

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

Form 10-Q

(Mark One)

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

For Quarterly Period Ended March 31, 2026

OR

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

For Transition Period From _____ to _____

Commission File Number 000-26591

RGC Resources, Inc.

(Exact name of Registrant as Specified in its Charter)

Virginia
(State or Other Jurisdiction of
Incorporation or Organization)

519 Kimball Ave., N.E., Roanoke, VA
(Address of Principal Executive Offices)

54-1909697
(I.R.S. Employer
Identification No.)

24016
(Zip Code)

(540) 777-4427

(Registrant's Telephone Number, Including Area Code)

None

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$5 Par Value	RGCO	NASDAQ Global Market

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

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

<u>Class</u>	<u>Outstanding at April 30, 2026</u>
Common Stock, \$5 Par Value	10,407,156

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GLOSSARY OF TERMS

AFUDC	Allowance for Funds Used During Construction
AOCI/AOCL	Accumulated Other Comprehensive Income (Loss)
ARO	Asset Retirement Obligation
ARP	Alternative Revenue Program, regulatory or rate recovery mechanisms approved by the SCC that allow for the adjustment of revenues for certain broad, external factors, or for additional billings if the entity achieves certain performance targets
ASC	Accounting Standards Codification
ASU	Accounting Standards Update as issued by the FASB
ATM	At-the-market program whereby a Company can incrementally offer common stock through a broker at prevailing market prices and on an as-needed basis
Boost	Mountain Valley Pipeline, LLC's Boost project, which is a project to add compression on the MVP mainline to enable 600,000 additional DTHs of daily capacity
CODM	Chief Operating Decision Maker
Company	RGC Resources, Inc. or Roanoke Gas Company
CPCN	Certificate of Public Convenience and Necessity
DRIP	Dividend Reinvestment and Stock Purchase Plan of RGC Resources, Inc.
DTH	Decatherm (a measure of energy used primarily to measure natural gas)
EPS	Earnings Per Share
ERISA	Employee Retirement Income Security Act of 1974
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FERC	Federal Energy Regulatory Commission
GAAP	Generally Accepted Accounting Principles in the United States

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HDD	Heating degree day, a measurement designed to quantify the demand for energy. It is the number of degrees that a day's average temperature falls below 65 degrees Fahrenheit
ICC	Inventory carrying cost revenue, an SCC approved rate structure that mitigates the impact of financing costs on natural gas inventory
IRS	Internal Revenue Service
KEYSOP	RGC Resources, Inc. Key Employee Stock Option Plan
LDI	Liability Driven Investment approach, a strategy which reduces the volatility in the pension plan's funded status and expense by matching the duration of the fixed income investments with the duration of the corresponding pension liabilities
LLC	Mountain Valley Pipeline, L.L.C., a joint venture established to design, construct and operate the Mountain Valley Pipeline, MVP Southgate and MVP Boost
LNG	Liquefied natural gas, the cryogenic liquid form of natural gas. Roanoke Gas operates and maintains a plant capable of producing and storing up to 200,000 DTH of liquefied natural gas
MGP	Manufactured gas plant
Midstream	RGC Midstream, L.L.C., a wholly-owned subsidiary of Resources created to invest in pipeline projects including the MVP and Southgate
MVP	Mountain Valley Pipeline, a FERC-regulated natural gas pipeline connecting the EQT Corporation's gathering and transmission system in northern West Virginia to the Transco interstate pipeline in south central Virginia with interconnects to Roanoke Gas' natural gas distribution system
NQDC Plan	RGC Resources, Inc. Non-qualified Deferred Compensation Plan
Normal Weather	The average number of heating degree days over the most recent 30-year period
PBGC	Pension Benefit Guaranty Corporation
Pension Plan	Defined benefit plan that provides pension benefits to employees hired prior to January 1, 2017 who meet certain years of service criteria
PGA	Purchased Gas Adjustment, a regulatory mechanism, which adjusts natural gas customer rates to reflect changes in the forecasted cost of gas and actual gas costs
Postretirement Plan	Defined benefit plan that provides postretirement medical and life insurance benefits to eligible employees hired prior to January 1, 2000 who meet years of service and other criteria
R&D Tax Credit	Research and development federal tax credit defined under Internal Revenue Code section 41 and the related regulations

