loss	—	—	(24,494,429)	—	(24,494,429)
Other comprehensive income	—	—	—	1,524,308	1,524,308
Cash dividends declared ($0.195 per share)	—	—	(1,909,717)	—	(1,909,717)
Issuance of common stock (1,400,889 shares)	7,004,445	21,043,277	—	—	28,047,722
Balance - March 31, 2022	$ 48,949,475	$ 40,978,942	$ 15,194,355	$ 339,957	$105,462,729

	Six Months Ended March 31, 2021				
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance - September 30, 2020	$ 40,800,290	$ 15,847,121	$ 35,688,510	$ (3,447,944)	$ 88,887,977
Net Income	—	—	4,723,263	—	4,723,263
Other comprehensive income	—	—	—	183,589	183,589
Cash dividends declared ($0.185 per share)	—	—	(1,519,670)	—	(1,519,670)
Issuance of common stock (11,979 shares)	59,895	214,487	—	—	274,382
Balance - December 31, 2020	$ 40,860,185	$ 16,061,608	$ 38,892,103	$ (3,264,355)	$ 92,549,541
Net Income	—	—	4,767,478	—	4,767,478
Other comprehensive income	—	—	—	509,158	509,158
Cash dividends declared ($0.185 per share)	—	—	(1,521,635)	—	(1,521,635)
Issuance of common stock (54,613 shares)	273,065	997,001	—	—	1,270,066
Balance - March 31, 2021	$ 41,133,250	$ 17,058,609	$ 42,137,946	$ (2,755,197)	$ 97,574,608

See notes to condensed consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (20,909,900)	$ 9,490,741
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,656,829	4,405,956
Cost of retirement of utility plant, net	(298,580)	(265,021)
Stock option grants	5,550	—
Equity in earnings of unconsolidated affiliate	(71,682)	(1,352,886)
Impairment of unconsolidated affiliates	39,822,213	—
Allowance for funds used during construction	—	(55,981)
Changes in assets and liabilities which used cash, exclusive of changes and noncash transactions shown separately	(10,211,524)	(2,611,407)
Net cash provided by operating activities	12,992,906	9,611,402
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for utility property	(10,758,703)	(8,978,822)
Investment in unconsolidated affiliates	(3,572,011)	(2,720,008)
Proceeds from disposal of utility property	51,834	7,390
Net cash used in investing activities	(14,278,880)	(11,691,440)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of unsecured notes	26,720,000	3,780,000
Retirement of notes payable	(25,000,000)	—
Borrowings under line-of-credit	34,423,129	22,535,162
Repayments under line-of-credit	(52,052,026)	(22,396,839)
Debt issuance expenses	(39,732)	—
Proceeds from issuance of stock	28,342,019	1,544,448
Cash dividends paid	(3,193,743)	(2,947,250)
Net cash provided by financing activities	9,199,647	2,515,521
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,913,673	435,483
BEGINNING CASH AND CASH EQUIVALENTS	1,518,317	291,066
ENDING CASH AND CASH EQUIVALENTS	$ 9,431,990	$ 726,549

See notes to condensed consolidated financial statements.

CONDENSED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

1. Basis of Presentation

Resources is an energy services company primarily engaged in the sale and distribution of natural gas. The condensed consolidated financial statements include the accounts of Resources and its wholly-owned subsidiaries: Roanoke Gas, Diversified Energy and Midstream.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to fairly present Resources' financial position as of March 31, 2022, cash flows for the six months ended March 31, 2022 and 2021, and the results of its operations, comprehensive income, and changes in stockholders' equity for the three and six months ended March 31, 2022 and 2021. The results of operations for the three and six months ended March 31, 2022 are not indicative of the results to be expected for the fiscal year ending September 30, 2022 as quarterly earnings are affected by the highly seasonal nature of the business and weather conditions generally result in greater earnings during the winter months.

The unaudited condensed consolidated financial statements and condensed notes are presented under the rules and regulations of the SEC. Pursuant to those rules, certain information and note disclosures normally included in the annual financial statements prepared in accordance with GAAP have been condensed or omitted. Although the Company believes that the disclosures are adequate, the unaudited condensed consolidated financial statements and condensed notes should be read in conjunction with the financial statements and notes contained in the Company’s Form 10-K for the year ended September 30, 2021. The September 30, 2021 consolidated balance sheet was included in the Company’s audited financial statements included in Form 10-K.

The preparation of financial statements in conformity 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company’s significant accounting policies are described in Note 1 to the consolidated financial statements contained in the Company's Form 10-K for the year ended September 30, 2021.

Recently Issued or Adopted Accounting Standards

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* In combination with ASU 2021-01, the ASU provides temporary optional guidance to ease the potential burden in accounting for and recognizing the effects of reference rate change on financial reporting. The new guidance applies specifically to contracts and hedging relationships that reference LIBOR, or any other referenced rate that is expected to be discontinued due to reference rate reform. The new guidance is effective for the Company through December 31, 2022. The Intercontinental Exchange (ICE) Benchmark Administration, the administrator for LIBOR and other inter-bank offered rates, announced that the LIBOR rates for one-day, one-month, six-month and one-year will cease publication in June 2023 and that no new financial contracts may use LIBOR after December 31, 2021. Currently, all of the Company's LIBOR based financial contracts are based on the one-month LIBOR rate. None of the holders of these financial contracts have indicated when a transition from LIBOR will occur. Accordingly, the Company does not anticipate adopting this guidance until later in fiscal 2022. The new guidance could result in a significant impact on the Company's financial position, results of operations, and cash flows when the reference rate is changed for related contracts.

Other accounting standards that have been issued by the FASB or other standard-setting bodies are not currently applicable to the Company or are not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

2. Stock Issue

In March 2022, the Company issued 1,350,000 shares of common stock in an equity offering resulting in net proceeds of nearly $27,000,000. The Company issued the common stock to strengthen its balance sheet by increasing its cash position and lowering its outstanding debt. The net proceeds were invested in Roanoke Gas to supplement the funding of its infrastructure improvement and replacement program and in Midstream to reduce its outstanding debt. An additional 64,803 shares of common stock have been issued during fiscal 2022 related to the DRIP, Restricted Stock, stock option exercises and ATM activity.

3. Revenue

The Company assesses new contracts and identifies related performance obligations for promises to transfer distinct goods or services to the customer. Revenue is recognized when performance obligations have been satisfied. In the case of Roanoke Gas, the Company contracts with its customers for the sale and/or delivery of natural gas.

The following tables summarize revenue by customer, product and income statement classification:

	Three Months Ended March 31, 2022			Three Months Ended March 31, 2021		
	Gas utility	Non utility	Total operating revenues	Gas utility	Non utility	Total operating revenues
Natural Gas (Billed and Unbilled):						
Residential	$ 18,104,512	$ —	$ 18,104,512	$ 17,402,552	$ —	$ 17,402,552
Commercial	9,487,312	—	9,487,312	9,264,611	—	9,264,611
Industrial and Transportation	1,352,161	—	1,352,161	1,252,343	—	1,252,343
Other	138,035	30,464	168,499	95,092	32,388	127,480
Total contracts with customers	29,082,020	30,464	29,112,484	28,014,598	32,388	28,046,986
Alternative Revenue Programs	417,199	—	417,199	206,676	—	206,676
Total operating revenues	$ 29,499,219	$ 30,464	$ 29,529,683	$ 28,221,274	$ 32,388	$ 28,253,662

	Six Months Ended March 31, 2022			Six Months Ended March 31, 2021		
	Gas utility	Non utility	Total operating revenues	Gas utility	Non utility	Total operating revenues
Natural Gas (Billed and Unbilled):						
Residential	$ 31,317,001	$ —	$ 31,317,001	$ 28,648,746	$ —	$ 28,648,746
Commercial	16,873,030	—	16,873,030	15,254,631	—	15,254,631
Industrial and Transportation	2,665,252	—	2,665,252	2,476,144	—	2,476,144
Other	361,863	61,889	423,752	256,169	65,905	322,074
Total contracts with customers	51,217,146	61,889	51,279,035	46,635,690	65,905	46,701,595
Alternative Revenue Programs	1,513,728	—	1,513,728	1,069,084	—	1,069,084
Total operating revenues	$ 52,730,874	$ 61,889	$ 52,792,763	$ 47,704,774	$ 65,905	$ 47,770,679

Gas utility revenues

Substantially all of Roanoke Gas' revenues are derived from rates authorized by the SCC through its tariffs. Based on its evaluation, the Company has concluded that these tariff-based revenues fall within the scope of ASC 606. Tariff rates represent the transaction price. Performance obligations created under these tariff-based sales include commodity (the cost of natural gas sold to customers) and delivery (transporting natural gas through the Company’s distribution system to customers). The delivery of natural gas to customers results in the satisfaction of the Company’s respective performance obligations over time.

All customers are billed monthly based on consumption as measured by metered usage. Revenue is recognized as bills are issued for natural gas that has been delivered or transported. In addition, the Company utilizes the practical expedient that allows an entity to recognize the invoiced amount as revenue, if that amount corresponds to the value received by the customer. Since customers are billed tariff rates, there is no variable consideration in the transaction price.

Unbilled revenue is included in residential and commercial revenues in the preceding table. Natural gas consumption is estimated for the period subsequent to the last billed date and up through the last day of the month. Estimated volumes and approved tariff rates are utilized to calculate unbilled revenue. The following month, the unbilled estimate is reversed, the actual usage is billed and a new unbilled estimate is calculated. The Company obtains metered usage for industrial customers at the end of each month, thereby eliminating any unbilled consideration for these rate classes.

Other revenues

Other revenues primarily consist of miscellaneous fees and charges, utility-related revenues not directly billed to utility customers and billings for non-utility activities. Regarding these activities, the customer is invoiced monthly based on services provided. The Company utilizes the practical expedient allowing revenue to be recognized based on invoiced amounts. The transaction price is based on a contractually predetermined rate schedule; therefore, the transaction price represents total value to the customer and no variable price consideration exists.

Alternative Revenue Program revenues

ARPs, which fall outside the scope of ASC 606, are SCC approved mechanisms that allow for the adjustment of revenues for certain broad, external factors, or for additional billings if the entity achieves certain performance targets. The Company's ARPs include its WNA, which adjusts revenues for the effects of weather temperature variations as compared to the 30-year average, and the SAVE Plan over/under collection mechanism, which adjusts revenues for the differences between SAVE Plan revenues billed to customers and the revenue earned, as calculated based on the timing and extent of infrastructure replacement completed during the period. These amounts are ultimately collected from, or returned to, customers through future rate changes as approved by the SCC.

Customer Accounts Receivable and Liabilities

Accounts receivable, as reflected in the condensed consolidated balance sheets, includes both billed and unbilled customer revenues, as well as amounts that are not related to customers. The balances of customer receivables are provided below:

	Current Assets		Current Liabilities	
	Trade accounts receivable(1)	Unbilled revenue(1)	Customer credit balances	Customer deposits
Balance at September 30, 2021	$ 3,722,916	$ 1,191,227	$ 1,539,680	$ 1,571,342
Balance at March 31, 2022	7,872,022	3,057,298	682,959	1,583,542
Increase (decrease)	$ 4,149,106	$ 1,866,071	$ (856,721)	$ 12,200

(1) Included in accounts receivable in the condensed consolidated balance sheet. Amounts shown net of reserve for credit losses.

