Risk Factors Comparison 2023-12-01 to 2022-12-02 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

Please carefully consider the risks described below regarding the Company. These risks are not the only ones faced by the Company. Additional risks not presently known to the Company or that the Company currently believes are immaterial may also impair business operations and financial results. If any of the following risks actually occur, the Company' s business, financial condition or results of operations could be adversely affected. In such case, the trading price of the Company' s common stock could decline and investors could lose all or part of their investment. The risk factors below are categorized by operational, regulatory ~~,~~ **and** financial ~~and general~~ : OPERATIONAL RISKS Availability of sufficient and reliable pipeline capacity. The Company is currently served directly by two interstate pipelines. These two pipelines carry 100 % of the natural gas transported to the Company' s distribution system. Depending on weather conditions and the level of customer demand, failure of one or both of these interstate transmission pipelines could have a major impact on the Company' s ability to meet customer demand for natural gas and adversely affect the Company' s earnings as a result of lost revenue and the cost of service restoration. Frequent or prolonged failure could lead customers to switch to alternative energy sources. **Hurricanes, floods, fires and other natural or man- made disasters could damage or inhibit production and / or pipeline transportation facilities, which could result in decreased natural gas supplies.** Capacity limitations on existing pipeline and storage infrastructure could impact the Company' s ability to obtain additional natural gas supplies, thereby limiting its ability to add new customers or meet increased customer demand and thereby limiting future earnings potential **. The concerns over capacity limitations should be partially mitigated assuming the MVP becomes operational** . Risks associated with the operation of a natural gas distribution pipeline and LNG storage facility. Numerous potential risks are inherent in the operation of a natural gas distribution system and LNG storage facility, including unanticipated or unforeseen events that are beyond the control of the Company. Examples of such events include adverse weather conditions, acts of terrorism or sabotage, accidents and damage caused by third parties, equipment failure, failure of upstream pipelines and storage facilities, as well as catastrophic events such as explosions, fires, earthquakes, floods, or other similar events. These risks could result in injury or loss of life, property damage, pollution and customer service disruption resulting in potentially significant financial losses. The Company maintains insurance coverage to protect against many of these risks. However, if losses result from an event that is not fully covered by insurance, the Company' s financial condition could be significantly impacted if it were unable to recover such losses from customers through the regulatory rate **-** making process. Even if the Company did not incur a direct financial loss as a result of any of the events noted above, it could encounter significant reputational damage from a reliability, safety, integrity or similar viewpoint, potentially resulting in a longer- term negative earnings impact or decline in share price. Security incident or cyber- attacks on the Company' s computer or information technology systems. The Company' s business operations and information technology systems may be vulnerable to an attack by individuals or organizations intending to disrupt the operations of the Company. Such an attack or cyber- security incident on the Company' s information technology systems could result in corruption of the Company' s financial information; disruption of services to our customers; the unauthorized release of confidential customer, employee or vendor information; the interruption of natural gas deliveries to our customers; **and /** or compromise the safety of our distribution, transmission and storage systems. The Company has implemented policies, procedures and controls to prevent and detect these activities; however, there are no guarantees that Company processes will adequately protect against unauthorized access. In the event of a successful attack, the Company could be exposed to material financial and reputational risks, possible disruptions in natural gas deliveries or a compromise of the safety of the natural gas distribution system, as well as be exposed to claims by persons harmed by such an attack, all of which could materially increase the Company' s costs to protect against such risks. Resources maintains cyber- insurance coverage, which does not protect the Company from cyber incidents but does provide some **potential** ~~level of protection to mitigate~~ **mitigation of** the financial impacts resulting from such attacks. Volatility in the price and availability of natural gas. Natural gas purchases represent the single largest expense of the Company. Increasing demand from other areas, including electricity generation, combined with other factors, ~~are placing~~ **have placed** upward pressure on natural gas commodity prices **in the past** . If these factors **return and** continue for an extended period of time, higher natural gas prices could result in declining sales as well as increases in bad debt expense and increased competition from other energy providers. ~~9 Supply disruptions due to weather or other forces. Hurricanes, floods, fires and other natural