

Risk Factors Comparison 2024-12-05 to 2023-12-01 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: **OPERATIONAL RISKS** **Availability of sufficient and reliable pipeline capacity..... 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 **are targets of cyber attack, and they** may be vulnerable to an attack by individuals or organizations intending to disrupt the operations of the Company. Such an attack or ~~cyber-security~~ **cybersecurity** 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~~ **The Company** maintains cyber-insurance coverage, which does not protect the Company from cyber incidents but does provide some potential mitigation of the financial impacts resulting from such attacks. **See Item 1C of this Form 10-K for additional discussion.** 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, 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 usage~~ **as well as increases in bad debt expense and increased competition from other energy providers.** ~~Inability~~ **Inability** 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, **as well as higher mobility trends,** failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and skills to 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 increased operating costs and expose the Company to other operational, reputational and financial risks ~~additional natural gas supplies, thereby limiting its ability to add new customers or meet increased customer demand thereby limiting future earnings potential.~~ ~~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 installs new pipeline facilities and maintains, expands or 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 these~~ factors could **negatively impact earnings.** 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~~ **is currently upgrade-upgrading to its** 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. 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..... these factors could negatively impact earnings.** 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** **These** factors could adversely affect earnings. 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 regulatorily prevented from installing, natural gas as a better value than other energy options and elect to install heating systems that use ~~an energy source~~ **sources**, including those perceived as more environmentally friendly. **10REGULATORY RISKS** Laws or regulations associated with ESG matters. ~~Enhanced focus~~ **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 **in turn** may, ~~in turn,~~ lead to new state and federal safety and laws, regulations, guidelines, and enforcement interpretations. ~~The social~~ **Social** and corporate governance initiatives ~~retain~~ **have gained** prominence ~~in recent years~~. In addition, several federal and state legislative and regulatory initiatives have been proposed and 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~~ **provide** 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. **FINANCIAL RISKS** **Investment in Mountain Valley Pipeline, LLC..... 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 **refinancing and** 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 **and to maintain and renew its line-of-credit** 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. **11 Investment in Mountain Valley Pipeline, LLC. The MVP went into service in June 2024. 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, 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 adversely affect the LLC's business, **cash flows**, 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, **cash flows**, financial condition, results of operations and prospects potentially could be 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~~ **those noted above, could have a significant effect on the LLC and the Company's earnings, cash flows 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.** 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. **12 The cost of providing post-..... timing of the recovery of such costs.** Obligations for income taxes that may arise from examinations by taxing authorities. The Company is subject to federal and state income taxes as prescribed by the laws 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 **as disclosed in Note 9 of the consolidated financial statements.** 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~~ **may** record any additional income tax expenses as may be required including any interest and penalties that might result. ~~The~~ **12 The** cost of providing post-retirement benefits. The Company provides certain ~~pension and~~ 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** 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. With respect to interest rate risk, there has been significant ~~upward~~ movement in interest rates **in recent years**. 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 do~~ impact the Company through higher borrowing costs on Roanoke Gas' line-of-credit and Midstream's variable rate credit ~~facility~~ **facilities** as well as any future borrowings by the Company. **12 Global pandemics 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 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 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 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 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 condition, cash flows, and results of operations may be adversely affected.