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Resources	RGC Resources, Inc., parent company of Roanoke Gas and Midstream
RGCO	Trading symbol for RGC Resources, Inc. on the NASDAQ Global Stock Market
RNG	Renewable Natural Gas
RNG Rider	Renewable Natural Gas Rider, the rate component as approved by the SCC that is billed monthly to the Company's customers to recover the costs associated with the investment in RNG facilities and related operating costs
Roanoke Gas	Roanoke Gas Company, a wholly-owned subsidiary of Resources
ROU Asset	Right of Use Asset
RSPD	RGC Resources, Inc. Restricted Stock Plan for Outside Directors
RSPO	RGC Resources, Inc. Restricted Stock Plan for Officers
SAVE	Steps to Advance Virginia's Energy, a regulatory mechanism per Chapter 26 of Title 56 of the Code of Virginia that allows natural gas utilities to recover the investment, including related depreciation and expenses and provide return on rate base, in eligible infrastructure replacement projects without the filing of a formal base rate application
SAVE Plan	Steps to Advance Virginia's Energy Plan, the Company's approved operational replacement plan and related spending under the SAVE regulatory mechanism
SAVE Rider	Steps to Advance Virginia's Energy Plan Rider, the rate component of the SAVE Plan as approved by the SCC that is billed monthly to the Company's customers to recover the costs associated with eligible infrastructure projects including the related depreciation and expenses and return on rate base of the investment
SCC	Virginia State Corporation Commission, the regulatory body with oversight responsibilities of the utility operations of Roanoke Gas
SEC	U.S. Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
Southgate	Mountain Valley Pipeline, LLC's Southgate project, which is constructing a FERC-regulated natural gas pipeline from the MVP in south central Virginia to North Carolina
S&P 500 Index	Standard & Poor's 500 Stock Index
WNA	Weather Normalization Adjustment, an ARP mechanism which adjusts revenues for the effects of weather temperature variations as compared to the 30-year average

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

RGC RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31, 2026	September 30, 2025
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,391,986	\$ 2,320,369
Accounts receivable (less allowance for credit losses of \$560,140 and \$142,911, respectively)	13,106,061	4,836,982
Inventories	1,982,592	2,018,316
Gas in storage	1,701,847	8,097,586
Prepaid income taxes	—	1,618,560
Regulatory assets	2,504,443	2,582,838
Interest rate swaps	596,849	828,573
Other	2,428,906	1,015,967
Total current assets	25,712,684	23,319,191
UTILITY PROPERTY:		
In service	374,572,146	366,843,353
Accumulated depreciation and amortization	(103,864,589)	(100,131,084)
In service, net	270,707,557	266,712,269
Construction work in progress	8,172,159	8,201,314
Utility property, net	278,879,716	274,913,583
OTHER NON-CURRENT ASSETS:		
Regulatory assets	3,355,058	3,315,082
Investment in unconsolidated affiliates	21,921,231	20,723,697
Benefit plan assets	6,016,593	5,935,885
Deferred income taxes	250,381	617,390
Interest rate swaps	411,615	421,511
Other	557,540	593,227
Total other non-current assets	32,512,418	31,606,792
TOTAL ASSETS	\$ 337,104,818	\$ 329,839,566

RGC RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31, 2026	September 30, 2025
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 17,846,018	\$ 2,846,018
Dividends payable	2,263,556	2,145,558
Accounts payable	5,998,149	7,085,817
Capital contributions payable	129,307	—
Customer credit balances	767,714	1,891,161
Income taxes payable	1,787,958	—
Customer deposits	1,947,063	1,537,311
Accrued expenses	3,717,960	5,312,204
Interest rate swaps	—	57,144
Regulatory liabilities	2,845,329	1,638,911
Other	31,676	25,600
Total current liabilities	<u>37,334,730</u>	<u>22,539,724</u>
LONG-TERM DEBT:		
Line-of-credit	10,710,995	11,916,760
Notes payable	118,566,358	134,258,197
Unamortized debt issuance costs	(351,813)	(405,794)
Long-term debt, net	<u>128,925,540</u>	<u>145,769,163</u>
DEFERRED CREDITS AND OTHER NON-CURRENT LIABILITIES:		
Asset retirement obligations	11,908,841	11,640,435
Regulatory cost of retirement obligations	16,636,661	15,869,691
Benefit plan liabilities	215,397	201,194
Deferred income taxes	3,181,545	2,277,550
Interest rate swaps	—	298,016
Regulatory liabilities	14,507,406	17,371,430
Other	310,193	319,573
Total deferred credits and other non-current liabilities	<u>46,760,043</u>	<u>47,977,889</u>
STOCKHOLDERS' EQUITY:		
Common stock, \$5 par; authorized 20,000,000 shares; issued and outstanding 10,405,811 and 10,338,308 shares, respectively	52,029,055	51,691,540
Preferred stock, no par, authorized 5,000,000 shares; no shares issued and outstanding	—	—
Capital in excess of par value	50,394,110	49,311,486
Retained earnings	21,391,030	12,288,032
Accumulated other comprehensive income	270,310	261,732
Total stockholders' equity	<u>124,084,505</u>	<u>113,552,790</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 337,104,818</u>	<u>\$ 329,839,566</u>

