

FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES

Public Gas Partners, Inc.
As of and for the Year Ended June 30, 2024
With Report of Independent Auditor

Public Gas Partners, Inc.

Financial Statements and Supplemental Schedules

As of and for the Year Ended June 30, 2024

Contents

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis (Unaudited).....	4
Basic Financial Statements	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Net Position.....	11
Statement of Cash Flows	12
Notes to Financial Statements.....	13
Supplemental Information	
Consolidating Statement of Net Position.....	29
Consolidating Statement of Revenues, Expenses, and Changes in Net Position.....	30
Consolidating Statement of Cash Flows	31



Independent Auditor's Report

Board of Directors
Public Gas Partners, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Public Gas Partners, Inc. (the Company), which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

The financial statements of the Company, as of and for the year ended June 30, 2023, were audited by other auditors, whose report, dated December 21, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Company's basic financial statements. The supplemental consolidating pool-level schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

PBMares, LLP

Morehead City, NC
September 11, 2024

Management's Discussion and Analysis (Unaudited)

Corporate Structure

Public Gas Partners, Inc. (PGP) is a nonprofit corporation organized under Georgia law, formed on November 15, 2004. PGP's mission is to deliver value to its members (the Members) by acquiring and managing a portfolio of economic long-term gas supplies and using its commodity hedging and physical gas supply capabilities. PGP is organized into projects in which the Members may elect to participate. PGP has undertaken four projects: Gas Supply Pool No. 1 (Pool 1), Gas Supply Pool No. 2 (Pool 2), Gas Supply Pool No. 3 (Pool 3), and Gas Supply Pool No. 4 (Pool 4). Pool 1 was formed in 2004, Pool 2 was formed in 2005, Pool 3 was formed in 2009, and Pool 4 was formed in 2018.

PGP is comprised of seven members: Black Belt Energy Gas District, Florida Municipal Power Agency (FMPA), Municipal Gas Authority of Georgia (the Gas Authority), National Public Gas Agency, Patriots Energy Group, The Southeast Alabama Gas District (Southeast Gas), and Tennessee Energy Acquisition Corporation (collectively, the Members). Five Members are participants in Pools 1 and 2; four Members are participants in Pool 3; and three Members are participants in Pool 4. For Pools 1 and 2, PGP was authorized to acquire gas reserves or other contract rights during a three-year acquisition period that ended June 30, 2008. Pool 3 is authorized to acquire gas reserves or other contract rights on an ongoing basis as necessary to fulfill the gas deliveries requested by Pool 3 participants. Pool 4 is authorized to serve as physical gas supplier and commodity swap counterparty for natural gas prepayment transactions on an ongoing basis. As physical gas supplier, Pool 4 acquires physical gas supplies and sells the gas to the prepayment supplier. As swap counterparty, Pool 4 enters into matched commodity swap transactions with both the issuer and supplier of the transaction to allow both parties to hedge their natural gas price risk. PGP utilizes wholly owned subsidiaries to own the assets and manage the operations of its various projects. Pool 3's subsidiary, PGP Operating, LLC (PGP Operating), operates approximately 1,300 wells in the Black Warrior Basin of Alabama. All intercompany transactions have been eliminated.

Each of the Members participating in Pool 1, 2, or 3 has executed a Production Sharing Agreement (PSA) for that project. Each Member participating in Pool 4 has executed a Participation Agreement (PA) for that project. Each PSA and PA obligates the Member to pay, as a component of its gas operations expense, its participation share of all costs incurred by the related PGP pool until any related debt has been paid, all obligations have been fulfilled, and the last volumes have been delivered. The PSAs include a step-up provision that may obligate the Members to increase their participation share in the related pool in the event of default by another Member.

The Pools 1, 2 and 3 Members are obligated to purchase their share of gas produced by the respective Pools, or cash from the sale of the Members' share of gas produced may be received by the Members in lieu of physical supply.

Joint Action

Although the Members are individually governed, through joint action they can share the costs of mutual endeavors, such as natural gas purchasing, and accomplish those tasks more efficiently

Management's Discussion and Analysis (Unaudited)

than if they were conducted individually. In addition, by contracting with PGP, the Members can diversify their source of long-term supplies through a portfolio of supply arrangements. Similarly, they can pool their credit strength to manage risks and reduce costs through joint financing of acquisitions, hedging of long-term gas supplies, and other financing activities. Through joint action, the Members can use economies of scale to reduce the overall cost and price volatility of natural gas to their ultimate customers.

Authority

The bylaws of PGP and each PSA and PA provide that PGP will be governed by a Board of Directors that includes one representative from each PGP Member. In addition, each PGP Pool is managed by an Operating Committee made up of two representatives from each participating Member. The Operating Committees for each Pool have been authorized by the Board of Directors and their respective PSAs and PAs to undertake the acquisition and management of gas supplies that meet the property criteria or other requirements in the PSAs and to issue debt to finance the costs of such activities. The PSAs and PAs authorize the Board of Directors to establish rates and charges to produce revenue sufficient to cover all project costs, including allocations from PGP or other projects, and obligate the participating Members to pay those charges.

Administrative Management

The Gas Authority manages PGP's day-to-day administrative operations under a contract that ends on November 1, 2025. This contract renews automatically for one-year periods until either party provides notice of termination no later than 180 days from the date of expiration.

Change in Estimate

For the year ended June 30, 2024, PGP changed the method of estimating the fair value of matched swaps derivative instruments, from using the term of the associated gas prepayment transaction, typically 30 years, to using the term of the associated bonds' mandatory tender date, typically 5 – 7 years. The net effect of the change in the estimate of the fair value of the matched swaps investment derivatives is a reduction in the fair value of the matched swaps investment derivatives recorded as assets with a corresponding reduction in the matched swap investment derivatives recorded as liabilities on the statement of net position. There was no effect on the change in net position on the statement of revenue, expenses, and changes in net position.

Derivative Instruments

Pools 1, 2, and 3 use derivative instruments to hedge their commodity price risk associated with forecasted oil and gas sales from owned reserves by converting the revenues that PGP will receive from customers from a variable price, based on a spot market price, to a fixed price. In Pool 4, PGP serves as a physical gas supplier and the commodity swap counterparty provider to gas prepayment transaction participants. As swap counterparty, Pool 4 enters into matched commodity swap transactions with both the issuer and supplier of the gas prepayment transaction to allow both parties to effectively hedge their natural gas price risk.

Management's Discussion and Analysis (Unaudited)

Proprietary Funds

PGP operates only one type of proprietary fund, the enterprise fund type, to account for its general operations in accordance with Governmental Accounting Standards Board (GASB) pronouncements. Enterprise funds are used to report business-type activities (as contrasted with tax-supported governmental activities).