or man- made disasters could damage or inhibit production and / or pipeline transportation facilities, which could result in decreased natural gas supplies. Decreased supplies could result in an inability to meet customer demand, service new franchise areas or lead to higher prices and / or service disruptions. Disasters could increase costs to repair damaged facilities and result in delays to restore service to interrupted customers as well as lead to additional governmental regulations that may limit production activity and / or increase production and transportation costs. Inability~~ **9Inability** to attract and retain professional and technical employees. The ability to implement the Company' s business strategy and serve customers is dependent upon employing talented professionals and attracting, training, developing and retaining a skilled workforce. As the Company expects key personnel to retire over the next several years, ~~the~~ failure to ~~transition~~ **hire and adequately train replacement employees, including** the **transfer of significant internal historical knowledge and** skills ~~and knowledge of the departing employees~~ to ~~qualified existing or~~ new employees **, or future availability and cost of contracted labor may adversely affect the ability to manage and operate the Company. In addition, certain specialized knowledge is required of the Company' s technical employees for construction and operation of the natural gas distribution facilities. If the Company is unable to attract and / or retain qualified employees, the Company** could **experience** ~~increase~~ **increased** operating costs and expose the Company to other operational, reputational and financial risks. Increased dependence on technology may hinder the Company' s business operations and adversely affect its financial condition and results of operations if such technologies fail. Over the last several years, the Company has implemented or acquired a variety of technological tools including both Company- owned information technology and technological services provided by outside parties. **Additionally, the Company expects to upgrade to new financial and customer information systems in fiscal 2024.** These tools and systems support critical functions including, scheduling and dispatching of service technicians, automated meter reading systems, customer care and billing, **revenue recognition,** operational plant logistics, and external financial reporting. ~~The~~ **Issues in the implementation or the** failure of these or other similarly important technologies, or the Company' s inability to have these technologies supported, updated, expanded, or integrated into other technologies, could hinder its business operations and adversely impact its financial condition and results of operations. Although the Company has, when possible, developed alternative sources of technology and built redundancy into its computer networks and tools, there can be no assurance that these efforts would protect against all potential issues related to the loss of any such technologies. Inability to complete necessary or desirable pipeline expansion or infrastructure improvement projects. In order to serve new customers or expand service to existing customers, the Company ~~needs to install~~ **installs** new pipeline facilities and ~~maintain~~ **maintains** , ~~expand~~ **expands** or ~~upgrade~~ **upgrades** its existing distribution, transmission and / or storage infrastructure. Various factors may prevent or delay the completion of such projects or make them more costly, such as the inability to obtain required approval from local, state and / or federal regulatory and governmental bodies, public opposition to the projects, inability to obtain adequate financing, competition for labor and materials, construction delays, cost overruns, and an inability to negotiate acceptable agreements relating to rights- of- way, construction or other material development components. As a result, the Company may not be able to adequately serve existing customers or expand its distribution system to support customer growth. This could include any potential customer growth or system reliability enhancement resulting from connection to the MVP. Any of these factors could negatively impact earnings ~~. Impact of weather conditions and related regulatory mechanisms. The Company' s revenues and earnings are primarily dependent upon weather conditions. The Company' s rate structure currently has a WNA factor that results in either a recovery or refund of revenues due to variation from the 30- year average for heating degree- days. If the WNA mechanism were removed from its rate structure, the Company would be exposed to a much greater risk related to weather variability resulting in earnings volatility~~ . Geographic concentration of business activities. The Company' s business activities are concentrated in the Roanoke Valley and surrounding areas. Changes in the local economy, politics, regulations and weather patterns or other factors limiting demand for natural gas could negatively impact the Company' s existing customer base, leading to declining usage patterns and financial condition of customers. Furthermore, these changes could also limit the Company' s ability to serve its customers or add new customers within its service territory. Any of these factors could adversely affect earnings. ~~10~~ Competition from other energy providers. The Company competes with other energy providers in its service territory, including those that provide electricity, propane, coal, fuel oil, wind and solar. Price is a significant competitive factor. Higher