The Company had no significant contract assets or liabilities during the period. Furthermore, the Company did not incur any significant costs to obtain contracts.

4. Income Taxes

The effective tax rate for the three month and six month periods ended March 31, 2022 reflected in the table below are higher than the corresponding periods in fiscal 2021 and the combined federal and state statutory rate of 25.74%. The increase in the effective tax rate corresponds to the recognition of a deferred tax asset associated with the impairment of the Company's investment in the LLC.

Excluding the effect of the impairment, the effective tax rate for the three and six month periods ended March 31, 2022 would have been 24.0% and 23.7%, respectively, reflecting the impact of additional tax deductions from the amortization of R&D tax credits deferred as a regulatory liability and the exercise of stock options. The recognition of the impairment resulted in a net loss position for both periods thereby generating a higher effective tax rate as compared to the effective tax rate on the income positions from the corresponding periods in fiscal 2021.

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
Effective tax rate	26.1%	25.2%	26.6%	24.8%
Effective tax rate - LLC impairment	25.7%	-	25.7%	-
Effective tax rate excluding LLC impairment	24.0%	25.2%	23.7%	24.8%

5. Rates and Regulatory Matters

In April 2020, the SCC issued an order allowing regulated utilities in Virginia to defer certain incremental, prudently incurred costs associated with the COVID-19 pandemic and to apply for recovery at a future date. Roanoke Gas deferred certain COVID-19 related costs during the first two quarters of fiscal 2022.

In October 2021, Roanoke Gas received notification that its application for ARPA funds had been approved. This notification allowed the pending receipt of these funds to be considered in the valuation of the estimated allowance for credit losses as of September 30, 2021. In November 2021, Roanoke Gas received over $850,000 in ARPA funds to assist customers with growing past due balances based on arrearage balances as of August 31, 2021. The Company applied the full amount to eligible customer accounts in December 2021.

6. Other Investments

Midstream is an approximately 1% equity investment owner of the LLC constructing the MVP, a 303 mile natural gas interstate pipeline from northern West Virginia to southern Virginia. Since inception, the MVP has encountered various legal and regulatory issues that continue to delay the completion of the project. While under construction, AFUDC has provided the majority of the income recognized by Midstream. AFUDC accruals were suspended in November 2021 until such time when growth construction activities are allowed to resume.

Midstream is also a less than 1% investor in Southgate, which is being accounted for under the cost method.

On January 25, 2022, the Fourth Circuit vacated and remanded on specific issues certain permits issued by the Bureau of Land Management and the U.S. Forest Service to the LLC in respect of the Jefferson National Forest. On February 3, 2022, the Fourth Circuit vacated and remanded on specific issues the Biological Opinion and Incidental Take Statement issued by the U.S. Fish and Wildlife Service for MVP. Primarily due to these unfavorable decisions by the Fourth Circuit, Midstream identified as an indicator of an other-than-temporary decline in value the increased uncertainty of the completion and commercial operation of MVP and Southgate. As a result, Midstream assessed the value of its investment in the LLC as of February 22, 2022 and March 31, 2022, to determine if its investment's carrying value exceeded the fair value.

Midstream estimated the fair value of its investment in the LLC, with the assistance of a valuation specialist, using an income based approach that primarily considered probability-weighted scenarios of discounted future cash flows based on the estimated project costs at completion and projected revenues. These scenarios reflected assumptions and judgments regarding the ultimate outcome of further matters relating to, or resulting from, the January and February 2022 Fourth Circuit rulings, as well as various other ongoing legal and regulatory matters affecting MVP and Southgate. Such assumptions and judgments also included certain additional potential delays and related cost increases that could result from unfavorable decisions on these proceedings and matters. Midstream's analysis also took into account, among other things, probability weighted growth expectations from additional compression expansion opportunities. This analysis also considered scenarios under which ongoing or new legal and regulatory matters further delay the completion and increase the total costs of the project; all required legal and regulatory approvals and authorizations and certain compression expansion opportunities are realized; and MVP and Southgate are canceled. As a result of the assessment, Midstream recognized a pre-tax impairment loss of approximately $39.8 million in the second quarter of fiscal 2022. The fair value of the investment in the LLC was determined under a Level 3 measurement considering the significant assumptions and judgments required in estimating the fair value of the Company's investment in the LLC. Investment balances of MVP and Southgate, as of March 31, 2022, are reflected in the table below.

There is risk that Midstream's equity investment in the LLC may be further impaired in the future. There are ongoing, and potential future legal and regulatory matters related to MVP, any of which could affect the ability to complete or operate the project, as well as legal and regulatory matters related to Southgate that must be resolved. Assumptions and estimates utilized in assessing the fair value of Midstream's investment in the LLC may change depending on the nature or timing of resolutions to the legal and regulatory matters or based on other relevant developments. Adverse changes in circumstances relevant to the likelihood of project or expansion completion could prompt Midstream, in future assessments, to apply lower probability of project or expansion completion and such changes in assumptions or estimates, including discount rates, could have a material adverse effect on the fair value of Midstream's investment in the LLC and potentially result in an additional impairment, which could have a material adverse effect on the results of operations and financial position of Midstream and the Company as a whole.

Funding for Midstream's investments in the LLC for both MVP and Southgate is being provided through two variable rate unsecured promissory notes, under a non-revolving credit agreement, maturing in December 2022, and three additional notes as detailed in Note 9.

The investments in the LLC are included in the accompanying financial statements as follows:

Balance Sheet location:	March 31, 2022	September 30, 2021
Other Assets:		
MVP	$ 27,237,888	$ 64,462,194
Southgate	83,363	405,125
Investment in unconsolidated affiliates	$ 27,321,251	$ 64,867,319
Current Liabilities:		
MVP	$ 772,601	$ 2,139,696
Southgate	489	941
Capital contributions payable	$ 773,090	$ 2,140,637

	Three Months Ended		Six Months Ended	
Income Statement location:	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Equity in earnings (loss) of unconsolidated affiliate	$ (445)	$ (3,797)	$ 71,682	$ 1,352,886

	March 31, 2022	September 30, 2021
Undistributed earnings, net of income taxes, of MVP in retained earnings	$ 8,134,259	$ 8,081,027

The undistributed earnings does not include the impairment of the investment in the LLC.

The change in the investment in unconsolidated affiliates is provided below:

	Six Months Ended	
	March 31, 2022	March 31, 2021
Cash investment	$ 3,572,011	$ 2,720,008
Change in accrued capital calls	(1,367,548)	(1,071,205)
Pre-tax impairment	(39,822,213)	—
Equity in earnings of unconsolidated affiliate	71,682	1,352,886
Change in investment in unconsolidated affiliates	$ (37,546,068)	$ 3,001,689

Summary unaudited financial statements of MVP are presented below. Southgate financial statements, which are accounted for under the cost method, are not included:

	Income Statements			
	Three Months Ended		Six Months Ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
AFUDC	$ —	$ —	$ 6,883,069	$ 133,757,314
Other income (expense), net	9,245	5,514	(35,818)	(47,094)
Net income	$ 9,245	$ 5,514	$ 6,847,251	$ 133,710,220

	Balance Sheets	
	March 31, 2022	September 30, 2021
Assets:		
Current assets	$ 118,201,286	$ 208,961,113
Construction work in progress	6,514,077,686	6,281,991,035
Other assets	1,190,042	980,410
Total assets	$ 6,633,469,014	$ 6,491,932,558
Liabilities and Equity:		
Current liabilities	$ 146,102,517	$ 200,441,027
Noncurrent liabilities	45,000	13,000
Capital	6,487,321,497	6,291,478,531
Total liabilities and equity	$ 6,633,469,014	$ 6,491,932,558

7. Derivatives and Hedging

The Company's hedging and derivative policy allows management to enter into derivatives for the purpose of managing the commodity and financial market risks of its business operations, including the price of natural gas and the cost of borrowed funds. This policy specifically prohibits the use of derivatives for speculative purposes.

The Company has five interest rate swaps associated with its variable rate debt as of March 31, 2022. During fiscal 2021, Roanoke Gas entered into two delayed draw variable-rate term notes in the amounts of $15 million and $10 million, with corresponding swap agreements to convert the variable interest rates into fixed rates of 2.00% and 2.49%, respectively. Proceeds of $5 million associated with the $10 million delayed draw note were received on April 1, 2022; therefore, the swap associated with that note has no financial impact during the current period. Midstream has two swap agreements corresponding to the $14 million and $10 million variable rate term notes. The swap agreements convert these two notes into fixed rate instruments with effective interest rates of 3.24% and 3.14%, respectively. In addition, on November 1, 2021, Midstream entered into a promissory note in the amount of $8 million, with a corresponding swap agreement to convert the variable interest rate into a fixed rate of 2.443%. The swaps qualify as cash flow hedges with changes in fair value reported in other comprehensive income. No portion of the swaps were deemed ineffective during the periods presented.

The Company had no outstanding derivative instruments for the purchase of natural gas.

The fair value of the current and non-current portions of the interest rate swaps are reflected in the condensed consolidated balance sheets under the caption interest rate swaps. The table in Note 10 reflects the effect on income and other comprehensive income of the Company's cash flow hedges.

8. Short-Term Debt

On March 31, 2022, Roanoke Gas entered into an unsecured line-of-credit agreement replacing the line-of-credit agreement dated March 25, 2021. The agreement provides for a variable interest rate based upon Daily Simple SOFR plus 1.10% and multiple tier borrowing limits to accommodate seasonal borrowing demands. The Company's total available borrowing limits during the term of the line-of-credit agreement range from $21,000,000 to $33,000,000. The line-of-credit agreement will expire on March 31, 2023, unless extended. The Company anticipates being able to extend or replace the credit line upon expiration. As of March 31, 2022, the Company had no outstanding balance under its line-of-credit agreement.

In connection with the line-of-credit, the Company also entered into the Seventh Amendment to Credit Agreement as of March 31, 2022, which amends the original Credit Agreement dated March 31, 2016 and all subsequent amendments. The Amendment aligns the termination date, maximum principal amount available under the line-of-credit, amends certain financial conditions required of Resources, and retains all other terms and requirements of prior credit agreements.

9. Long-Term Debt

On November 1, 2021 Midstream entered into an unsecured promissory note in the principal amount of $8 million with an interest rate based on 30-day LIBOR plus 115 basis points maturing January 1, 2028. Related to this note, Midstream also entered into an interest rate swap agreement that effectively converts the variable rate note into a fixed rate instrument with an effective annual interest rate of 2.443%. The loan will convert into an installment loan with principal pay-down beginning in fiscal 2023. In addition, this note reduces the borrowing capacity defined by the Third Amendment to Credit Agreement and related Promissory Notes. The total borrowing capacity declined from $41 million to $33 million effective with the new promissory note. All other terms of the Third Amendment to Credit Agreement remain unchanged. On March 31, 2022, Midstream applied $10 million from a cash infusion received from Resources to pay down a corresponding amount on the non-revolving credit facility which in turn reduced the total borrowing capacity from $33 million to $23 million.