In conformity with the standards of the GASB, these financial statements include PGP and its component units. Pools 1 through 4, although legally separate entities, were included using the blending method because their governing body is substantively the same as the governing body of PGP, there is a financial benefit and burden relationship between the primary government and the component unit, and management of the primary government has operational responsibility for the component unit.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to PGP's basic financial statements. These financial statements are designed to provide readers with a broad overview of PGP's finances in a manner similar to a private-sector business.

The statement of net position present information on PGP's assets, liabilities, and deferred inflows/outflows of resources with the differences between these amounts reported as net position. Because PGP is a nonprofit organization and an extension of the municipal utilities participating in the Pools, net position is likely to be limited since, generally, all billings and revenues in excess of actual costs are returned to the Members in the form of billing credits or rate changes. The statement of revenues, expenses, and changes in net position present information showing how PGP's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, certain revenues and expenses, such as costs recoverable from future billings, will result in cash flows in future fiscal periods. All activities of PGP are considered business-type activities.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. The supplemental pool-level schedules are presented immediately following the notes to the financial statements.

Management's Discussion and Analysis (Unaudited)

Financial Analysis – 2024 Compared to 2023

Following are the condensed statements of net position as of June 30, 2024 and 2023:

	2024	2023
Capital assets	\$ 45,014,328	\$ 45,316,260
Noncapital assets	531,214,751	469,739,217
Regulatory asset – costs recoverable	64,736,694	62,268,280
Total assets	640,965,773	577,323,757
Deferred outflows of resources	23,031,082	37,545,880
Total assets and deferred outflows of resources	\$ 663,996,855	\$ 614,869,637
Current liabilities	\$ 164,667,402	\$ 99,198,803
Long-term liabilities	499,329,453	515,670,834
Total liabilities	663,996,855	614,869,637
Net position	–	–
Total liabilities and net position	\$ 663,996,855	\$ 614,869,637

The increase in total assets and deferred outflows of resources of \$49,127,218 was primarily due to:

- an increase in the fair value of derivatives by \$56,097,456 due to changes in market conditions
- an increase in accounts receivable of \$4,960,377 primarily due to increased volumes in Pool 4 and late fiscal 2024 commodity prices higher than late fiscal 2023
- an increase in regulatory assets of \$2,468,414 due to normal timing differences between expense/revenue recognition and cash flows

These increases were offset by decreases in:

- deferred outflows of resources – unrealized loss on derivative instruments of \$7,965,284 due to changes in market conditions
- deferred outflows of resources – asset retirement obligations of \$6,549,514 due to changes in market conditions

The increase in total liabilities and net position of \$49,127,218 was primarily due to:

- an increase in the fair value of derivative instruments of \$62,982,162 due to changes in market conditions

Management's Discussion and Analysis (Unaudited)

- an increase in accounts payable and accrued expenses of \$4,349,947 due to increased volumes in Pool 4 and late fiscal 2024 commodity prices higher than late fiscal 2023

These increases were offset by:

- repayment of advances from the Gas Authority of \$13,399,411
- a decrease in asset retirement obligations of \$4,805,480 due to changes in market conditions

Pool 4 has offsetting positions in the natural gas swaps entered into for natural gas prepayments. The swaps contain tear-up provisions such that they may be terminated under certain limited circumstances, including specific credit events, with no settlement payment due or payable by either party

Following is a summary of operations for the years ended June 30, 2024 and 2023:

	2024	2023
Operating revenues:		
Gas acquired and sold to customers and Members	\$ 178,340,384	\$ 312,450,629
Production sold to customers	35,367,278	43,542,561
Total operating revenues	213,707,662	355,993,190
Operating expenses:		
Gas supplies delivered to customers and Members	158,743,330	293,607,938
Oil and gas field operations	27,274,751	28,049,009
Depletion of oil and gas properties	6,305,530	3,497,821
General and administrative	4,693,221	4,372,881
Depreciation of property and equipment	300,359	312,167
Total operating expenses	197,317,191	329,839,816
Operating income	16,390,471	26,153,374
Nonoperating income (expense):		
Interest and other expense/income, net	(4,008,895)	59,742,675
Unrealized (loss) gain on investment derivatives	(14,849,989)	(40,261,872)
Costs recoverable (refundable) from future billings	2,468,413	(45,634,177)
Total nonoperating expense, net	(16,390,471)	(26,153,374)
Changes in net position	-	-
Net position:		
Beginning of year	-	-
End of year	\$ -	\$ -

Management's Discussion and Analysis (Unaudited)

Operating Revenues

Gas acquired and resold to customers and Members decreased \$134,110,245, or 42.9%, due to lower commodity prices year over year offset by an increase in Pool 4 volumes. Operating revenues from production sold to customers decreased \$8,175,283, or 18.8%, due to a decrease in production volumes in Pools 1, 2, and 3 and lower commodity prices.

Operating Expenses

Operating expenses decreased \$132,522,625, or 40.2%, due to an decrease in gas supplies delivered to customers and Members of \$134,684,608 or 45.9% due to lower commodity prices year over year offset by an increase in Pool 4 volumes. The decrease in gas supplies delivered to customers and Members was partially offset by increased depletion expense of \$2,807,709 due to lower production volumes driven by lower commodity prices year over year.

Net Nonoperating Expense

Net nonoperating expense decreased \$9,762,903 or 37.3% due to:

- increased income of \$48,102,591 in costs recoverable from future billings driven by the changes above and other income statement items
- increased income of \$25,411,882 in unrealized loss on investment derivatives due to changes in market conditions

This increase in income was partially offset by:

- increased expense of \$63,751,570 in interest and other expense/income, primarily due to the prior year containing a reduction in advance billings-FMPA to adjust to the accrued balance

Liquidity and Capital Resources

PGP's cash balance decreased \$378,133 to \$3,409,125 at June 30, 2024 primarily due to the use of cash to repay advances from the Gas Authority, drilling, completion, wellbore capital, interest payments, and investment purchases partially offset by an increase in cash provided by operating activities. See the accompanying statements of cash flows for details of cash activity.

PGP is exposed to credit risk in the normal course of business. PGP has adopted policies and procedures to minimize this risk. Borrowing arrangements, along with operating cash flow, are expected to provide sufficient liquidity for planned operations. PGP uses derivative instruments, specifically commodity swaps, to hedge its commodity price risk associated with short and long-term changes in oil and natural gas prices.