natural gas costs or decreases in the price of other energy sources may enhance competition and encourage customers to switch to alternative energy sources, thus lowering natural gas deliveries and earnings. Price considerations could also inhibit customer and revenue growth if builders and developers do not perceive **, or are regulatorially prevented from installing,** natural gas **as** ~~to be~~ a better value than other energy options and elect to install heating systems that use an energy source **, including** ~~other than natural gas. Inability to renew or obtain new franchise agreements or certificates of public convenience. Roanoke Gas holds either franchises or CPCNs to provide natural gas to customers in its service territory. The franchises are granted by the local municipalities and the CPCNs are granted by the SCC. The ability to renew such agreements is important to the long- term operations of the Company and the ability to obtain new franchises or CPCNs is fundamental to expanding the Company' s service territory. Failure to renew these~~ **those perceived as more environmentally friendly** ~~agreements could result in significant impact to future earnings and the inability to obtain new franchises or CPCNs for new service areas could negatively impact future earnings growth~~ . ~~REGULATORY~~ **10REGULATORY** RISKS ~~Environmental laws~~ **Laws** or regulations associated with **ESG matters. Enhanced focus on ESG matters related to, among other things, concerns raised by advocacy groups about** climate change **, social issues and corporate governance may lead to increased regulatory review, which may, in turn, lead to new state and federal safety and laws, regulations, guidelines, and enforcement interpretations** . **The social and corporate governance initiatives have gained prominence in recent years. In addition,** ~~Several~~ **several** federal and state legislative and regulatory initiatives have been proposed and ~~passed~~ **enacted** in recent years in an attempt to limit the effects of climate change, including greenhouse gas emissions such as those created by the combustion of fossil fuels, including natural gas. Passage of new environmental legislation or implementation of regulations that mandate **the use of electric rather than gas appliances, or** reductions in greenhouse gas emissions or other similar restrictions could have a negative effect on the Company' s core operations and its investment in the LLC. Such legislation could impose limitations on greenhouse gas emissions, require funding of new energy efficiency objectives, impose new operational requirements or lead to other additional costs to the Company. Regulations restricting or prohibiting the use of coal as a fuel for electric power generation has increased the demand for natural gas, and could at some point potentially result in natural gas supply concerns and higher costs for natural gas. Legislation or regulations could limit the exploration and development of natural gas reserves, making the price of natural gas less competitive and less attractive as a fuel source for consumers. Future legislation could also place limitations on the amount of natural gas used by businesses and homeowners to reduce the level of emissions, resulting in reduced deliveries and earnings or provide incentives to customers to utilize alternative energy sources not associated with fossil fuels. **In addition, advocacy groups, both domestically and internationally, have campaigned for governmental and private action to influence change in the business strategies of oil and gas companies, including through the investment and voting practices of investment advisers, public pension funds, universities and other members of the investing community. These activities include increasing attention and demands for action related to climate change and energy**

transition matters, such as promoting the use of substitutes to fossil fuel and encouraging the divestment of investments in the oil and gas industry, as well as pressuring lenders and other financial services companies to limit or curtail activities with oil and gas companies. If investors or financial institutions shift funding away from companies in the oil and gas industry, the Company' s access to and costs of capital or the market for the Company' s securities may be adversely impacted. Increased compliance and pipeline safety requirements and fines. The Company is committed to the safe and reliable delivery of natural gas to its customers. Working in concert with this commitment are numerous federal and state laws and regulations. Failure to comply with these laws and regulations could result in the levy of significant fines. There are inherent risks that may be beyond the Company' s control, including third **-** party actions, which could result in damage to pipeline facilities, injury and even death. Such incidents could subject the Company to lawsuits, large fines, increased scrutiny and loss of customers, all of which could have a significant effect on the Company' s financial position and results of operations. Regulatory actions or failure to obtain timely rate relief. The Company' s natural gas distribution operations are regulated by the SCC. The SCC approves the rates that the Company charges its customers. During periods of enhanced inflationary pressure or the incurrence of significant additional costs, if the SCC did not timely authorize rates that provided for the recovery of such costs including a reasonable rate of return on investment in natural gas distribution facilities, earnings could be negatively impacted. Furthermore, issuance of debt and equity by Roanoke Gas is also subject to SCC regulation and approval. Delays or lack of approvals could inhibit the ability to access capital markets and negatively impact liquidity or earnings. ~~Compliance with and changes in tax laws. The Company is subject to extensive tax laws and regulations. New tax laws and regulations and changes in existing tax laws and regulations are continuously being enacted that could result in increased tax expenditures in the future. 