On September 24, 2021, Roanoke Gas entered into a Loan Agreement ("Agreement") and an unsecured Delayed Draw Promissory Note in the principal amount of $10 million ("Promissory Note"). Under the provisions of the Agreement, Roanoke Gas received the first advance of $5 million on April 1, 2022 with the remaining $5 million to be received on or about October 1, 2022. The Promissory Note has an interest rate of 30-day LIBOR plus 100 basis points and a maturity date of October 1, 2028. The proceeds from this Promissory Note will be used to finance Roanoke Gas' infrastructure enhancement and replacement projects. Also, on September 24, 2021, Roanoke Gas entered into an interest rate swap agreement for $10 million corresponding to the term and draw provisions of the Agreement, which effectively converts the variable rate Promissory Note to a fixed instrument with an effective annual interest rate of 2.49%.

On August 20, 2021, Roanoke Gas entered into an unsecured Delayed Draw Term Note in the principal amount of $15 million ("Term Note") with an interest rate of 1.20% above 30-day SOFR Average per annum maturing on August 20, 2026. In connection with the Term Note, Roanoke Gas also entered into the Sixth Amendment to its Credit Agreement ("Amendment"), which amends the original Credit Agreement with the corresponding bank dated March 31, 2016 and all subsequent amendments. The Amendment aligns the termination date and the maximum principal amount available under the Term Note and retains all other terms and requirements of prior credit agreements. The proceeds from this Term Note will be used to finance Roanoke Gas' infrastructure enhancement and replacement projects, as well as to refinance a portion of its existing debt. Also, on August 20, 2021, Roanoke Gas entered into an interest rate swap agreement for $15 million corresponding to the duration of the Term Note, which effectively converts the variable rate note to a fixed rate instrument with an effective annual interest rate of 2.00%. The Term Note funded in full on October 1, 2021.

Long-term debt consists of the following:

	March 31, 2022		September 30, 2021	
	Principal	Unamortized Debt Issuance Costs	Principal	Unamortized Debt Issuance Costs
Roanoke Gas:				
Unsecured senior notes payable, at 4.26%, due September 18, 2034	$ 30,500,000	$ 120,676	$ 30,500,000	$ 125,502
Unsecured term note payable, at 30-day LIBOR plus 0.90%, due November 1, 2021	—	—	7,000,000	278
Unsecured term notes payable, at 3.58%, due October 2, 2027	8,000,000	26,488	8,000,000	28,896
Unsecured term notes payable, at 4.41%, due March 28, 2031	10,000,000	28,193	10,000,000	29,760
Unsecured term notes payable, at 3.60%, due December 6, 2029	10,000,000	27,301	10,000,000	29,062
Unsecured term note payable, at 30-day SOFR plus 1.20%, due August 20, 2026	15,000,000	—	—	—
Unsecured delayed draw note payable	—	31,064	—	21,545
Midstream:				
Unsecured term notes payable, at 30-day LIBOR plus 1.35%, due December 29, 2022	19,330,200	8,942	33,610,200	14,904
Unsecured term note payable, at 30-day LIBOR plus 1.15%, due June 12, 2026	14,000,000	10,233	14,000,000	11,437
Unsecured term note payable, at 30-day LIBOR plus 1.20%, due June 1, 2024	10,000,000	5,107	10,000,000	6,286
Unsecured term note payable, at 30-day LIBOR plus 1.15%, due January 1, 2028	8,000,000	25,918	—	—
Total notes payable, current and non-current	124,830,200	283,922	123,110,200	267,670
Line-of-credit, at 30-day LIBOR plus 1.00%, due March 31, 2023	—	—	17,628,897	—
Total long-term debt	124,830,200	283,922	140,739,097	267,670
Less: current maturities of long-term debt	(19,705,200)	—	(7,000,000)	—
Total long-term debt, net current maturities	$ 105,125,000	$ 283,922	$ 133,739,097	$ 267,670

All debt agreements set forth certain representations, warranties and covenants to which the Company is subject, including financial covenants that limit consolidated long-term indebtedness to not more than 65% of total capitalization. All of the debt agreements, except for the line-of-credit, provide for priority indebtedness to not exceed 15% of consolidated total assets. The $15 million note and the line-of-credit have an interest coverage ratio requirement of 1.5 which excludes the effect of a non cash impairment on the LLC investments up to the total investment as of December 31, 2021 as revised by the Seventh Amendment to the Credit Agreement. The Company was in compliance with all debt covenants as of March 31, 2022 and September 30, 2021.

10. Other Comprehensive Income (Loss)

A summary of other comprehensive income and loss is provided below:

	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Three Months Ended March 31, 2022			
Interest rate swaps:			
Unrealized gains	$ 1,903,875	$ (490,057)	$ 1,413,818
Transfer of realized losses to interest expense	163,860	(42,179)	121,681
Net interest rate swaps	2,067,735	(532,236)	1,535,499
Defined benefit plans:			
Amortization of actuarial gains	(15,070)	3,879	(11,191)
Other comprehensive income	$ 2,052,665	$ (528,357)	$ 1,524,308
Three Months Ended March 31, 2021			
Interest rate swaps:			
Unrealized gains	$ 529,356	$ (136,257)	$ 393,099
Transfer of realized losses to interest expense	136,270	(35,075)	101,195
Net interest rate swaps	665,626	(171,332)	494,294
Defined benefit plans:			
Amortization of actuarial losses	20,017	(5,153)	14,864
Other comprehensive income	$ 685,643	$ (176,485)	$ 509,158

	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Six Months Ended March 31, 2022			
Interest rate swaps:			
Unrealized gains	$ 2,219,858	$ (571,390)	$ 1,648,468
Transfer of realized losses to interest expense	335,723	(86,418)	249,305
Net interest rate swaps	2,555,581	(657,808)	1,897,773
Defined benefit plans:			
Amortization of actuarial gains	(30,140)	7,758	(22,382)
Other comprehensive income	$ 2,525,441	$ (650,050)	$ 1,875,391
Six Months Ended March 31, 2021			
Interest rate swaps:			
Unrealized gains	$ 619,126	$ (159,364)	$ 459,762
Transfer of realized losses to interest expense	273,708	(70,451)	203,257
Net interest rate swaps	892,834	(229,815)	663,019
Defined benefit plans:			
Amortization of actuarial losses	40,034	(10,306)	29,728
Other comprehensive income	$ 932,868	$ (240,121)	$ 692,747

The amortization of actuarial gains and losses, reflected in the preceding table, relate to the unregulated operations of the Company. Actuarial gains and losses attributable to the regulated operations are included as a regulatory asset. See Note 16 for a schedule of regulatory assets. The amortization of actual gains and losses is recognized as a component of net periodic pension and postretirement benefit costs under other income, net.

Reconciliation of Accumulated Other Comprehensive Income (Loss)

	Interest Rate Swaps	Defined Benefit Plans	Accumulated Other Comprehensive Income (Loss)
Balance at September 30, 2021	$ (888,210)	$ (647,224)	$ (1,535,434)
Other comprehensive income (loss)	1,897,773	(22,382)	1,875,391
Balance at March 31, 2022	$ 1,009,563	$ (669,606)	$ 339,957

11. Commitments and Contingencies

COVID-19 and the related pandemic continues to impact local, state, national and global economies. Supply chain disruptions, labor shortages and inflation have supplanted quarantines and government restrictions as the primary examples of matters impacting economic conditions. Significant progress was made in distributing and administering vaccines to the public, which has allowed a return to mostly normal operating conditions. Restrictions implemented as a result of the pandemic have eased, allowing for increased business, recreational and travel activities. Natural gas consumption by the Company's commercial customers has returned to pre-pandemic levels. However, future surges in COVID-19 infections could result in the reinstatement of some or all of the restrictions previously in place. Management continues to monitor current conditions to ensure the continuation of safe and reliable service to customers and to maintain the safety of the Company's employees.

12. Earnings Per Share

Basic earnings per common share for the three and six months ended March 31, 2022 and 2021 were calculated by dividing net income by the weighted average common shares outstanding during the period. Diluted earnings per common share were calculated by dividing net income by the weighted average common shares outstanding during the period plus potential dilutive common shares.

A reconciliation of basic and diluted earnings per share is presented below:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
Net income (loss)	$ (24,494,429)	$ 4,767,478	$ (20,909,900)	$ 9,490,741
Weighted average common shares	8,486,518	8,217,822	8,434,689	8,192,533
Effect of dilutive securities:				
Options to purchase common stock	—	12,828	—	13,621
Diluted average common shares	8,486,518	8,230,650	8,434,689	8,206,154
Earnings (loss) per share of common stock:				
Basic	$ (2.89)	$ 0.58	$ (2.48)	$ 1.16
Diluted	$ (2.89)	$ 0.58	$ (2.48)	$ 1.16

13. Employee Benefit Plans

The Company has both a pension plan and a postretirement plan. The pension plan covers the Company's employees hired before January 1, 2017 and provides retirement income based on years of service and employee compensation. The postretirement plan provides certain health care and supplemental life insurance benefits to retired employees who meet specific age and service requirements. Net pension plan and postretirement plan expense is detailed as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
Components of net periodic pension cost:				
Service cost	$ 162,072	$ 183,570	$ 324,144	$ 367,140
Interest cost	253,279	243,785	506,558	487,570
Expected return on plan assets	(457,888)	(503,936)	(915,776)	(1,007,872)
Recognized loss	36,600	125,535	73,200	251,070
Net periodic pension cost (benefit)	$ (5,937)	$ 48,954	$ (11,874)	$ 97,908

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
Components of postretirement benefit cost:				
Service cost	$ 24,450	$ 35,172	$ 48,900	$ 70,344
Interest cost	110,930	107,623	221,860	215,246
Expected return on plan assets	(166,541)	(149,122)	(333,082)	(298,244)
Recognized loss	—	38,664	—	77,328
Net postretirement benefit cost (benefit)	$ (31,161)	$ 32,337	$ (62,322)	$ 64,674

The components of net periodic benefit cost, other than the service cost component, are included in other income, net in the condensed consolidated statements of income. Service cost is included in operations and maintenance expense in the condensed consolidated statements of income.

The table below reflects the Company's actual contributions made fiscal year-to-date and the expected remaining contributions to be made during the balance of the current fiscal year.

	Fiscal Year-to-Date Contributions	Remaining Fiscal Year Contributions
Pension plan	$ —	$ 500,000
Postretirement plan	—	400,000
Total	$ —	$ 900,000

14. Fair Value Measurements

FASB ASC No. 820, *Fair Value Measurements and Disclosures*, established a fair value hierarchy that prioritizes each input to the valuation method used to measure fair value of financial and nonfinancial assets and liabilities that are measured and reported on a fair value basis into one of the following three levels:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices in Level 1 that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

The following table summarizes the Company’s financial assets and liabilities that are measured at fair value on a recurring basis as required by existing guidance and the fair value measurements by level within the fair value hierarchy:

	Fair Value Measurements - March 31, 2022			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Interest rate swaps	$ 1,359,498	$ —	$ 1,359,498	$ —
Total	$ 1,359,498	$ —	$ 1,359,498	$ —
Liabilities:				
Natural gas purchases	$ 1,355,281	$ —	$ 1,355,281	$ —
Total	$ 1,355,281	$ —	$ 1,355,281	$ —

	Fair Value Measurements - September 30, 2021			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Natural gas purchases	$ 2,728,935	$ —	$ 2,728,935	$ —
Interest rate swaps	1,196,083	—	1,196,083	—
Total	$ 3,925,018	$ —	$ 3,925,018	$ —

The fair value of the interest rate swaps are determined by using the counterparty's proprietary models and certain assumptions regarding past, present and future market conditions.