Public Gas Partners, Inc.
Statement of Net Position

	<u>June 30, 2024</u>
Assets and deferred outflows of resources	
Current assets:	
Cash and cash equivalents	\$ 2,936,967
Restricted cash	472,158
Investments	3,672,600
Accounts receivable, net	32,476,378
Fair value of derivative instruments	135,349,124
Other assets	536,620
Total current assets	<u>175,443,847</u>
Noncurrent assets:	
Oil and gas properties – net	43,228,146
Property and equipment – net	1,786,182
Fair value of derivative instruments	355,170,904
Regulatory asset – costs recoverable	64,736,694
Other assets	600,000
Total noncurrent assets	<u>465,521,926</u>
Total assets	<u>640,965,773</u>
Deferred outflows of resources – asset retirement obligations	14,227,211
Deferred outflows of resources – unrealized loss on hedging derivative instruments	8,803,871
Total deferred outflows of resources	<u>23,031,082</u>
Total assets and deferred outflows of resources	<u><u>\$ 663,996,855</u></u>
Liabilities and net position	
Current liabilities:	
Accounts payable and accrued expenses	\$ 29,862,888
Fair value of derivative instruments	134,496,955
Asset retirement obligations	307,559
Total current liabilities	<u>164,667,402</u>
Noncurrent liabilities:	
Advances from the Gas Authority	103,458,728
Fair value of derivative instruments	366,649,606
Asset retirement obligations	29,221,119
Total noncurrent liabilities	<u>499,329,453</u>
Total liabilities	663,996,855
Net position	–
Total liabilities and net position	<u><u>\$ 663,996,855</u></u>

See accompanying notes to the financial statements.

Public Gas Partners, Inc.
Statement of Revenues,
Expenses, and Changes in Net Position

	<u>Year Ended June 30, 2024</u>
Operating revenues:	
Gas acquired and sold to customers and Members	\$ 178,340,384
Production sold to customers	<u>35,367,278</u>
Total operating revenues	<u>213,707,662</u>
Operating expenses:	
Gas supplies delivered to customers and Members	158,743,330
Oil and gas field operations	27,274,751
Depletion of oil and gas properties	6,305,530
General and administrative	4,693,221
Depreciation of property and equipment	<u>300,359</u>
Total operating expenses	<u>197,317,191</u>
Operating income	<u>16,390,471</u>
Nonoperating income (expense):	
Interest and other expense/ income, net	(4,008,895)
Unrealized loss on investment derivatives	(14,849,989)
Costs recoverable from future billings	<u>2,468,413</u>
Total nonoperating expense, net	<u>(16,390,471)</u>
Change in net position	-
Net position:	
Beginning of year	-
End of year	<u>\$ -</u>

See accompanying notes to the financial statements.

Public Gas Partners, Inc.
Statement of Cash Flows

	<u>Year Ended June 30, 2024</u>
Operating activities	
Receipts from customers and Members	\$ 203,058,724
Payments to Members	(9,149,035)
Payments to operators and suppliers	(173,406,645)
Payments from oil and gas derivative counterparties, net	4,372,731
Net cash from operating activities	<u>24,875,775</u>
Capital and related financing activities	
Sales of oil and gas properties	(58,064)
Capital expenditures – property and equipment	(276,635)
Sale of property and equipment	56,050
Drilling, completion, and wellbore capital	(5,969,483)
Advance repayments to the Gas Authority, net	(13,399,292)
Interest payments	(4,408,284)
Net cash used in capital and related financing activities	<u>(24,055,708)</u>
Investing activities	
Investment purchases	(1,198,200)
Net cash used in investing activities	<u>(1,198,200)</u>
Net change in cash and cash equivalents	(378,133)
Cash and cash equivalents:	
Beginning of year	3,787,258
End of year	<u>\$ 3,409,125</u>
Reconciliation of revenues in excess of operating expenses to net cash from operating activities:	
Operating income	\$ 16,390,471
Adjustments to reconcile to net cash flows from operating activities:	
Amortization of deferred outflows – ARO	1,906,216
Depreciation of property and equipment	300,359
Depletion of oil and gas properties	6,305,530
Changes in certain assets and liabilities:	
Accounts receivable	(4,889,388)
Other assets	402,366
Accounts payable and accrued expenses	4,460,221
Net cash from operating activities	<u>\$ 24,875,775</u>

See accompanying notes to the financial statements.

Public Gas Partners, Inc.
Notes to Financial Statements

1. Summary of Significant Accounting Policies

Overview of Business and Reporting Entity

Public Gas Partners, Inc. (PGP) is a nonprofit corporation organized under Georgia law, formed on November 15, 2004. PGP's mission is to deliver value to its members (the Members) by acquiring and managing a portfolio of economic long-term gas supplies and using its commodity hedging and physical gas supply capabilities. PGP is organized into projects in which the Members may elect to participate. PGP has undertaken four projects: Gas Supply Pool No. 1 (Pool 1), Gas Supply Pool No. 2 (Pool 2), Gas Supply Pool No. 3 (Pool 3), and Gas Supply Pool No. 4 (Pool 4). Pool 1 was formed in 2004, Pool 2 was formed in 2005, Pool 3 was formed in 2009, and Pool 4 was formed in 2018.

For Pools 1 and 2, PGP was authorized to acquire gas reserves or other contract rights during a three-year acquisition period that ended June 30, 2008. Pool 3 is authorized to acquire gas reserves or other contract rights on an ongoing basis as necessary to fulfill the gas deliveries requested by Pool 3 participants. Pool 4 is authorized to serve as physical gas supplier or exchange provider, and commodity swap counterparty for natural gas prepayment transactions. As swap counterparty, Pool 4 enters into matched commodity swap transactions with both the issuer and supplier of the transaction to allow both parties to hedge their natural gas price risk. PGP utilizes wholly owned subsidiaries to own the assets and manage the operations of its various projects. All intercompany transactions have been eliminated.

Each of the Members participating in Pool 1, 2, or 3 has executed a Production Sharing Agreement (PSA) for that project. Each Member participating in Pool 4 has executed a Participation Agreement (PA) for that project. Each PSA and PA obligates the Member to pay, as a component of its gas operations expense, its participation share of all costs incurred by the related PGP pool until any related debt has been paid, all obligations have been fulfilled, and the last volumes have been delivered. The PSAs include a step-up provision that may obligate the Members to increase their participation share in the related pool in the event of default by another Member. The Pools 1, 2 and 3 Members are obligated to purchase their share of gas produced by the respective Pools, or cash from the sale of the Members' share of gas produced may be received by the Members in lieu of physical supply.