11 Many of these tax liabilities are subject to audits by the respective taxing authority. These audits may result in additional taxes as well as interest and penalties.~~ FINANCIAL RISKS 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 $ 39. 8 million pre- tax impairment loss was recorded in the Company' s fiscal 2022 second quarter financial statements~~. The Company re- assesses its equity investment at least quarterly. In **2022** ~~its most recent assessment~~, due to increasing uncertainty concerning the ultimate completion of the pipeline, ~~and the decision by the LLC' s managing partner to record a further impairment of its investment in the joint venture,~~ the Company recorded ~~an additional $ 15. 3 million~~ pre- tax ~~impairment~~ **impairments totaling $ 55. 1 million** concluding **that** an other- than- temporary decline in fair value existed **. Legislative action,** as ~~of September 30~~ **well as actions taken by various jurisdictions and courts** , **in** ~~2022~~ **2023** ~~. After the subsequent impairment loss~~ , ~~recorded~~ **as discussed** in **Note 5, have allowed** the ~~Company'~~ **construction of the MVP to resume. The project'** s ~~fiscal fourth~~ **operator has publicly conveyed the LLC' s target for completing construction of the project as the first** quarter **of calendar** ~~, the total pre- tax loss totaled $ 55. 1 million for the year ended September 30, 2022~~ **2024** . **However,** ~~Future~~ **future** circumstances ~~, including but not limited to significant construction delays, further denials of necessary permits~~ and ~~approvals, changes in~~ **any attendant effects on** the probability of ultimate completion, **as well as** 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~~ **11The** 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~~ **contributing members in the LLC** 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 new future obstacles may cause delays in construction, and may further result in significantly higher projected costs and an~~ **and achieving** ~~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. 12~~ In addition, there are numerous ~~risks facing~~ **factors relevant to** the LLC **in constructing and operating the project** , which can adversely affect the Company' s earnings and financial performance through its investment ~~. The LLC' s ability~~ **, including, among others, as it relates** to ~~retain~~ **construction, continued availability of** contract crews to complete construction of the pipeline, **physical construction conditions, including steep slopes and any further unexpected**

geological impediments, the ~~inability~~ -- **ability** to obtain or renew ancillary licenses, rights- of- way, permits or other approvals **, productivity during the winter season,** 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 **damage** 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 **, if realized,** could ~~have a material adverse~~ **adversely** ~~effect~~ **affect** ~~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~~ **potentially could** 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, **sabotage,** 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 **. Certain obstacles discussed above, as well as other factors, such as legal and regulatory setbacks, have in the past caused delays in construction, and to the extent obstacles are realized, such obstacles may further result in, among other things, significantly higher project costs and an extended targeted in-service date for the pipeline. Moreover, new factors, such as the operational matters described above, could drive adverse operational and financial impacts. Any adverse developments, such as significant delay or cost over- run, could have a significant effect on the LLC and the Company' s earnings and financial position 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, and relatedly the Company and Resources, will not be subject to any adverse developments and related impacts** . Access to capital to maintain liquidity. The Company relies on a variety of capital sources to operate its business and fund capital expenditures, including internally generated cash from operations, short- term borrowings under its line- of- credit, proceeds from the issuance of additional shares of its common stock and other sources. Access to a line- of- credit is essential to provide seasonal funding of natural gas operations and provide capital budget bridge financing. Access to capital markets and other long- term funding sources is important for capital outlays and funding of the LLC investment. The ability of the Company to maintain and renew its line- of- credit and to secure longer- term financing is critical to operations. Adverse market trends, market disruptions or deterioration in the financial condition of the Company could increase the cost of borrowing, restrict the Company' s ability to issue additional shares of its common stock or otherwise limit the Company' s ability to secure adequate funding. Failure to comply with debt covenant requirements. The Company' s long- term debt obligations and bank line- of-credit contain financial covenants. Noncompliance