Under the asset management contract, a timing difference can exist between the payment for natural gas purchases and the actual receipt of such purchases. Payments are made based on a predetermined monthly volume with the price based on weighted average first of the month index prices corresponding to the month of the scheduled payment. At March 31, 2022 and September 30, 2021, the Company had recorded in accounts payable the estimated fair value of the liability valued at the corresponding first of month index prices for which the liability is expected to be settled.

The Company’s nonfinancial assets and liabilities measured at fair value on a nonrecurring basis consist of its AROs. The AROs are measured at fair value at initial recognition based on expected future cash flows required to settle the obligation.

The carrying value of cash and cash equivalents, accounts receivable, borrowings under line-of-credit, accounts payable (with the exception of the timing difference under the asset management contract), customer credit balances and customer deposits is a reasonable estimate of fair value due to the short-term nature of these financial instruments. In addition, the carrying amount of the variable rate line-of-credit is a reasonable approximation of its fair value.

The following table summarizes the fair value of the Company’s financial assets and liabilities that are not adjusted to fair value in the financial statements:

	Fair Value Measurements - March 31, 2022			
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Current maturities of long-term debt	$ 19,705,200	$ —	$ —	$ 19,765,421
Notes payable	105,125,000	—	—	107,952,588
Total	$ 124,830,200	$ —	$ —	$ 127,718,009

	Fair Value Measurements - September 30, 2021			
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Current maturities of long-term debt	$ 7,000,000	$ —	$ —	$ 7,000,000
Notes payable	116,110,200	—	—	124,691,896
Total	$ 123,110,200	$ —	$ —	$ 131,691,896

The fair value of long-term debt is estimated by discounting the future cash flows of the fixed rate debt based on the underlying Treasury rate or other Treasury instruments with a corresponding maturity period and estimated credit spread extrapolated based on market conditions since the issuance of the debt.

FASB ASC 825, *Financial Instruments*, requires disclosures regarding concentrations of credit risk from financial instruments. Cash equivalents are investments in high-grade, short-term securities (original maturity less than three months), placed with financially sound institutions. Accounts receivable are from a diverse group of customers including individuals and small and large companies in various industries. As of March 31, 2022 and September 30, 2021, no single customer accounted for more than 5% of the total accounts receivable balance. The Company maintains certain credit standards with its customers and requires a customer deposit if such evaluation warrants.

15. Segment Information

Operating segments are defined as components of an enterprise for which separate financial information is available and is evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and assess performance. The Company uses operating income and equity in earnings to assess segment performance.

Intersegment transactions are recorded at cost.

The reportable segments disclosed herein are defined as follows:

Gas Utility - The natural gas segment of the Company generates revenue from its tariff rates and other regulatory mechanisms through which it provides the sale and distribution of natural gas to its residential, commercial and industrial customers.

Investment in Affiliates - The investment in affiliates segment reflects the income generated through the activities of the Company's investment in the LLC.

Parent and Other - The category parent and other includes the unregulated activities of the Company as well as certain corporate eliminations.

Information related to the segments of the Company are provided below:

	Three Months Ended March 31, 2022			
	Gas Utility	Investment in Affiliates	Parent and Other	Consolidated Total
Operating revenues	$ 29,499,219	$ —	$ 30,464	$ 29,529,683
Depreciation	2,268,704	—	—	2,268,704
Operating income (loss)	7,528,839	(108,987)	23,536	7,443,388
Equity in earnings (loss)	—	(445)	—	(445)
Impairment of investments in affiliates	—	(39,822,213)	—	(39,822,213)
Interest expense	751,038	352,806	—	1,103,844
Income (loss) before income taxes	7,117,202	(40,279,495)	23,689	(33,138,604)

	Three Months Ended March 31, 2021			
	Gas Utility	Investment in Affiliates	Parent and Other	Consolidated Total
Operating revenues	$ 28,221,274	$ —	$ 32,388	$ 28,253,662
Depreciation	2,128,304	—	—	2,128,304
Operating income (loss)	7,175,532	(102,295)	26,189	7,099,426
Equity in earnings (loss)	—	(3,797)	—	(3,797)
Interest expense	707,532	300,232	—	1,007,764
Income (loss) before income taxes	6,750,004	(400,880)	26,289	6,375,413

	Six Months Ended March 31, 2022			
	Gas Utility	Investment in Affiliates	Parent and Other	Consolidated Total
Operating revenues	$ 52,730,874	$ —	$ 61,889	$ 52,792,763
Depreciation	4,539,398	—	—	4,539,398
Operating income (loss)	12,933,155	(160,547)	49,203	12,821,811
Equity in earnings	—	71,682	—	71,682
Impairment of investments in affiliates	—	(39,822,213)	—	(39,822,213)
Interest expense	1,515,901	692,799	—	2,208,700
Income (loss) before income taxes	12,076,384	(40,596,376)	49,521	(28,470,471)

	Six Months Ended March 31, 2021			
	Gas Utility	Investment in Affiliates	Parent and Other	Consolidated Total
Operating revenues	$ 47,704,774	$ —	$ 65,905	$ 47,770,679
Depreciation	4,281,702	—	—	4,281,702
Operating income (loss)	12,788,574	(153,142)	45,381	12,680,813
Equity in earnings	—	1,352,886	—	1,352,886
Interest expense	1,411,862	615,731	—	2,027,593
Income before income taxes	11,986,004	592,045	45,631	12,623,680

	March 31, 2022			
	Gas Utility	Investment in Affiliates(1)	Parent and Other	Consolidated Total
Total assets	$ 240,934,602	$ 27,465,020	$ 19,958,863	$ 288,358,485

(1) Decrease in total assets resulted from the MVP and Southgate impairment. See Note 6 for additional information.

	September 30, 2021			
	Gas Utility	Investment in Affiliates	Parent and Other	Consolidated Total
Total assets	$ 231,737,427	$ 65,686,376	$ 12,685,390	$ 310,109,193

16. Regulatory Assets and Liabilities

The Company's regulated operations follow the accounting and reporting requirements of FASB ASC No. 980, *Regulated Operations*. The economic effects of regulation can result in a regulated company deferring costs that have been or are expected to be recovered from customers in a period different from the period in which the costs would ordinarily be charged to expense by an unregulated enterprise. When this situation occurs, costs are deferred as assets in the condensed consolidated balance sheet (regulatory assets) and amortized into expense over periods when such amounts are reflected in rates. Additionally, regulators can impose liabilities upon a regulated company for amounts previously collected from customers and for current collection in rates of costs that are expected to be incurred in the future (regulatory liabilities). In the event the provisions of FASB ASC No. 980 no longer apply to any or all regulatory assets or liabilities, the Company would write off such amounts and include the effects in the condensed consolidated statements of income and comprehensive income in the period which FASB ASC No. 980 no longer applied.

Regulatory assets included in the Company's accompanying balance sheets are as follows:

	March 31, 2022	September 30, 2021
Assets:		
Current Assets:		
Regulatory assets:		
WNA revenues	$ 1,808,525	$ 8,104
Under-recovery of gas costs	—	5,048,164
Under-recovery of SAVE Plan revenues	—	305,502
Accrued pension and postretirement medical	103,340	206,679
Other deferred expenses	85,211	88,004
Total current	1,997,076	5,656,453
Utility Property:		
In service:		
Other	11,945	11,945
Construction work in progress:		
AFUDC	386,189	386,189
Other Assets:		
Regulatory assets:		
Premium on early retirement of debt	1,427,340	1,484,433
Accrued pension and postretirement medical	5,154,713	5,154,713
Other deferred expenses	123,962	130,613
Total non-current	6,706,015	6,769,759
Total regulatory assets	$ 9,101,225	$ 12,824,346

Regulatory liabilities included in the Company's accompanying balance sheets are as follows:

	March 31, 2022	September 30, 2021
Liabilities and Stockholders' Equity:		
Current Liabilities:		
Regulatory liabilities:		
Over-recovery of gas costs	$ 98,776	$ —
Over-recovery of SAVE Plan revenues	102,879	—
Deferred income taxes	332,361	329,959
Supplier refunds	2,661,043	—
Total current	3,195,059	329,959
Deferred Credits and Other Liabilities:		
Asset retirement obligations	7,876,084	7,628,958
Regulatory cost of retirement obligations	14,126,243	13,640,567
Regulatory Liabilities:		
Deferred income taxes	12,706,518	12,891,242
Total non-current	34,708,845	34,160,767
Total regulatory liabilities	$ 37,903,904	$ 34,490,726

As of March 31, 2022 and September 30, 2021, the Company had regulatory assets in the amount of $9,089,280 and $12,812,401, respectively, on which the Company did not earn a return during the recovery period.

17. Subsequent Events

On April 1, 2022, Roanoke Gas received a $5 million advance associated with its $10 million unsecured delayed draw note payable. The remaining $5 million is expected to be drawn on or about October 1, 2022. See Note 9 for additional information.

The Company has evaluated subsequent events through the date the financial statements were issued. There were no items not otherwise disclosed which would have materially impacted the Company's condensed financial statements.

ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This report contains forward-looking statements that relate to future transactions, events or expectations. In addition, Resources may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities, operational impacts and similar matters. These statements are based on management’s current expectations and information available at the time of such statements and are believed to be reasonable and are made in good faith. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause the Company’s actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company’s forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of the Company’s business include, but are not limited to those set forth in the following discussion and within Item 1A “Risk Factors” in the Company’s 2021 Annual Report on Form 10-K and this Form 10-Q. All of these factors are difficult to predict and many are beyond the Company’s control. Accordingly, while the Company believes its forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. When used in the Company’s documents or news releases, the words, “anticipate,” “believe,” “intend,” “plan,” “estimate,” “expect,” “objective,” “projection,” “forecast,” “budget,” “assume,” “indicate” or similar words or future or conditional verbs such as “will,” “would,” “should,” “can,” “could” or “may” are intended to identify forward-looking statements.

Forward-looking statements reflect the Company’s current expectations only as of the date they are made. The Company assumes no duty to update these statements should expectations change or actual results differ from current expectations except as required by applicable laws and regulations.

The three-month and six-month earnings presented herein should not be considered as reflective of the Company’s consolidated financial results for the fiscal year ending September 30, 2022. The total revenues and margins realized during the first six months reflect higher billings due to the weather sensitive nature of the natural gas business.

COVID-19

As discussed under Item 1A "Risk Factors" in the Company’s 2021 Annual Report on Form 10-K, COVID-19 and the resulting pandemic continues to have a lingering impact on local, state, national and global economies. Supply chain disruptions, labor shortages and inflation, compounded by other world events, have continued as the primary examples of matters impacting economic conditions. Significant portions of the population have been vaccinated, which has contributed to a return to mostly normal operating conditions. Most restrictions implemented as a result of the pandemic have been eased, including Virginia’s state of emergency, allowing for increased business, recreational and travel activities. Natural gas consumption by the Company’s commercial customers has returned to pre-pandemic levels. However, the easing of restrictions and the evolution of variant strains of COVID-19 may lead to a rise in infections nationally and throughout the Company’s service territory. Management continues to monitor current conditions to ensure the continuation of safe and reliable service to customers and to maintain the safety of the Company's employees.