In conformity with the standards of the GASB, these financial statements include PGP and its component units. Pools 1 through 4, although legally separate entities, were included using the blending method because their governing body is substantively the same as the governing body of PGP, there is a financial benefit and burden relationship between the primary government and the component unit, and management of the primary government has operational responsibility for the component unit.

Public Gas Partners, Inc.
Notes to Financial Statements

The following table summarizes the Members' participation share by Pool as of June 30, 2024 (totals may not equal 100% due to rounding).

Member	Participation Shares by Pool:			
	Pool 1	Pool 2	Pool 3	Pool 4
Black Belt Energy Gas District	0.00%	0.00%	0.00%	33.33%
Florida Municipal Power Agency	22.04%	25.90%	0.00%	0.00%
Municipal Gas Authority of Georgia	49.74%	58.10%	85.23%	33.33%
National Public Gas Agency	0.00%	0.00%	2.20%	0.00%
Patriots Energy Group	8.29%	10.00%	2.66%	33.33%
The Southeast Alabama Gas District	17.91%	5.00%	9.91%	0.00%
Tennessee Energy Acquisition Corp.	2.02%	1.00%	0.00%	0.00%

As described further below, in December 2008, Florida Municipal Power Agency (FMPA) prepaid for its share of acquisitions and, therefore, does not have a specific obligation with respect to PGP's debt (including advances payable to the Gas Authority).

The Gas Authority manages PGP's day-to-day operations under a contract that ends on November 1, 2025, and renews automatically for one-year periods unless either party gives 180 days' notice. Under this agreement, PGP incurred \$4,314,329 in management fees for the year ended June 30, 2024. PGP had an unpaid balance to the Gas Authority for management fees of \$235,350 at June 30, 2024. Pool 3's subsidiary, PGP Operating, LLC (PGP Operating), which operates approximately 1,300 wells in the Black Warrior Basin of Alabama, incurred expense of \$5,057,878 for the year ended June 30, 2024, to the Gas Authority for salaries and benefits costs of field personnel who are employees of the Gas Authority, and had an unpaid balance to the Gas Authority of \$753,930 at June 30, 2024. The amounts paid are shown in Payments to Members on the statement of cash flows.

In its role as gas supplier and exchange provider to serve prepay transactions, PGP buys gas from and sells gas to the Gas Authority. PGP incurred \$18,265,168 for such transactions for the year ended June 30, 2024. PGP had an unpaid balance to the Gas Authority for these transactions of \$3,102,951, for the year ended June 30, 2024.

Subsequent Events

In preparing the accompanying financial statements, management reviewed all known events that have occurred after June 30, 2024, and through September 11, 2024 for inclusion in the financial statements and footnotes.

Basis of Accounting

PGP follows proprietary fund accounting in accordance with Governmental Accounting Standards Board (GASB) pronouncements. Proprietary fund accounting is used to report business-type activities, as contrasted with tax-supported governmental activities.

Public Gas Partners, Inc.
Notes to Financial Statements

PGP also complies with policies and practices prescribed by its Board of Directors and to practices common in the natural gas industry. As the Board of Directors has the authority to set rates, PGP follows GASB-regulated accounting guidance in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), which provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure. Under GASB 62, regulatory assets are recorded to reflect probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. Deferred inflows of resources are recorded to reflect probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process. A new standard has been issued by GASB that will require changes in the financial reporting model. This standard will be adopted by PGP beginning in the fiscal year 2026. The effects of this change on PGP's financial statements have not yet been determined.

At June 30, 2024, PGP's regulatory asset is included in the accompanying statement of net position as regulatory asset – costs recoverable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect (1) the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and (2) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PGP's financial statements include certain significant estimates, including oil and gas reserve quantities, which are the basis for calculating depletion and impairment of oil and gas properties, the timing and cost of its asset retirement obligations, accrued revenues and expenses associated with oil and gas properties, and estimates of fair values of derivative contracts.

For the year ended June 30, 2024, PGP changed the method of estimating the fair value of matched swaps derivative instruments from using the term of the associated gas prepayment transaction, typically 30 years, to using the term of the associated bonds' mandatory tender date, typically 5 – 7 years. The net effect of the change in the estimate of the fair value of the matched swaps investment derivatives is a reduction in the fair value of the matched swaps investment derivatives recorded as assets with a corresponding reduction in the matched swap investment derivatives recorded as liabilities on the statement of net position. There was no effect on the change in net position on the statement of revenue, expenses, and changes in net position.

Public Gas Partners, Inc.
Notes to Financial Statements

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank demand accounts, and cash deposited in local government investment pools. PGP is subject to custodial credit risk, which is the risk that in the event of a bank failure, PGP's deposits may not be returned.

The carrying value of cash was \$3,409,125 while the bank value of cash was \$4,437,479 at June 30, 2024. The differences between carrying value and bank value are due to checks outstanding. At June 30, 2024, \$1,000,000 of PGP's cash balances was covered by federal depository insurance, \$0 was collateralized with securities held by a third-party bank's trust department, and \$3,437,479 was subject to custodial credit risk as it was uninsured and uncollateralized. PGP does not have a formal counterparty credit risk policy.

Restricted Cash

Restricted cash represents funds held in legal and administrative suspense for royalty payments.

Investments

Investment securities represent money market contracts with original maturities within 1 year. The contracts and related investment income are planned to be re-invested until they are needed to fund long term plug and abandonment costs for wells that PGP operates in Alabama. The contracts are recorded at fair value. Investment income is recorded within interest and other expense/income, net. Any other-than-temporary declines in value are recorded as impairments. No such impairments were recorded in fiscal 2024.

Interest Rate Risk

PGP does not have formal investment policies regarding interest rate risk.

Credit Risk

PGP does not have a formal investment policy regarding counterparty credit risk.

Concentration of Credit Risk

PGP does not have a policy that limits the amount that may be invested in any one issuer. As of June 30, 2024, the entire \$3,672,600 investment balance was invested in the money market funds of a single banking institution.

Public Gas Partners, Inc.
Notes to Financial Statements

Custodial Credit Risk

PGP does not have a deposit policy for custodial credit risk.

Accounts Receivable

Accounts receivable represents billings to Members, swap amounts due from counterparties, gas sales to buyers, amounts due from operators for gas production, and joint interest billings to third party interest holders.

Other Assets

Other assets include well materials such as pumps and rotors, advances on well plug and abandonment costs, and deposits. The well materials are used in PGP's gas production operations in Pool 3 and are held at cost on the statement of net position.