with any of these covenants could result in an event of default which, if not cured or waived, could accelerate payment on outstanding debt obligations or cause prepayment penalties. In such an event, the Company may not be able to refinance or repay all of its indebtedness, pay dividends or have sufficient liquidity to meet operating and capital expenditure requirements. Any such acceleration would cause a material adverse change in the Company' s financial condition. ~~The~~ **12The** cost of providing ~~health care benefits and~~ post- retirement benefits. The Company ~~provides health care benefits to its employees and covers a portion of the total cost. The cost of providing these and other benefits to active employees could significantly increase over time due to rapidly increasing health care inflation and any future legislative changes related to providing such benefits. The Company also~~ provides certain post- retirement benefits. The costs of providing defined benefit pension and retiree medical plans are dependent on a number of factors such as the rates of return on plan assets, discount rates used in determining plan liabilities, the level of interest rates used to measure the required minimum funding levels of the plan, future government regulation, changes in life expectancy and required or voluntary contributions made to the plan. Changes in actuarial assumptions and differences between the assumptions and actual results, as well as a significant decline in the value of investments that fund these plans, if not offset or mitigated by a decline in plan liabilities, could increase the expense of these plans and require significant additional funding. Although the Company has soft- frozen both plans to limit future growth in each plan' s liabilities, ongoing funding obligations and expenses could have a material impact on the Company' s financial position, results of operation and cash flows should there be a material reduction in the amount of the recovery of these costs through rates currently charged to customers or significant delays in the timing of the recovery of such costs. ~~13~~ Obligations for income taxes that may arise from examinations by taxing authorities. The Company is subject to ~~domestic~~ **federal and state** income taxes as prescribed by the laws ~~of~~ **within** the United States. Significant judgments are required in determining the provisions for income taxes. In preparing its tax provisions and returns, the Company must make calculations and assumptions regarding tax treatment of various transactions including the applicability of tax credits. The Company' s tax returns are subject to examination by the IRS and state tax authorities. Although the Company utilizes the assistance of tax professionals in the preparation of its tax returns, there can be no assurance as to the outcome of these examinations. If the ultimate determination from an examination results in additional taxes above the amount reflected in its financial statements, the Company will record any additional income ~~taxes~~ -- **tax expenses** as may be required including any interest and penalties that might result. Exposure to market risks. The Company is subject to market risks that are beyond the Company' s control, such as commodity price volatility and interest rate risk. The Company is generally isolated from commodity price risk through the PGA mechanism ~~the Company has in place~~ . With respect to interest rate risk, there has been significant upward movement in interest rates. Much of the Company' s outstanding debt is comprised of fixed rate notes or have interest rate swaps in place. However, these higher interest rates will impact the Company through higher borrowing costs on Roanoke Gas' line- of- credit and Midstream' s variable rate credit facility as well as any future borrowings by the Company. **Global** ~~Pandemic outbreak. A pandemic~~ **pandemics** ~~event~~ **have previously, continue to, and may in the future adversely impact the Company’ s business, financial condition, and results of operations, the global economy, and the demand for and prices of natural gas. Global pandemics and actions taken by third parties, including, but not limited to, governmental authorities, businesses and consumers, in response to** such ~~as~~ **pandemics, including the** COVID- 19 **pandemic, have adversely impacted and may from time to time in the future adversely impact the global, national and local economies, resulting in significant volatility in the financial markets. Previous business closures, restrictions on travel, “ stay- at- home ”** or **“ shelter- in- place ” orders, and** other ~~similar diseases~~ **restrictions on movement within and among communities have impacted demand for, and the prices of, natural gas, and such restrictions may be reintroduced at any time. A continued, prolonged period or a renewed period a pandemic outbreak** could ~~cause~~ **significantly affect demand for natural gas, increase operational costs and limit the ability to provide natural gas service to customer. Governmental intervention could result in additional requirements and costs to the Company in response to a pandemic. The failure to develop or reformulate adequate treatments, including the emergence of new variants, and other adverse impacts from a pandemic may adversely affect the Company’ s business, financial condition, cash flows, and results of operations. The Company’ s operations rely on its workforce having access to its structures, offices and facilities. If** a significant **portion of** ~~economic restriction or recession negatively impacting~~ the Company’ s **workforce