The extent to which the COVID-19 pandemic will continue to impact the Company depends on future developments, which are highly uncertain and cannot be reasonably predicted, including the increase or reduction in governmental restrictions to businesses and individuals, the potential resurgence of the virus, including variants, as well as efficacy of the vaccines.

Overview

Resources is an energy services company primarily engaged in the regulated sale and distribution of natural gas to approximately 63,000 residential, commercial and industrial customers in Roanoke, Virginia and surrounding localities through its Roanoke Gas subsidiary. As a wholly-owned subsidiary of Resources, Midstream is a more than 1% investor in MVP and a less than 1% investor in Southgate.

Due primarily to decisions in January and February 2022 by the Fourth Circuit vacating and remanding certain permits necessary for the completion of MVP construction and commercial operation, and the greater uncertainty that now exists given the Court’s actions, as well as the consequent actions by project partners to impair their respective investments and revocation of the previously noted summer 2022 in-service target date, Midstream determined that its investment in the LLC experienced an other-than-temporary decline in value. Accordingly, management recorded a $39.8 million write-down of the value of its investments in the second quarter of fiscal 2022. As of March 31, 2022, the total investment in the LLC was $27 million. More information regarding the investment in the LLC is provided under the Equity Investment in Mountain Valley Pipeline section below.

The utility operations of Roanoke Gas are regulated by the SCC, which oversees the terms, conditions, and rates charged to customers for natural gas service, safety standards, extension of service and depreciation. Nearly all of the Company’s revenues, excluding equity in earnings of MVP, are derived from the sale and delivery of natural gas to Roanoke Gas customers based on rates authorized by the SCC. These rates are designed to provide the Company with the opportunity to recover its gas and non-gas expenses and to earn a reasonable rate of return for shareholders based on normal weather.

The Company is also subject to federal regulation from the Department of Transportation in regard to the construction, operation, maintenance, safety and integrity of its transmission and distribution pipelines. FERC regulates the prices for the transportation and delivery of natural gas to the Company’s distribution system and underground storage services. In addition, Roanoke Gas is subject to other regulations which are not necessarily industry specific.

As the Company’s business is seasonal in nature, volatility in winter weather and the commodity price of natural gas can impact the effectiveness of the Company’s rates in recovering its costs and providing a reasonable return for its shareholders. In order to mitigate the effect of weather variations and other factors not provided for in the Company's base rates, Roanoke Gas has certain approved rate mechanisms in place that help provide stability in earnings, adjust for volatility in the price of natural gas and provide a return on qualified infrastructure investment. These mechanisms include the SAVE Rider, WNA, ICC and PGA.

The Company’s non-gas base rates provide for the recovery of non-gas related expenses and a reasonable return to shareholders. These rates are determined based on the filing of a formal non-gas rate application with the SCC. Generally, investments related to extending service to new customers are recovered through the additional revenues generated by the non-gas base rates currently in place. The investment in replacing and upgrading existing infrastructure is generally not recoverable until a formal rate application is filed to include the additional investment, and new non-gas base rates are approved. The SAVE Rider provides the Company with a mechanism through which it recovers costs related to SAVE qualified infrastructure investments on a prospective basis, until a formal rate application is filed to incorporate these investments in non-gas base rates. The SAVE Plan and Rider were last reset effective January 2019, when the recovery of all prior SAVE Plan investment was incorporated into the current non-gas rates. Accordingly, SAVE Plan revenues increased by approximately $193,000 and $416,000 for the three and six month periods ended March 31, 2022 compared to the same periods last year, reflecting the Company's cumulative investment in qualified SAVE Plan infrastructure.

The WNA model reduces the volatility in earnings due to the variability in temperatures during the heating season. The WNA is based on the most recent 30-year temperature average and provides the Company with a level of earnings protection when weather is warmer than normal and provides its customers with price protection when weather is colder than normal. The WNA allows the Company to recover from its customers the lost margin (excluding gas costs) from the impact of weather that is warmer than normal and correspondingly requires the Company to refund the excess margin earned for weather that is colder than normal. The WNA mechanism used by the Company is based on a linear regression model that determines the value of a single heating degree day and thereby estimates the revenue adjustment based on weather variance from normal. Any billings or refunds related to the WNA are completed following each WNA year, which extends for the 12-month period from April to March. For the three and six months ended March 31, 2022, the Company accrued approximately $556,000 and $1,800,000 in additional revenues under the WNA model for weather that was 7% and 13% warmer than normal, respectively, compared to approximately $249,000 and $1,196,000 in additional revenue for weather that was 3% and 9% warmer than normal during the corresponding periods last year. The current WNA year ended on March 31, 2022 and the 12 month cumulative WNA balance will be collected from customers beginning in May 2022.

The Company also has an approved rate structure in place that mitigates the impact of financing costs of its natural gas inventory. Under this rate structure, Roanoke Gas recognizes revenue by applying the ICC factor, based on the Company's weighted-average cost of capital, including interest rates on short-term and long-term debt, and the Company's authorized return on equity, to the average cost of natural gas inventory during the period. Total ICC revenues increased by approximately $33,000 and $84,000, respectively, for the three month and six month periods ended March 31, 2022, compared to the corresponding periods last year, as rising natural gas commodity prices in 2021 resulted in a higher average cost of natural gas in storage. As natural gas commodity prices have experienced a significant increase during March and April 2022, the cost of natural gas in storage is expected to be higher at September 30, 2022.

The cost of natural gas is a pass-through cost and is independent of the non-gas rates of the Company. Accordingly, the Company's approved billing rates include a component designed to allow for the recovery of the cost of natural gas used by its customers. This rate component, referred to as the PGA, allows the Company to pass along to its customers increases and decreases in natural gas costs based on a quarterly filing, or more frequent if necessary, with the SCC. Once administrative approval is received, the Company adjusts the gas cost component of its rates to reflect the approved amount. As actual costs will differ from the projections used in establishing the PGA rate, the Company will either over-recover or under-recover its actual gas costs during the period. The difference between actual costs incurred and costs recovered through the application of the PGA is recorded as a regulatory asset or liability. At the end of the annual deferral period, the balance is amortized over an ensuing 12-month period as amounts are reflected in customer billings.

Prior to January 2021, the Company has recognized significant non-cash income from equity in earnings of MVP through recording of AFUDC. Due to various legal and regulatory challenges, construction on the pipeline has been halted as has the recognition of AFUDC. If or when the permits are reinstated, construction on MVP could resume and AFUDC would again be recognized until such time as MVP is placed in service. Once in service, cash earnings will be derived from fees charged by the LLC to transport natural gas on the pipeline.

Results of Operations

The analysis on the results of operations is based on the consolidated operations of the Company, which is primarily associated with the utility segment. Additional segment analysis is provided when Midstream's investment in affiliates represents a significant component of the comparison.

The Company's operating revenues are affected by the cost of natural gas, as reflected in the consolidated income statement under the line item cost of gas - utility. The cost of natural gas, which includes commodity price, transportation, storage, injection and withdrawal fees with any increase or decrease offset by a correlating change in revenue through the PGA, is passed through to customers at cost. Accordingly, management believes that gross utility margin, a non-GAAP financial measure defined as utility revenues less cost of gas, is a more useful and relevant measure to analyze financial performance. The term gross utility margin is not intended to represent or replace operating income, the most comparable GAAP financial measure, as an indicator of operating performance and is not necessarily comparable to similarly titled measures reported by other companies. The following results of operations analyses will reference gross utility margin.

Three Months Ended March 31, 2022:

Net income decreased by $29,261,907 for the three months ended March 31, 2022, compared to the same period last year, primarily due to the impairment of the Company's investment in the LLC.

The tables below reflect operating revenues, volume activity and heating degree-days.

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Increase/ (Decrease)	Percentage
Operating Revenues				
Gas Utility	$ 29,499,219	$ 28,221,274	$ 1,277,945	5%
Non Utility	30,464	32,388	(1,924)	(6)%
Total Operating Revenues	$ 29,529,683	$ 28,253,662	$ 1,276,021	5%
Delivered Volumes				
Regulated Natural Gas (DTH)				
Residential and Commercial	3,221,562	3,212,413	9,149	0%
Transportation and Interruptible	1,020,460	806,981	213,479	26%
Total Delivered Volumes	4,242,022	4,019,394	222,628	6%
HDD	1,918	1,997	(79)	(4)%

Total operating revenues for the three months ended March 31, 2022, compared to the same period last year, increased by 5% due to a combination of an increase in SAVE revenues, WNA revenues and higher transportation volume deliveries. SAVE Plan revenues increased by approximately $193,000 due to the continuing investment in qualified SAVE infrastructure projects. Although the three months ended March 31, 2022 had 4% fewer heating degree days than the same period last year, the weather sensitive residential and commercial volumes were nearly unchanged. The improvement in natural gas deliveries is reflective of increased economic activity in the post-pandemic environment. As described above, the WNA model provided $307,000 in additional revenues as the current period was 7% warmer than normal compared to weather that was 3% warmer than normal for the same period last year. Transportation and interruptible volumes, primarily driven by business activity rather than weather, increased by 26% due to a single multi-fuel customer that increased its utilization of natural gas from an alternate energy source during the quarter. Excluding the multi-fuel customer's usage from both periods, total transportation and interruptible volumes would have been nearly unchanged.

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Increase	Percentage
Gross Utility Margin				
Gas Utility Revenues	$ 29,499,219	$ 28,221,274	$ 1,277,945	5%
Cost of Gas - Utility	14,923,575	14,447,057	476,518	3%
Gross Utility Margin	$ 14,575,644	$ 13,774,217	$ 801,427	6%

Gross utility margin increased from the same period last year as a result of the aforementioned higher SAVE revenues, WNA and transportation volumes as well as ICC revenues. ICC revenues increased by approximately $33,000 due to higher natural gas inventory balances attributable to rising natural gas commodity prices.

The components of and the change in gas utility margin are summarized below:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Increase
Customer Base Charge	$ 3,666,318	$ 3,652,055	$ 14,263
Carrying Cost	98,511	65,446	33,065
SAVE Plan	743,992	550,847	193,145
Volumetric	9,470,897	9,226,891	244,006
WNA	556,404	249,330	307,074
Other Revenues	39,522	29,648	9,874
Total	$ 14,575,644	$ 13,774,217	$ 801,427

Operations and maintenance expenses increased by $310,537, or 8%, over the same period last year primarily due to higher bad debt expense, corporate insurance premiums, professional services and compensation costs. Bad debt expense increased by $194,000 for the quarter due to higher billings related to rising natural gas prices and delinquent balances. Corporate insurance premiums related to property and liability insurance increased by nearly $43,000, or 17%, due to insurance market conditions. Professional services increased by $44,000 primarily due to costs related to determining the fair value and impairment of the LLC investment.

General taxes increased by $4,428, or 1%, primarily due to higher property taxes related to ongoing investments in infrastructure replacement, system reinforcements and customer growth, net of greater capitalization of payroll and property taxes.

Depreciation expense increased by $140,400, or nearly 7%, on a comparable increase in utility plant balances.

Equity in loss of unconsolidated affiliate was nearly unchanged as no growth construction activities occurred and no AFUDC was recorded. All earnings or losses during the respective quarters relate to income earned on available cash balances, net of expenses. See Equity Investment in Mountain Valley Pipeline section below for additional information.

Impairment of unconsolidated affiliates includes $39,822,213 for an other-than-temporary write down of the Company's investment in the LLC. See Critical Accounting Policies and Estimates and Equity Investment in Mountain Valley Pipeline sections below for further details of the impairment.