Oil and Gas Properties

Oil and gas properties represent working and royalty interests in oil and natural gas wells and related contract rights, facilities, and equipment. PGP uses the full-cost method of accounting for its investments in oil and gas properties. Under this method, PGP capitalizes all acquisition, exploration, and development costs incurred for the purpose of finding oil and gas reserves. Costs associated with production are expensed in the period incurred. PGP also includes the present value as of the date of incurrence of its dismantlement, restoration, and abandonment costs within the capitalized oil and gas property balance.

PGP computes the depreciation, depletion, and amortization (DD&A) of oil and gas properties using the unit-of-production method based upon a ratio of production and estimates of proved reserve quantities.

PGP's total oil and gas properties consisted of the following:

Proved properties	\$ 908,981,355
Accumulated depletion of proved properties	(865,753,209)
Total oil and gas properties, net	<u>\$ 43,228,146</u>

Depletion expense was \$6,305,530 for the year ended June 30, 2024.

Under the full-cost method, capitalized costs are limited to an amount not to exceed the value of the related oil and gas reserves (referred to as a ceiling on capitalized costs). In performing its annual ceiling test, PGP limits the capitalized costs of oil and gas properties, net of accumulated DD&A, to the present value of estimated future net cash flows, including cash flows from hedging transactions, from proved oil and gas reserves, plus the lower of cost or fair value of any unproved

Public Gas Partners, Inc.
Notes to Financial Statements

properties included in the costs being amortized. The full-cost method stipulates that future cash flows are discounted at 10%. If capitalized costs exceed this limit, the excess is charged as additional DD&A expense.

The full-cost method also stipulates that revenues for all future periods are calculated by applying the arithmetic average first-day-of-the-month price over the preceding 12 months, except in those instances where future oil and natural gas prices are covered by derivative contracts. Consequently, the preceding 12-month average prices could have a significant impact on the ceiling test calculation and could result in write-downs of oil and gas properties. No full-cost ceiling impairment occurred during the current fiscal year as the present value of future estimated future net cash flows from proved oil and gas properties exceeded their net book values. Hedging transactions cover approximately 34% of expected future production from proved reserves for the year ended June 30, 2024. If hedging transactions had not been considered in the impairment test, no additional depletion expense would have been recognized for the year ended June 30, 2024.

Given the potential volatility of oil and gas prices, it is reasonably possible that PGP's estimate of discounted future net cash flows from proved oil and gas reserves could change in the near term. If oil and gas prices decline significantly, even if only for a short period of time, it is possible that impairments of oil and gas properties could occur.

Property and Equipment

PGP acquires and maintains property and equipment in relation to its coalbed methane field operations in Alabama. All property and equipment are stated at cost less accumulated depreciation on the statement of net position. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of property and equipment are described below:

Property and Equipment	Useful Life
Land	Indefinite
Vehicles	5 years
Furniture and fixtures	5 years
Machinery and equipment	5 years
Computer hardware and software	7 years
Buildings	40 years

Regulatory Asset – Costs Recoverable

Under the provisions of the PSAs and the PA, the Board of Directors establishes rates and charges to produce revenues sufficient to cover PGP's costs. Expenses in excess of amounts currently billable to the Members under the pricing mechanism will be recovered from future billings to the Members and are classified as a regulatory asset.

Public Gas Partners, Inc.
Notes to Financial Statements

Asset Retirement Obligations (ARO)

ARO represents the current value of the estimated costs for well shut-ins and abandonments upon retirement of the related oil and gas properties. In identifying ARO, PGP considers the legally enforceable obligations, existing laws, and estimates of costs associated with site reclamation, facilities dismantlement, and plugging and abandonment of oil and gas wells. Such costs are reflected in deferred outflows of resources – asset retirement obligations and amortized to expense over the assets' estimated remaining useful life.

Derivative Instruments

PGP uses derivative instruments to hedge its commodity price risk associated with forecasted oil and gas sales from reserves ("reserve hedges"). PGP also enters into matched swap transactions when serving as natural gas swap counterparty in natural gas prepayment transactions ("matched swaps"). Realized gains or losses on hedging derivative instruments are recognized in operating revenues in the period to which the derivative instruments relate. Realized gains or losses on derivative instruments that do not meet the criteria to be accounted for as hedging derivative instruments (investment derivative instruments) are recognized in investment income in the period to which the derivative instruments relate. GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), requires PGP to record the fair value of derivative instruments on the statement of net position as an asset or liability. The change in fair value of hedging derivative instruments (unrealized gains or losses) is recorded as a deferred gain or deferred loss on the statement of net position (referred to as deferred inflows or outflows of resources). Changes in the fair value of investment derivative instruments (unrealized gains or losses) are recognized as investment income (loss) and then deferred as regulatory assets or deferred inflows under GASB 62. The fair values of derivative instruments with individual counterparties under master netting arrangements are offset as current and/or long-term net assets or liabilities on the statements of net position. Cash receipts and payments for commodity instruments are classified as operating activities in the statements of cash flows. Unrealized gains and losses on commodity derivatives held on behalf of PGP are deferred and offset corresponding fair value changes in the Gas Authority's receivable from PGP.

Fair Value Measurements

PGP's financial instruments include cash and cash equivalents, restricted cash, accounts receivable, investments, accrued payable, and accrued expenses. The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, investments, accounts payable, and accrued expenses approximate fair value because of their short-term nature. PGP's derivative instruments to hedge its commodity price risk are recorded at estimated fair values. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. There is a three-tier fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and PGP's assumptions (unobservable inputs).

Public Gas Partners, Inc.
Notes to Financial Statements

Fair value measurements are classified under the following hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Pricing inputs other than Level 1 which are either directly or indirectly observable.
- Level 3: Unobservable pricing inputs developed using the entity's estimates and assumptions, which reflect those that market participants would use in pricing an asset or liability.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by PGP. PGP considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. PGP evaluates its hierarchy disclosures each reporting period and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, PGP expects that changes in classifications between different levels will be infrequent.

The fair value estimates reflected on the statement of net position are based on pertinent information available to management at the statement of net position date. The fair value estimates for PGP's derivative instruments represent the present value of the expected cash flows of the instruments. The expected cash flows are calculated using the differences of the fixed prices in the related instruments less the NYMEX (gas) or NYMEX – WTI (oil) forward price curve (or, for basis and matched swaps at local delivery points, the forward price curve at that delivery point), then multiplied by the corresponding monthly gas or oil volume. For the year ended June 30, 2024, reserve hedges were discounted to present value using the SOFR forward interest rate curve. Bonds issued by prepay providers in prepayment transactions that PGP serves are subject to mandatory tender dates that are typically 5-7 years from the related bond issuance date. Therefore, matched swap cash flows are assumed to cease upon the mandatory tender date of the associated prepay transaction. The expected matched swap cash flows also reflect the risk of ceasing prior to the mandatory tender date by analyzing the observed difference between the supplier's funding rate and issuer borrowing rate over a transaction's life span. The expected cash flows are discounted to present value using the relevant credit risk curve. There is no payment upon early termination or default so the relevant credit risk curves reflect no recovery or loss upon default. See Note 5 for further discussion of matched swaps.