cannot effectively perform their responsibilities, whether resulting from a lack of physical or virtual access, quarantines, illnesses, governmental actions or restrictions (including vaccine mandates and the reactions thereto), or other restrictions or adverse impacts resulting from a pandemic, the Company’ s business,** financial ~~position~~ **condition** , ~~results of operations and~~ cash flows ~~. Depending on the duration of these impacts~~ , ~~the liquidity~~ **and results** of **operations may** ~~the Company could~~ be ~~strained, reducing the Company’ s ability to complete infrastructure investments and its ability to safely and reliably serve its customers. Impact from commercial customers: In an effort to reduce the spread of disease, businesses, either on their own or by government mandates, may close or reduce operations to limit contact with the contagion. A reduction in business activity could result in lower natural gas consumption for both production activities as well as space heating, thereby reducing revenues and gross profit. The closing or reduction in operations by businesses, whether temporary or prolonged, could result in a permanent loss of some commercial customers. Impact from residential customers: The closing of businesses may result in job layoffs or other reductions in employee numbers and / or working hours, thus reducing or eliminating customers’ ability to pay their utility bills and resulting in increased bad debt expense. Impact on suppliers: A pandemic event could reduce the ability of the Company’ s suppliers to supply a sufficient level of natural gas limiting our ability to meet customer demands. 14 Impact to the Company' s employees: Orders by government bodies could result in employees of the Company being required to limit contact with customers or work remotely, thus not allowing them to complete tasks normally requiring a physical presence. Also, if a significant number of employees were to contract the virus or be quarantined, the Company may not be able to complete key or critical tasks, not limited to, but including key financial, reporting, and operational controls. Impact from SCC actions: The SCC could issue orders in response to a pandemic event that result in increased regulatory oversight, operational mandates or restrictions on normal business activities. Any such action could result in increased operating costs or other financial or operational burdens that may negatively impact the Company' s results of operations or financial position. Impact on financing capabilities: A prolonged economic shutdown due to a pandemic could stress the banking system, thereby limiting the Company’ s ability to obtain financing on commercially reasonable terms, which could lead to higher interest costs. Furthermore, a distressed equity market could limit the ability to raise capital through the issuance of Resources’ equity instruments due to depressed prices and low trading volumes. GENERAL RISKS General downturn in the economy or prolonged period of slow economic recovery. A weak or poorly performing economy can negatively affect the Company’ s profitability. An economic downturn can result in loss of commercial and industrial customers due to plant closings, a loss of residential customers as well as slow or declining growth in new customer additions, all of which would result in reduced sales volumes and lower revenues. An economic downturn could also result in rising unemployment and other factors that could lead to a loss of customers and an increase in customer delinquencies and bad debt expense. Insurance coverage may not be sufficient. The Company currently has liability and property insurance to cover a variety of exposures and risks. The insurance policies supporting said coverages are subject to certain limits, deductibles and exclusions. Insurance coverage for risks against which the Company and its industry peers typically insure may not be offered in the future or such policies may expand exclusions that limit the amount of coverage or remove certain risks completely as insured events. Furthermore, litigation awards continue to increase and the limits of insurance may not keep pace accordingly. The proceeds received from any such insurance may not be paid in a timely manner. The occurrence of any of the foregoing could have a material adverse~~ **adversely** ~~effect on the Company’ s financial position, results of operations and cash flows. Public perception of the natural gas industry in general have had and could continue to have a negative effect on the Company' s business and may increase the likelihood of governmental actions directed at the natural gas industry. Public perception resulting from, among other things, climate change, gas and other hydrocarbon leaks, the explosive nature of natural gas, erosion and sedimentation issues, unpopular expansion projects, environmental justice concerns, and general concerns raised by activists about hydraulic fracturing and pipeline projects has led to, and may in the future lead to, increased regulatory scrutiny, which may, in turn, lead to new local, state and federal safety and environmental laws, regulations, guidelines, enforcement interpretations and / or adverse judicial rulings or regulatory action. As discussed under Investment in Mountain Valley Pipeline, LLC above, there are several pending challenges to certain aspects of the MVP that affect~~ **affected** ~~the project cost and completion timeline~~ . ~~Failure to resolve these challenges could further increase the cost of completing the pipeline, delay the in- service date or potentially result in the termination of the project. 15~~