Other income, net increased by $56,962, or 20%, primarily due to an approximately $86,000 decrease in the non-service cost components of net periodic benefit costs partially offset by a reduction in the utilization fee. The reduction in the non-service cost component is attributable to the reduction in the amortization of the actuarial losses due to the improved funding position of the defined benefit plans. The utilization fee under the revenue sharing agreement declined per the terms of the asset management agreement with Sequent Energy.

Interest expense increased by $96,080, or 10%, as the total daily average debt outstanding increased by 20% between quarters. The higher borrowing levels, derived from the ongoing investment in the LLC and financing expenditures in support of Roanoke Gas' capital budget, were offset by a 9% reduction in the weighted-average interest rate on the Company's debt.

Roanoke Gas' interest expense increased by $43,506 primarily due to a $17.2 million increase in total daily average debt outstanding for the period, net of a reduction in the average interest rate from 3.73% to 3.23% primarily driven by the issuance of the $15 million note on October 1, 2021 with a 2.00% swap adjusted rate.

Midstream's interest expense increased by $52,574 primarily due to a $8.2 million increase in total average debt outstanding for the period and slight increase in the average interest rate from 2.28% to 2.32% associated with the an increase in the average variable interest rate of Midstream's credit facility.

Income tax moved from an expense of $1,607,935 to a benefit of $8,644,175 corresponding to the recognition of the impairment of the Company's investment in the LLC. The effective tax rate was 26.1% and 25.2% for the three month periods ended March 31, 2022 and 2021, respectively. Excluding the effect of the impairment, the effective tax rate would have been 24.0% compared to 25.2% for the same period last year. The reduction in the adjusted effective tax rate is attributable to the amortization of the deferred R&D tax credit associated with the tax credit study.

Six Months Ended March 31, 2022:

Net income decreased by $30,400,641 from $9,490,741 to a net loss of $20,909,900 for the six months ended March 31, 2022, compared to the same period last year, due to the impairment of the Company's investment in the LLC.

The tables below reflect operating revenues, volume activity and heating degree-days.

	Six Months Ended March 31,		Increase/	
	2022	2021	(Decrease)	Percentage
Operating Revenues				
Gas Utility	$ 52,730,874	$ 47,704,774	$ 5,026,100	11%
Non Utility	61,889	65,905	(4,016)	(6)%
Total Operating Revenues	$ 52,792,763	$ 47,770,679	$ 5,022,084	11%
Delivered Volumes				
Regulated Natural Gas (DTH)				
Residential and Commercial	5,132,292	5,262,636	(130,344)	(2)%
Transportation and Interruptible	1,797,901	1,623,637	174,264	11%
Total Delivered Volumes	6,930,193	6,886,273	43,920	1%
HDD	3,079	3,245	(166)	(5)%

Total operating revenues for the six months ended March 31, 2022, compared to the same period last year, increased by 11% due to a combination of higher natural gas commodity prices and pipeline and storage fees and an increase in SAVE and WNA revenues. During the first quarter of fiscal 2022, the Company experienced both rising natural gas prices over the comparable period last year, with the average commodity price declining slightly during the second fiscal quarter and rate increases implemented in the second quarter of fiscal 2021 from the interstate pipelines and underground natural gas storage operators who deliver and store natural gas. These higher costs are passed on to customers through the PGA. SAVE Plan revenues increased by approximately $416,000 due to the continuing investment in qualified SAVE infrastructure projects. The six months ended March 31, 2022 had 5% fewer heating degree days than the same period last year, which resulted in a corresponding 2% reduction in the weather sensitive residential and commercial volumes. If adjusted for the WNA effect of the shortfall in heating degree days, the residential and commercial volumes would have been nearly 2% higher than the WNA adjusted volumes in the prior year, reflecting improved economic activity in a post-pandemic environment.

	Six Months Ended March 31,			
	2022	2021	Increase	Percentage
Gross Utility Margin				
Gas Utility Revenues	$ 52,730,874	$ 47,704,774	$ 5,026,100	11%
Cost of Gas - Utility	26,239,980	22,147,756	4,092,224	18%
Gross Utility Margin	$ 26,490,894	$ 25,557,018	$ 933,876	4%

Gross utility margin increased from the same period last year as a result of the higher SAVE revenues and WNA in addition to the increase in ICC revenues as reflected in the table below. ICC revenues increased by approximately $84,000 due to higher natural gas inventory balances attributable to rising natural gas commodity prices.

The components of and the change in gas utility margin are summarized below:

	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021	Increase/ (Decrease)
Customer Base Charge	$ 7,302,995	$ 7,274,520	$ 28,475
Carrying Cost	275,842	192,202	83,640
SAVE Plan	1,471,365	1,055,545	415,820
Volumetric	15,554,251	15,774,483	(220,232)
WNA	1,800,421	1,196,301	604,120
Other Revenues	86,020	63,967	22,053
Total	$ 26,490,894	$ 25,557,018	$ 933,876

Operations and maintenance expenses increased by $498,729, or 7%, over the same period last year primarily due to higher bad debt expense, corporate insurance premiums and professional services. Bad debt expense increased by $267,000 due to higher billings related to rising natural gas prices and delinquencies. Corporate insurance premiums increased by $91,000 due to insurance market conditions. Professional services increased by $60,000 primarily related to costs related to evaluating the Company's investment in the LLC and assessing the level of impairment. Natural gas distribution system maintenance and cyber security enhancements accounted for much of the remaining increase.

General taxes increased by $33,613, or 3%, primarily due to higher property taxes related to ongoing investments in infrastructure replacement, system reinforcements and customer growth.

Depreciation expense increased by $257,696, or 6%, on a comparable increase in utility plant balances.

Equity in earnings of unconsolidated affiliate decreased by $1,281,204, as no growth construction activities occurred. See Equity Investment in Mountain Valley Pipeline section below for additional information.

Impairment of unconsolidated affiliates includes the $39,822,213 other-than-temporary write down of the Company's investment in the LLC as discussed further in the Equity Investment in Mountain Valley Pipeline section below.

Other income, net increased by $49,375, or 8%, primarily due to an approximately $173,000 decrease in the non-service cost components of net periodic benefit costs partially offset by the absence of the equity portion of AFUDC on the two gate stations that will interconnect MVP with Roanoke Gas' distribution system and reduction in the utilization fee. Roanoke Gas ceased the recognition of AFUDC on these stations effective January 2021 until such time construction activities resume. The utilization fee under the revenue sharing agreement declined per the terms of the asset management agreement with Sequent Energy.

Interest expense increased by $181,107, or 9%, as the total daily average debt outstanding increased by 18% between periods. The higher borrowing levels, derived from the ongoing investment in the LLC and financing expenditures in support of Roanoke Gas' capital budget, were offset by an 8% reduction in the weighted-average interest rate on the Company's debt.

Roanoke Gas' interest expense increased by $104,039 primarily due to a $16 million increase in total average debt outstanding for the period, net of a reduction in the average interest rate from 3.63% to 3.23% associated with the issuance of the $15 million note on October 1, 2021 with a 2.00% swap adjusted rate.

Midstream's interest expense increased by $77,068 primarily due to a $7.7 million increase in total average debt outstanding for the period net of a slight decrease in the average interest rate from 2.34% to 2.30%.

Income tax expense decreased by $10,693,510 to a net tax benefit of $7,560,571, corresponding to the recognition of the impairment of the Company's investment in the LLC. The effective tax rate was 26.6% and 24.8% for the six month periods ended March 31, 2022 and 2021, respectively. Excluding the effect of the impairment, the effective tax rate would have been 23.7% compared to 24.8% for the same period last year. The reduction in the adjusted effective tax rate is attributable to the amortization of the deferred R&D tax credit associated with the tax credit study conducted in fiscal 2021.

Critical Accounting Policies and Estimates

The consolidated financial statements of Resources are prepared in accordance with GAAP. The amounts of assets, liabilities, revenues and expenses reported in the Company's consolidated financial statements are affected by accounting policies, estimates and assumptions that are necessary to comply with generally accepted accounting principles. Estimates used in the financial statements are derived from prior experience, statistical analysis and management judgments. Actual results may differ significantly from these estimates and assumptions.

Under the provisions of ASC 323 - *Investments - Equity Method and Joint Ventures*, the Company is required to evaluate its investment in the LLC to determine if the fair value of the investments are below the carrying amount and if this decline in fair value is considered other-than-temporary. If the results of the evaluation indicate that the decline in fair value is other-than-temporary, then the recognition of an impairment is required. The following events or circumstances would indicate the potential of an other-than-temporary decline in the fair value of the investment in the LLC:

- a prolonged period of time that the fair value is below the investor's carrying value;
- the current expected financial performance is significantly worse than anticipated when the investor originally invested in the investee;
- adverse regulatory action is expected to substantially reduce the investee's product demand or profitability;
- the investee has lost significant customers or suppliers with no immediate prospects for replacement;
- the investee's discounted or undiscounted cash flows are below the investor's carrying amount; and
- the investee's industry is declining and significantly lags the performance of the economy as a whole.

The determination of fair value of the Company's investment in the LLC is a significant estimate. Management has conducted quarterly evaluations of its investment in the LLC, with the assistance of a valuation specialist, to determine the fair value utilizing an income approach and probability scenarios of discounted cash flows. In conducting these evaluations, management made a variety of assumptions that it believes to be reasonable. Variations in many of these assumptions could have a significant impact on the calculation of the fair value and the resulting level of impairment recorded. Furthermore, these assumptions are based on the facts and circumstances at the date of the evaluations and are subject to change. See the Equity Investment in Mountain Valley Pipeline section for additional information regarding the LLC valuation and impairment.

There have been no other significant changes to the critical accounting policies as reflected in the Company's Annual Report on Form 10-K for the year ended September 30, 2021.

Asset Management

Roanoke Gas uses a third-party asset manager to oversee its pipeline transportation, storage rights and gas supply inventories and deliveries. In return for being able to utilize the excess capacities of the transportation and storage rights, the asset manager pays Roanoke Gas a monthly utilization fee. In accordance with an SCC order issued in 2018, a portion of the utilization fee is retained by the Company with the balance passed through to customers through reduced gas costs. The current asset manager ends on March 31, 2023.

Equity Investment in Mountain Valley Pipeline

Recent construction activity has been limited based on legal and regulatory challenges. Although certain permits and authorizations were received in the first quarter of fiscal 2022, there remain pending challenges and authorization requests impacting current progress including actions by the Fourth Circuit in January and February 2022.

Following a comprehensive review of all outstanding stream and wetland crossings across the approximately 300-mile MVP route, on February 19, 2021, the LLC submitted (i) a joint application package to each of the Huntington, Pittsburgh and Norfolk Districts of the U.S. Army Corps of Engineers (Army Corps) that requests an individual permit from the Army Corps to cross certain streams and wetlands utilizing open cut techniques (the Army Corps Individual Permit) and (ii) an application to amend the MVP's CPCN that sought FERC authority to cross certain streams and wetlands utilizing alternative trenchless construction methods. On April 8, 2022, the FERC authorized the amended CPCN.