These estimated fair values may be significantly impacted by changes in underlying oil and natural gas commodity prices or the general interest rate environment. The fair values presented have not been comprehensively revalued since June 30, 2024, and current estimates of fair value may differ significantly from the amounts presented herein.

Public Gas Partners, Inc.
Notes to Financial Statements

The following table summarizes the valuation of financial instruments measured at fair value:

June 30, 2024	Level 1	Level 2	Level 3	Total
Oil and gas reserve swap agreements	\$ -	\$ (8,803,871)	\$ -	\$ (8,803,871)
Matched swap transactions	\$ -	\$ (1,822,662)	\$ -	\$ (1,822,662)

Revenues

Oil and gas revenues are recognized when production or acquired gas is sold to a purchaser at a fixed or determinable price, when delivery has occurred and title has transferred, and if collectability of the revenue is probable. Oil and gas are sold in their local markets and shown as Production sold to customers in the statement of revenues, expenses, and changes in net position. PGP acquires comparable volumes of produced gas in its Members' service areas and delivers that gas to the Members, shown as Gas acquired and sold to Members in the statement of revenues, expenses, and changes in net position. Additionally, realized gains and losses related to PGP's natural gas and oil derivatives are recognized in operating revenues, as described above. Under the provisions of the PSAs, PGP is required to set rates sufficient to recover all its costs. Any excess revenues or expenses are either credited or billed, respectively, to the Members in accordance with policies established by the Board of Directors.

Income Taxes

PGP is a nonprofit corporation comprised of governmental entities and, therefore, claims exemption from federal and state income taxes. Accordingly, no provision for such taxes is made in the accompanying financial statements.

Public Gas Partners, Inc.
Notes to Financial Statements

2. Property and Equipment

Property and equipment activity for the year ended June 30, 2024 was as follows:

	Balance at June 30, 2023	Additions	Disposals	Depreciation	Balance at June 30, 2024
Property not being depreciated:					
Land	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Property and equipment being depreciated:					
Building	1,342,011	-	-	-	1,342,011
Vehicles	1,687,445	266,655	(178,966)	-	1,775,134
Computer hardware and software	710,042	9,980	-	-	720,022
Machinery & Equipment	226,113	-	-	-	226,113
Total property and equipment being depreciated	3,965,611	276,635	(178,966)	-	4,063,280
Less accumulated depreciation for:					
Building	(308,962)	-	-	(33,550)	(342,512)
Vehicles	(1,206,927)	-	178,448	(204,784)	(1,233,263)
Computer hardware and software	(648,309)	-	-	(24,315)	(672,624)
Machinery & Equipment	(90,989)	-	-	(37,710)	(128,699)
Total accumulated depreciation	(2,255,187)	-	178,448	(300,359)	(2,377,098)
Total property and equipment, net	\$ 1,810,424	\$ 276,635	\$ (518)	\$ (300,359)	\$ 1,786,182

Depreciation expense relating to property and equipment was \$300,359 for 2024.

3. Liabilities

Accounts payable and accrued expenses as of June 30, 2024 consisted of the following:

Accounts payable	\$ 17,985,772
Swaps payable	9,608,925
Accrued expenses	2,268,191
Total accounts payable and accrued expenses	<u>\$ 29,862,888</u>

4. Advances from the Gas Authority

All PGP Pools are party to Advance Payment Agreements (APAs) with the Gas Authority under which the Gas Authority provides funding to PGP. The Pool 1, 2, and 3 APAs extend until 2025, or later if the related Gas Authority financing is extended. The Pool 4 APAs mature in various years from 2048 to 2053. Interest expense is charged based on the Gas Authority's actual borrowing costs or contractual line-of-credit costs.

As of June 30, 2024, the interest rate charged by the Gas Authority to PGP was approximately 4.18%. PGP incurred interest expense of \$4,508,105 for the year ended June 30, 2024. The Members are obligated for their participation share of all Pool costs in which they have elected to

Public Gas Partners, Inc.
Notes to Financial Statements

participate, including related debt, unless such Members have also elected to pay a portion of their share of costs as an Advance Billing. The Gas Authority has a security interest in PGP's revenues.

The change in Advances from the Gas Authority for the year ended June 30, 2024 is as follows:

Beginning Balance	\$ 116,858,139
Advances	6,708,105
Repayments	(20,107,516)
Ending Balance	<u>\$ 103,458,728</u>
Current portion	\$ -

5. Derivative Instruments

PGP uses hedging derivative instruments to hedge its commodity price risk associated with forecasted oil and gas sales from reserves by converting the revenues that PGP will receive from customers from a variable price, based on a spot market price, to a fixed price ("Henry Hub swaps" or "WTI swaps" or "basis swaps"). PGP also enters into matched swap transactions when serving as natural gas swap counterparty in natural gas prepayment transactions ("matched swaps"), accounted for as investment derivative instruments.

The derivative agreements require monthly payments to be paid or received based on the difference between the spot market price and the contract strike price on notional volumes. None of PGP's derivatives require a cash payment at inception.

Fair Values of Derivatives

See Note 1 for a discussion of fair value policies and methodologies. The fair value balance of derivative instruments outstanding at June 30, 2024, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows. All swaps are for natural gas unless otherwise indicated.

Public Gas Partners, Inc.
Notes to Financial Statements

As of and for the year ended June 30, 2024:

	Notional Amount at June 30, 2023*	Fair Value at June 30, 2023	Change In Fair Value	Fair Value at June 30, 2024	Notional Amount at June 30, 2024*
Hedging derivatives					
Henry Hub Swaps - Receive Fixed	29,248,400	\$ (17,010,979)	\$ 8,608,409	\$ (8,402,570)	22,364,200
WTI Swaps - Oil - Receive Fixed	26,312	69,096	(112,249)	(43,153)	9,200
Basis Swaps - Receive Fixed	2,290,000	172,729	(760,397)	(587,668)	11,432,500
Henry Hub Options - Bought Put	-	-	1,718,329	1,718,329	2,555,000
Henry Hub Options - Sold Call	-	-	(1,509,021)	(1,509,021)	2,555,000
WTI Options - Bought Put	-	-	20,212	20,212	18,400
Investment derivatives					
Matched Swaps - Pay Fixed	1,950,814,424	(202,068,702)	(289,091,194)	(491,159,896)	467,189,935
Matched Swaps - Receive Fixed	1,950,814,424	215,096,029	274,241,205	489,337,234	467,189,935

* Notional amounts are in MMBtu except WTI Swaps, which are in barrels.

Following are key terms of PGP's derivative instruments as of June 30, 2024:

	Effective Dates	Notional Amounts*	Strike Prices
Hedging derivatives			
Henry Hub Swaps - Receive Fixed	2024-2028	22,364,200	\$2.50-\$4.85
WTI Swaps - Oil - Receive Fixed	2024	9,200	\$74.50
Basis Swaps - Receive Fixed	2024-2026	11,432,500	\$0.13-\$0.35
Henry Hub Options - Bought Put	2029	2,555,000	\$3.50
Henry Hub Options - Sold Call	2029	2,555,000	\$4.30
WTI Options - Bought Put	2024	18,400	\$70.00
Investment derivatives			
Matched Swaps - Pay Fixed	2024-2032	467,189,935	\$4.53-\$6.50
Matched Swaps - Receive Fixed	2024-2032	467,189,935	\$4.56-\$6.53

*Notional amounts are in MMBtu except WTI Swaps, which are in barrels.

Public Gas Partners, Inc.
Notes to Financial Statements

Risks

Basis Risk

The Henry Hub and WTI swaps are subject to locational basis risk as these forward contracts are based on pricing at the Henry Hub or WTI delivery points, whereas PGP's oil and gas properties produce and deliver at various delivery points. PGP has hedged a portion of the locational basis risk through forward basis swaps.

Credit and Termination Risk

PGP intends to hold all hedging derivative instruments to maturity. PGP is exposed to market price risk in the event of nonperformance by any of its counterparties; however, PGP does not anticipate nonperformance. The counterparties in Henry Hub and WTI swaps are major financial institutions with credit ratings of at least A with one of the major rating agencies.

PGP is exposed to termination risk in its commodity derivatives. Termination of certain PGP commodity hedges may occur if PGP's credit ratings fall below BBB and PGP elects not to collateralize the unrealized losses on those transactions with specified cash and securities. No such collateral has been required or posted as of or during the periods presented.

PGP's matched swaps contain tear-up provisions such that they may be terminated under certain limited circumstances, including specific credit events, with no settlement payment due or payable by either party.

Each Pool has entered into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of those arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions within such Pool and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

Public Gas Partners, Inc.
Notes to Financial Statements

PGP's counterparty credit exposures from derivative transactions and counterparty credit ratings as of June 30, 2024, are as follows:

Counterparty	Counterparty Credit Ratings S&P/Moody's	Fair Market Value of Derivative June 30, 2024 Asset (Liability)
Hedging derivatives		
JP Morgan Chase Bank, N.A.	A+/Aa2	\$ 445,327
Royal Bank of Canada	AA-/Aa1	(9,986,666)
Wells Fargo	A+/Aa2	737,468
Investment derivatives		
Citadel Energy Marketing	BBB/Baa2	19,304,772
Citigroup Energy Inc	A+/NR	9,908,665
Main Street Natural Gas, Inc. 2019C	NR/A3	(9,458,740)
Main Street Natural Gas, Inc. 2021A	NR/Aa1	(24,435,403)
Main Street Natural Gas, Inc. 2022C	BBB-/NR	(19,007,053)
Main Street Natural Gas, Inc. 2023B	NR/Aa1	(102,517,286)
Main Street Natural Gas, Inc. 2023C	NR/Aa1	(48,566,361)
Main Street Natural Gas, Inc. 2023E	NR/Aa1	(43,536,141)
Main Street Natural Gas, Inc. 2024A	NR/Aa1	(100,972,819)
Main Street Natural Gas, Inc. 2024B	NR/Aa1	(82,560,481)
Patriots Energy Group Financing Agency 2023B	NR/Aa1	(60,105,612)
Royal Bank of Canada	AA-/Aa1	460,123,797

6. Asset Retirement Obligations (ARO)

PGP has recorded a liability representing the current value of expected future costs associated with site reclamation, facilities dismantlement, and plugging and abandonment of oil and gas wells at June 30, 2024, as follows:

Balance of ARO – beginning of year	\$ 34,334,158
Revision of estimates	(3,781,930)
Subtractions from sales and property assignments	(881,434)
ARO settlements, net	(142,116)
Balance of ARO – end of year	<u><u>\$ 29,528,678</u></u>

As of June 30, 2024, the useful lives of the wells range from 1 to 52 years with a weighted average useful life of 11 years.

Public Gas Partners, Inc.
Notes to Financial Statements

7. Litigation

While PGP is not subject to any material current or pending litigation, from time to time PGP may be subject to litigation incidental to its ownership interests in oil and gas reserves and other activities.

Supplemental Information

Public Gas Partners, Inc.
Consolidating Statement of Net Position

	June 30, 2024				
	Pool 1	Pool 2	Pool 3	Pool 4	Total
Assets and deferred outflows of resources					
Current assets:					
Cash and cash equivalents	\$ 499,556	\$ 121,560	\$ 688,229	\$ 1,627,622	\$ 2,936,967
Restricted cash	90,298	–	381,860	–	472,158
Investments	–	–	3,672,600	–	3,672,600
Accounts receivable, net	1,521,750	566,228	3,575,802	26,812,598	32,476,378
Fair value of derivative instruments	–	–	737,946	134,611,178	135,349,124
Other assets	94,835	–	441,785	–	536,620
Interproject receivables (payables)	504,660	(7,458)	(431,722)	(65,480)	–
Total current assets	2,711,099	680,330	9,066,500	162,985,918	175,443,847
Noncurrent assets:					
Oil and gas properties – net	5,897,596	1,580	37,328,970	–	43,228,146
Property and equipment – net	–	–	1,786,182	–	1,786,182
Fair value of derivative instruments	–	–	444,848	354,726,056	355,170,904
Regulatory asset – costs recoverable	29,740,912	10,328,620	24,505,370	161,792	64,736,694
Other assets	–	–	600,000	–	600,000
Total noncurrent assets	35,638,508	10,330,200	64,665,370	354,887,848	465,521,926
Total assets	38,349,607	11,010,530	73,731,870	517,873,766	640,965,773
Deferred outflows of resources - asset retirement obligations	1,521,090	49,954	12,656,167	–	14,227,211
Deferred outflows of resources - unrealized loss on derivative instruments	22,941	–	8,780,930	–	8,803,871
Total deferred outflows of resources	1,544,031	49,954	21,437,097	–	23,031,082
Total assets and deferred outflows of resources	\$ 39,893,638	\$ 11,060,484	\$ 95,168,967	\$ 517,873,766	\$ 663,996,855
Liabilities and net position					
Current liabilities:					
Accounts payable and accrued expenses	\$ 492,636	\$ 33,481	\$ 2,622,902	\$ 26,713,869	\$ 29,862,888
Fair value of derivative instruments	22,941	–	1,636,292	132,837,722	134,496,955
Asset retirement obligations	149,459	–	158,100	–	307,559
Total current liabilities	665,036	33,481	4,417,294	159,551,591	164,667,402
Noncurrent liabilities:					
Advances from the Gas Authority	33,928,053	10,869,295	58,661,380	–	103,458,728
Fair value of derivative instruments	–	–	8,327,431	358,322,175	366,649,606
Asset retirement obligations	5,300,549	157,708	23,762,862	–	29,221,119
Total noncurrent liabilities	39,228,602	11,027,003	90,751,673	358,322,175	499,329,453
Total liabilities	39,893,638	11,060,484	95,168,967	517,873,766	663,996,855
Net position	–	–	–	–	–
Total liabilities and net position	\$ 39,893,638	\$ 11,060,484	\$ 95,168,967	\$ 517,873,766	\$ 663,996,855