Related to seeking the Army Corps Individual Permit, on March 4, 2021, the LLC submitted applications to each of the West Virginia Department of Environmental Protection (WVDEP) and the Virginia Department of Environmental Quality (VADEQ) seeking Section 401 water quality certification approvals or waivers (such approvals or waivers, the State 401 Approvals). The State 401 Approvals were both issued in December 2021. On January 25, 2022, the LLC's authorizations related to the Jefferson National Forest (JNF) received from the Bureau of Land Management and the U.S. Forest Service were vacated and remanded on specific issues by the Fourth Circuit. On February 3, 2022, the Fourth Circuit vacated and remanded on specific issues the Biological Opinion and Incidental Take Statement issued by the United States Department of the Interior's Fish and Wildlife Service for MVP. On May 3, 2022, the operator for MVP announced that after evaluating legal options and consulting with the relevant federal agencies, the LLC plans to pursue new authorizations relating to the JNF and new Biological Opinion and Incidental Take Statement; and as a result, the operator is targeting a full in-service date for MVP during the second half of 2023 at a target total project cost of approximately $6.6 billion (excluding AFUDC).

In addition to timely receiving, and subsequently maintaining, new authorizations in respect of the JNF and the Biological Opinion and Incidental Take Statement, the LLC must, in order to complete MVP, among other things, timely receive the Army Corps Individual Permit (as well as timely receive, as necessary, certain other state-level approvals), as well as any necessary extensions from FERC to complete MVP. The LLC also must (i) continue to have available the orders previously issued by the FERC, which are subject to ongoing litigation, modifying its prior stop work orders and extending the LLC's prescribed time to complete MVP; and (ii) timely receive authorization from the FERC to complete construction work in the portion of the project route currently remaining subject to the FERC's previous stop work order and in the JNF. In each case, any such foregoing or other authorizations must remain in effect notwithstanding any pending or future challenge thereto. Failure to achieve any one of the above items could lead to additional delays and higher project costs.

Resources' earnings from MVP are primarily attributable to AFUDC income generated by the LLC. The LLC temporarily suspended the accrual of AFUDC on the project from January 1, 2021 (due to a temporary reduction in growth construction activities) through March 31, 2021. Limited growth construction activities resumed in April 2021, and the LLC began accruing AFUDC associated with those activities. In November 2021, the LLC suspended the accrual of AFUDC for the winter curtailment period until such time as growth construction activities may resume. Additionally, Roanoke Gas continues the suspension of AFUDC accruals on its two gate stations that will interconnect with MVP until such time as construction activities resume on the respective gate stations.

In April 2018, the LLC announced the Southgate project and submitted Southgate's certificate application to the FERC in November 2018. The Final Environmental Impact Statement for the project was issued on February 14, 2020. In June 2020, the FERC issued the CPCN for Southgate; however, the FERC, while authorizing the project, directed the Office of Energy Projects not to issue a notice to proceed with construction until necessary federal permits are received for MVP and the Director of the Office of Energy Projects lifts the stop work order and authorizes the LLC to continue constructing MVP. On August 11, 2020, the North Carolina Department of Environmental Quality (NCDEQ) denied Southgate's application for a Clean Water Act Section 401 Individual Water Quality Certification and Jordan Lake Riparian Buffer Authorization due to uncertainty surrounding MVP's completion. On March 11, 2021, the Fourth Circuit, pursuant to an appeal filed by the LLC, vacated the NCDEQ's denial and remanded the matter to the NCDEQ for additional review. On April 29, 2021, the NCDEQ reissued its denial of Southgate's application. On December 3, 2021, the Virginia State Air Pollution Control Board denied the permit for Southgate's Lambert compressor station, which decision the LLC initially appealed before withdrawing its request to review the denial.

Given the continually evolving regulatory and legal environment, for greenfield pipeline construction projects, as well as factors specific to MVP and Southgate, including the December 2021 compressor station state air permit denial, the LLC continues to evaluate Southgate including engaging in discussions with Dominion Energy North Carolina regarding options with respect to Southgate, including potentially refining the project's design and timing in lieu of pursuing the project as originally contemplated. Dominion Energy North Carolina's obligations under the precedent agreement in support of the original project are subject to certain conditions, including that the LLC complete construction of the project facilities by June 1, 2022, which deadline is subject to extension by virtue of previously declared events of force majeure. The project operator has announced that it is unable to predict the results of the discussions between the LLC and Dominion Energy North Carolina, including any potential modifications to the project, or ultimate undertaking or completion of the project.

Management conducted an assessment of its investment in the LLC in accordance with the provisions of ASC 323, *Investments - Equity Method and Joint Ventures*. This assessment included a third-party valuation. As a result of its evaluation, management has concluded that the investment in the LLC sustained an other-than-temporary decline in fair value as of February 22, 2022 and recorded a pre-tax impairment loss of approximately $39.8 million in its second quarter operating results as discussed in Note 6 to the consolidated financial statements. Management re-evaluated its investment as of March 31, 2022 and concluded that its investment was fairly stated. Management will continue monitoring the status of MVP and Southgate for circumstances that may lead to future impairments, including any significant delays or denials of necessary permits and approvals. If necessary, the amount and timing of any further impairment would be dependent on the specific circumstances, including changes to probabilities of completion, and changes in the assumed future cash flows, at the time of evaluation.

Regulatory

In November 2021, Roanoke Gas received $858,556 in ARPA funds to assist customers with growing past due balances based on arrearage balances as of August 31, 2021. The Company was able to apply the full amount of these funds to customer accounts in December 2021.

In April 2020, the SCC issued an order allowing regulated utilities in Virginia to defer certain incremental, prudently incurred costs associated with the COVID-19 pandemic and to apply for recovery at a future date. Roanoke Gas deferred certain COVID-19 related costs during the first two quarters of fiscal 2022.

Roanoke Gas continues to recover the costs of its infrastructure replacement program through its SAVE Rider. In May 2021, the Company filed its most recent SAVE application with the SCC to update the SAVE Plan and Rider for the period October 2021 through September 2022. The updated SAVE Rider is designed to collect approximately $3.45 million in annual revenues, an increase of approximately $1.1 million from the SAVE Rider in effect during fiscal 2021. The Company received a final order on August 25, 2021, in which the SCC approved the Company's requested revenue requirement. The Company anticipates filing an application during the third quarter with the SCC to update the SAVE Plan and Rider for the period October 2022 through September 2023 to implement new SAVE Plan rates.

Capital Resources and Liquidity

Due to the capital intensive nature of the utility business, as well as the impact of weather variability, the Company's primary capital needs are the funding of its capital projects, investment in the LLC, the seasonal funding of its natural gas inventories and accounts receivable and the payment of dividends. To meet these needs, the Company relies on its operating cash flows, credit availability under short-term and long-term debt agreements and proceeds from the sale of its common stock.

Cash and cash equivalents increased by $7,913,673 and $435,483 for the six-month periods ended March 31, 2022 and 2021, respectively. The following table summarizes the sources and uses of cash:

	Six Months Ended March 31,	
Cash Flow Summary	2022	2021
Net cash provided by operating activities	$ 12,992,906	$ 9,611,402
Net cash used in investing activities	(14,278,880)	(11,691,440)
Net cash provided by financing activities	9,199,647	2,515,521
Increase in cash and cash equivalents	$ 7,913,673	$ 435,483

Cash Flows Provided by Operating Activities:

The seasonal nature of the natural gas business causes operating cash flows to fluctuate significantly during the year as well as from year to year. Several factors, including weather, energy prices, natural gas storage levels and customer collections, contribute to working capital levels and related cash flows. Generally, operating cash flows are positive during the second and third fiscal quarters as a combination of earnings, declining storage gas levels and collections on customer accounts all contribute to higher cash levels. During the first and fourth fiscal quarters, operating cash flows generally decrease due to increases in natural gas storage levels and rising customer receivable balances.

Cash flows from operating activities for the six months ended March 31, 2022 increased by $3,381,504 compared to the same period last year. The increase was primarily driven by storage gas withdrawals and receipt of supplier refunds from the pipelines.

The table below summarizes the significant operating cash flow components:

	Six Months Ended March 31,		Increase/
Cash Flow From Operating Activities:	2022	2021	(Decrease)
Net income	$ (20,909,900)	$ 9,490,741	$ (30,400,641)
Non-cash adjustments:			
Depreciation	4,656,829	4,405,956	250,873
Equity in earnings	(71,682)	(1,352,886)	1,281,204
AFUDC	—	(55,981)	55,981
Impairment of unconsolidated affiliates	39,822,213	—	39,822,213
Changes in working capital and regulatory assets and liabilities:			
Accounts receivable	(6,517,364)	(6,571,491)	54,127
Gas in storage	5,803,496	4,424,994	1,378,502
WNA	(1,800,421)	(1,185,323)	(615,098)
Supplier refunds	2,660,147	(66,156)	2,726,303
Deferred taxes	(10,052,645)	757,623	(10,810,268)
Other	(597,767)	(236,075)	(361,692)
Net cash provided by operating activities	$ 12,992,906	$ 9,611,402	$ 3,381,504

Due to rising natural gas commodity prices during the fiscal 2021 summer storage fill period, the average price of natural gas when storage withdrawals began was 42% higher than during the prior fiscal year. As a result, the value of the natural gas draw downs was more than $1.3 million greater resulting in an increase in operating cash. Furthermore, significant supplier refunds, resulting from rate case settlements, were received from the interstate pipelines that supply the Company with natural gas as a result of settlement of rate cases. These refunds will be passed through to Roanoke Gas' customers over the next twelve months, starting in July 2022. The Company experienced a significant decrease in net deferred tax liabilities related to the $10.2 million deferred tax asset recognized as a result of the impairment of the investment in the LLC. When netted against the non-cash impairment charge, the combined amounts offset the decline in net income year-over-year.

Cash Flows Used in Investing Activities:

Investing activities primarily consist of expenditures related to investment in Roanoke Gas' utility plant, which includes replacing aging natural gas pipe with new plastic or coated steel pipe, improvements to the LNG plant and gas distribution system facilities and expansion of its natural gas system to meet the demands of customer growth, as well as Midstream's continued investment in the LLC. The Company is continuing its focus on SAVE infrastructure replacement projects, including the replacement of pre-1973 first generation plastic pipe and extending the natural gas distribution system to unserved developments within its existing service territory. Roanoke Gas' total capital expenditures for the six-months ended March 31, 2022 were approximately $10.8 million compared to $9.0 million during the same period last year. Capital expenditures for fiscal 2022 are expected to increase approximately $5 million over the prior year due to a one-time gas supply infrastructure project. Midstream will continue its investments in the LLC for the purposes of maintaining the system currently in place until such time as construction activities resume and the pipeline is placed in service. The investment for the balance of the current fiscal year is expected to be below the corresponding investment during the same period last year.

Cash Flows Provided by Financing Activities:

Financing activities generally consist of borrowings and repayments under credit agreements, issuance of stock and the payment of dividends. Net cash flows provided by financing activities were $9.2 million, for the six months ended March 31, 2022, compared to $2.5 million for the same period last year. The increase in financing cash flows is primarily attributable to Resources' $27 million equity offering in March 2022 of which $12 million was invested in Roanoke Gas and $10 million in Midstream. In part due to these cash injections and due to Roanoke Gas' issuance of a $15 million note and Midstream's $8 million note, Roanoke Gas was able to pay down its line-of-credit balance and maturing $7 million note and Midstream applied $18 million against its credit facility during the current fiscal year.