Public Gas Partners, Inc.
Consolidating Statement of Revenues,
Expenses, and Changes in Net Position

	Twelve Months Ended June 30, 2024				
	Pool 1	Pool 2	Pool 3	Pool 4	Total
Operating revenues:					
Gas acquired and sold to customers and Members	\$ 10,724,329	\$ 6,648,904	\$ 4,512,414	\$ 156,454,737	\$ 178,340,384
Production sold to customers	7,580,697	111,143	27,675,438	–	35,367,278
Total operating revenues	18,305,026	6,760,047	32,187,852	156,454,737	213,707,662
Operating expenses:					
Gas supplies delivered to customers and Members	794,600	–	4,512,414	153,436,316	158,743,330
Oil and gas field operations	4,157,293	118,832	22,998,626	–	27,274,751
Depletion of oil and gas properties	2,164,527	–	4,141,003	–	6,305,530
General and administrative	535,368	50,362	1,316,011	2,791,480	4,693,221
Depreciation of property and equipment	–	–	300,359	–	300,359
Total operating expenses	7,651,788	169,194	33,268,413	156,227,796	197,317,191
Operating income	10,653,238	6,590,853	(1,080,561)	226,941	16,390,471
Nonoperating income (expense):					
Interest and other expense/income, net	(965,194)	(398,239)	(2,645,462)	–	(4,008,895)
Unrealized loss on investment derivatives	–	–	–	(14,849,989)	(14,849,989)
Costs (refundable) recoverable from future billings	(9,688,044)	(6,192,614)	3,726,023	14,623,048	2,468,413
Total nonoperating expense, net	(10,653,238)	(6,590,853)	1,080,561	(226,941)	(16,390,471)
Change in net position	–	–	–	–	–
Net position:					
Beginning of year	–	–	–	–	–
End of year	\$ –	\$ –	\$ –	\$ –	\$ –

Public Gas Partners, Inc.
Consolidating Statement of Cash Flows

	Twelve Months Ended June 30, 2024				
	Pool 1	Pool 2	Pool 3	Pool 4	Total
Operating activities					
Receipts from customers and Members	\$ 18,802,074	\$ 6,662,224	\$ 29,741,195	\$ 147,853,231	\$ 203,058,724
Payments to Members	(285,849)	4,972	(6,157,766)	(2,710,392)	(9,149,035)
Payments to operators and suppliers	(5,355,179)	(122,712)	(21,087,516)	(146,841,238)	(173,406,645)
Payments to (from) oil and gas derivative counterparties, net	(197,751)	–	2,647,488	1,922,994	4,372,731
Internal activity – payments from (to) other pools	(92,375)	15,527	56,848	20,000	–
Net cash from operating activities	<u>12,870,920</u>	<u>6,560,011</u>	<u>5,200,249</u>	<u>244,595</u>	<u>24,875,775</u>
Capital and related financing activities					
Sales of oil and gas properties	(89,306)	–	31,242	–	(58,064)
Capital expenditures – property and equipment	–	–	(276,635)	–	(276,635)
Sale of property and equipment	–	–	56,050	–	56,050
Drilling, completion, and wellbore capital, net of refunds	(3,390,699)	(1,170)	(2,577,614)	–	(5,969,483)
Advance repayments to the Gas Authority, net	(8,419,391)	(6,083,245)	1,103,344	–	(13,399,292)
Interest payments	(1,194,521)	(440,137)	(2,773,626)	–	(4,408,284)
Net cash used in capital and related financing activities	<u>(13,093,917)</u>	<u>(6,524,552)</u>	<u>(4,437,239)</u>	<u>–</u>	<u>(24,055,708)</u>
Investing activities					
Investment purchases	–	–	(1,198,200)	–	(1,198,200)
Net cash used in investing activities	<u>–</u>	<u>–</u>	<u>(1,198,200)</u>	<u>–</u>	<u>(1,198,200)</u>
Net change in cash and cash equivalents	(222,997)	35,459	(435,190)	244,595	(378,133)
Cash and cash equivalents:					
Beginning of period	812,851	86,101	1,505,279	1,383,027	3,787,258
End of period	<u>\$ 589,854</u>	<u>\$ 121,560</u>	<u>\$ 1,070,089</u>	<u>\$ 1,627,622</u>	<u>\$ 3,409,125</u>
Reconciliation of revenues in excess of operating expenses to net cash from operating activities:					
Operating income	\$ 10,653,238	\$ 6,590,853	\$ (1,080,561)	\$ 226,941	\$ 16,390,471
Adjustments to reconcile to net cash flows from operating activities:					
Amortization of deferred outflows – ARO	(233,893)	1,862	2,138,247	–	1,906,216
Depreciation of property and equipment	–	–	300,359	–	300,359
Depletion of oil and gas properties	2,164,527	–	4,141,003	–	6,305,530
Changes in certain assets and liabilities:					
Accounts receivable	293,453	(97,817)	(202,373)	(4,882,651)	(4,889,388)
Other assets	169,165	9,927	223,274	–	402,366
Accounts payable and accrued expenses	(83,191)	39,665	(376,558)	4,880,305	4,460,221
Interproject receivables (payables)	(92,379)	15,521	56,858	20,000	–
Net cash from operating activities	<u>\$ 12,870,920</u>	<u>\$ 6,560,011</u>	<u>\$ 5,200,249</u>	<u>\$ 244,595</u>	<u>\$ 24,875,775</u>