On September 24, 2021, Roanoke Gas entered into an unsecured Delayed Draw Term Note in the principal amount of $10 million with an interest rate based on 30-day LIBOR plus 100 basis points maturing on October 1, 2028. Related to this note, the Company also entered into an interest rate swap agreement that effectively converts the variable rate note into a fixed rate instrument with an effective annual interest rate of 2.49%. Roanoke Gas received the first installment of $5 million on April 1, 2022 with the remaining $5 million to be received on or about October 1, 2022.

On August 20, 2021, Roanoke Gas entered into an unsecured Delayed Draw Term Note in the principal amount of $15 million with an interest rate of 1.20% above the 30-day SOFR Average per annum maturing on August 20, 2026. Related to this note, the Company also entered into an interest rate swap agreement that effectively converts the variable rate note into a fixed rate instrument with an effective annual interest rate of 2.00%. The term note funded on October 1, 2021.

On November 1, 2021 Midstream entered into an unsecured promissory note in the principal amount of $8 million with an interest rate based on 30-day LIBOR plus 115 basis points maturing January 1, 2028. Related to this note, Midstream also entered into an interest rate swap agreement that effectively converts the variable rate note into a fixed rate instrument with an effective annual interest rate of 2.443%. The loan will convert into an installment loan with principal pay-down beginning in fiscal 2023. In addition, this note reduces the borrowing capacity defined by the Third Amendment to Credit Agreement and related Promissory Notes. The total borrowing capacity declined from $41 million to $33 million effective with the new promissory note. All other terms of the Third Amendment to Credit Agreement remain unchanged.

On March 31, 2022, Roanoke Gas entered into an unsecured line-of-credit agreement replacing the line-of-credit agreement dated March 25, 2021. The agreement provides for a variable interest rate based upon Daily Simple SOFR plus 1.10% and multiple tier borrowing limits to accommodate seasonal borrowing demands. The Company's total available borrowing limits during the term of the line-of-credit agreement range from $21 million to $33 million. Unlike the prior two year line-of-credit agreement, the current line-of-credit agreement is for one year and will expire on March 31, 2023, unless extended. The Company anticipates being able to extend or replace the credit line upon expiration. As of March 31, 2022, the Company had no outstanding balance under its line-of-credit agreement.

In connection with the line-of-credit, the Company also entered into the Seventh Amendment to Credit Agreement as of March 31, 2022, which amends the original Credit Agreement dated March 31, 2016 and all subsequent amendments. The Amendment aligns the termination date, maximum principal amount available under the line-of-credit, amends certain financial conditions required of Resources, and retains all other terms and requirements of prior credit agreements. This Amendment modifies the interest coverage ratio calculation to exclude the effect of non-cash impairments on the investment in the LLC up to the total investment balance as of December 31, 2021.

In March 2022, the Company issued 1,350,000 shares of common stock in an equity offering resulting in net proceeds of nearly $27 million. The Company issued the common stock to strengthen its balance sheet by increasing the equity component of its total capitalization ratio. The net proceeds were invested in Roanoke Gas to supplement the funding of its infrastructure improvement and replacement program and in Midstream to reduce its outstanding debt. An additional 64,803 shares of common stock have been issued during fiscal 2022 related to the DRIP, Restricted Stock, stock option exercises and ATM activity.

On March 31, 2022, Midstream applied $10 million from a cash infusion received from Resources related to the $27 million equity issue to pay down a corresponding amount on the non-revolving credit facility, which in turn further reduced the total borrowing capacity to $23 million with an outstanding balance of $19.3 million as of March 31, 2022. Currently, Midstream's credit facility matures on December 29, 2022. Management is in discussions with the lenders regarding the extension of the due date related to these notes. As of the date of this filing, no extension has been finalized.

Management regularly evaluates the Company's liquidity through a review of its available financing resources on its cash flows. Management believes it has positioned the Company with access to sufficient financing resources to meet its cash requirements over the next year. The line-of-credit agreement will continue to provide the needed working capital and the ATM program will allow for potential supplemental equity funding as market conditions allow. Furthermore, the Company can draw funds under one of Roanoke Gas' two private shelf facility credit agreements or adjust capital spending to reduce funding requirements if necessary.

As of March 31, 2022, Resources' long-term capitalization ratio was 46% equity and 54% debt.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4 – CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are designed to be effective in providing reasonable assurance that information required to be disclosed in reports under the Exchange Act are identified, recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to management to allow for timely decisions regarding required disclosure.

Through March 31, 2022, the Company has evaluated, under the supervision and with the participation of management, including the chief executive officer and the chief financial officer, the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon that evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2022.

Management routinely reviews the Company's internal control over financial reporting and makes changes, as necessary, to enhance the effectiveness of the internal controls. There were no control changes during the fiscal quarter ended March 31, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II – Other Information

ITEM 1 – LEGAL PROCEEDINGS

No material proceedings.

ITEM 1A – RISK FACTORS

The Company has updated the following risk factor as previously disclosed in Resources' Annual Report on Form 10-K for the year ended September 30, 2021 and subsequent revision on the Form 10-Q for the quarter ended December 31, 2021.

Investment in Mountain Valley Pipeline, LLC.

On January 25, 2022, the Fourth Circuit vacated and remanded on specific issues certain permits issued by the Bureau of Land Management and the U.S. Forest Service to the LLC in respect to the Jefferson National Forest. On February 3, 2022, the Fourth Circuit vacated and remanded on specific issues the Biological Opinion and Incidental Take Statement issued by the U.S. Fish and Wildlife Service for MVP. Due to the greater uncertainty of the ultimate completion and commercial operation of MVP, the in-service target of summer 2022 was withdrawn. Additionally, the Company, after assessing the fair value of its investment in the project, using probability-weighted scenarios of ultimate completion and commercial operation, including discounted future cash flows, concluded that an other-than-temporary decline in fair value existed as of February 22, 2022. The resulting impairment loss was recorded in the Company's second quarter 2022 financial statements. Future circumstances, including but not limited to significant construction delays, further denials of necessary permits and approvals, changes in the probability of ultimate completion, changes in future cash flow assumptions or changes in the discount rate could lead to further and possibly full impairment of the Company's investment in the LLC.

The success of the Company's investment in the LLC is predicated on several key factors including but not limited to the ability of all investors to meet their capital calls when due, timely state and federal approvals and resolving legal challenges to same and completing the construction of the pipeline. Any significant delay, cost over-run or the failure to receive the requisite approvals on a timely basis, or at all, could have a significant effect on the Company's earnings and financial position.

Although the LLC initially received the necessary federal and state permits to construct the pipeline, progress on MVP has been hindered by several legal and regulatory obstacles as the Fourth Circuit, FERC and other governmental agencies have vacated certain agency actions and issued stays, stop orders or delayed authorizations affecting portions or all of the project pending resolution of issues or concerns raised as the project has progressed. In addition to needing to address the matters referenced above regarding the Jefferson National Forest and Biological Opinion and Incidental Take Statement, other regulatory and legal matters continue to affect the project.

Ongoing obstacles as discussed above have in the past caused, and may (or possible future obstacles) in the future cause, delays in construction and have resulted, and may further result, in significantly higher projected costs and an extended targeted in-service date for the pipeline. These cost overruns may not be approved for recovery or be recovered through other regulatory mechanisms, and the LLC could be obligated to make delay or termination payments or be responsible for other contractual damages. The LLC could also experience the loss of tax incentives, or delayed or diminished returns, and could be required to write-off all or a portion of its investment in the project. New or extended regulatory, legislative or judicial actions or challenges could lead to additional delays and even higher costs, which could affect future returns for the LLC and materially impact Resources consolidated financial position and results of operations, including Resources ability to pay shareholder dividends at the current level or remain in compliance with credit agreement covenants. There is no guarantee that the LLC will ultimately (or timely) receive all necessary authorizations or that such authorizations will be maintained in effect following challenge, or even after MVP is placed in service.

In addition, there are numerous risks facing the LLC, which can adversely affect the Company's earnings and financial performance through its investment. The LLC's ability to retain contract crews to complete construction of the pipeline, the inability to obtain or renew ancillary licenses, rights-of-way, permits or other approvals and opposition from pipeline opponents and environmental groups could all influence the successful completion of the pipeline. Should the LLC be unable to adequately address these issues, the LLC’s business, financial condition, results of operations and prospects could be adversely affected, which could materially impact the financial condition and results of operations of the Company. Any failure to negotiate successful project development agreements for new facilities with third parties could have similar results.

Once in operation, the LLC’s gas infrastructure facilities are subject to many operational risks. Operational risks could result in, among other things, lost revenues due to prolonged outages, increased expenses due to monetary penalties or fines for compliance failures, liability to third parties for property and personal injury damage, a failure to perform under applicable sales agreements and associated loss of revenues from terminated agreements or liability for liquidated damages under continuing agreements. The consequences of these risks could have a material adverse effect on the LLC’s business, financial condition, results of operations and prospects. Uncertainties and risks inherent in operating and maintaining the LLC's facilities include, but are not limited to, risks associated with facility start-up operations, such as whether the facility will achieve projected operating performance on schedule and otherwise as planned. The LLC’s business, financial condition, results of operations and prospects can be materially adversely affected by weather conditions, including, but not limited to, the impact of severe weather. Threats of terrorism and catastrophic events resulting from terrorism, cyber-attacks, or individuals and/or groups attempting to disrupt the LLC’s business, or the businesses of third parties, may materially adversely affect the LLC’s business, financial condition, results of operations and prospects.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 – OTHER INFORMATION

None.

ITEM 6 – EXHIBITS

Number	Description
3(b)	Amended and Restated Bylaws of RGC Resources, Inc. (incorporated by reference to Exhibit 3(b) to the Registrant's current Report of Form 8-K filed on April 8, 2022)
10.1	FTS-1 Service Agreement by and between Columbia Gulf Transmission, LLC and Roanoke Gas Company (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 11, 2022)
10.2	Negotiated Rate Letter Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on March 11, 2022)
10.3	Revolving Line of Credit Note in the original principal amount of $33,000,000 by Roanoke Gas Company with Wells Fargo Bank, N.A. dated March 31, 2022 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 1, 2022)
10.4	Seventh Amendment to Credit Agreement by and between Roanoke Gas Company and Wells Fargo Bank, N.A. dated March 31, 2022 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on April 1, 2022)
10.5	Form of Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 28, 2022).
10.6	Form of Purchase Agreement (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on March 30, 2022).
31.1	Rule 13a–14(a)/15d–14(a) Certification of Principal Executive Officer
31.2	Rule 13a–14(a)/15d–14(a) Certification of Principal Financial Officer
32.1*	Section 1350 Certification of Principal Executive Officer
32.2*	Section 1350 Certification of Principal Financial Officer
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		RGC Resources, Inc.
Date: May 6, 2022	By:	/s/ Jason A. Field
		Jason A. Field Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION

I, Paul W. Nester, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RGC Resources, Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 6, 2022

/s/ Paul W. Nester
Paul W. Nester
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Jason A. Field, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RGC Resources, Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2022

/s/ Jason A. Field
Jason A. Field
Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of RGC Resources, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul W. Nester, President and Chief Executive Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Paul W. Nester
Paul W. Nester
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 6, 2022

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of RGC Resources, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jason A. Field, Vice President, Chief Financial Officer and Treasurer of the Company, certify to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Jason A. Field
Jason A. Field
Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: May 6, 2022