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2026	2025	2026	2025
OPERATING REVENUES:				
Gas utility	\$ 45,432,878	\$ 36,435,936	\$ 75,668,019	\$ 63,699,140
Non utility	24,131	26,161	49,458	52,443
Total operating revenues	<u>45,457,009</u>	<u>36,462,097</u>	<u>75,717,477</u>	<u>63,751,583</u>
OPERATING EXPENSES:				
Cost of gas - utility	24,611,552	17,062,153	39,193,167	28,764,862
Cost of sales - non utility	4,866	5,418	9,738	9,767
Operations and maintenance	5,618,966	5,323,191	10,841,447	10,011,862
Taxes other than income taxes	866,570	814,625	1,696,628	1,537,001
Depreciation and amortization	3,071,105	2,856,768	6,142,210	5,700,128
Total operating expenses	<u>34,173,059</u>	<u>26,062,155</u>	<u>57,883,190</u>	<u>46,023,620</u>
OPERATING INCOME	11,283,950	10,399,942	17,834,287	17,727,963
Equity in earnings of unconsolidated affiliates	903,991	801,175	1,731,061	1,655,388
Other income, net	692,421	463,633	1,197,410	936,969
Interest expense	1,585,838	1,630,275	3,256,988	3,410,205
INCOME BEFORE INCOME TAXES	11,294,524	10,034,475	17,505,770	16,910,115
INCOME TAX EXPENSE	2,550,034	2,358,267	3,878,415	3,964,218
NET INCOME	<u>\$ 8,744,490</u>	<u>\$ 7,676,208</u>	<u>\$ 13,627,355</u>	<u>\$ 12,945,897</u>
BASIC EARNINGS PER COMMON SHARE	<u>\$ 0.85</u>	<u>\$ 0.74</u>	<u>\$ 1.34</u>	<u>\$ 1.26</u>
DILUTED EARNINGS PER COMMON SHARE	<u>\$ 0.84</u>	<u>\$ 0.74</u>	<u>\$ 1.31</u>	<u>\$ 1.26</u>

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2026	2025	2026	2025
NET INCOME	\$ 8,744,490	\$ 7,676,208	\$ 13,627,355	\$ 12,945,897
Other comprehensive income (loss), net of tax:				
Interest rate swaps	141,309	(366,146)	20,206	(136,011)
Defined benefit plans	(5,814)	(7,706)	(11,628)	(15,413)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	135,495	(373,852)	8,578	(151,424)
COMPREHENSIVE INCOME	\$ 8,879,985	\$ 7,302,356	\$ 13,635,933	\$ 12,794,473

See notes to condensed consolidated financial statements.

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

	Six Months Ended March 31, 2026				
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance - September 30, 2025	\$ 51,691,540	\$ 49,311,486	\$ 12,288,032	\$ 261,732	\$ 113,552,790
Net income	—	—	4,882,865	—	4,882,865
Other comprehensive loss	—	—	—	(126,917)	(126,917)
Cash dividends declared (\$0.2175 per share)	—	—	(2,260,801)	—	(2,260,801)
Net issuance of common stock (19,492 shares)	97,460	286,078	—	—	383,538
Balance - December 31, 2025	<u>\$ 51,789,000</u>	<u>\$ 49,597,564</u>	<u>\$ 14,910,096</u>	<u>\$ 134,815</u>	<u>\$ 116,431,475</u>
Net income	—	—	8,744,490	—	8,744,490
Other comprehensive income	—	—	—	135,495	135,495
Cash dividends declared (\$0.2175 per share)	—	—	(2,263,556)	—	(2,263,556)
Net issuance of common stock (48,011 shares)	240,055	796,546	—	—	1,036,601
Balance - March 31, 2026	<u>\$ 52,029,055</u>	<u>\$ 50,394,110</u>	<u>\$ 21,391,030</u>	<u>\$ 270,310</u>	<u>\$ 124,084,505</u>

	Six Months Ended March 31, 2025				
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance - September 30, 2024	\$ 51,249,495	\$ 47,988,270	\$ 7,572,439	\$ 1,326,571	\$ 108,136,775
Net income	—	—	5,269,689	—	5,269,689
Other comprehensive income	—	—	—	222,428	222,428
Cash dividends declared (\$0.2075 per share)	—	—	(2,136,620)	—	(2,136,620)
Net issuance of common stock (14,792 shares)	73,960	194,857	—	—	268,817
Balance - December 31, 2024	<u>\$ 51,323,455</u>	<u>\$ 48,183,127</u>	<u>\$ 10,705,508</u>	<u>\$ 1,548,999</u>	<u>\$ 111,761,089</u>
Net income	—	—	7,676,208	—	7,676,208
Other comprehensive loss	—	—	—	(373,852)	(373,852)
Cash dividends declared (\$0.2075 per share)	—	—	(2,139,655)	—	(2,139,655)
Net issuance of common stock (45,194 shares)	225,970	683,463	—	—	909,433
Balance - March 31, 2025	<u>\$ 51,549,425</u>	<u>\$ 48,866,590</u>	<u>\$ 16,242,061</u>	<u>\$ 1,175,147</u>	<u>\$ 117,833,223</u>

See notes to condensed consolidated financial statements.

RGIC RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended March 31,	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 13,627,355	\$ 12,945,897
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,142,210	5,700,128
Cost of retirement of utility property	(266,351)	(252,304)
Stock-based compensation	486,718	447,589
Equity in earnings of unconsolidated affiliates	(1,731,061)	(1,655,388)
Distribution from unconsolidated affiliate	1,394,003	1,784,582
Changes in assets and liabilities which used cash, exclusive of changes and noncash transactions shown separately	(3,182,147)	2,864,459
Net cash provided by operating activities	<u>16,470,727</u>	<u>21,834,963</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to utility property	(9,812,807)	(10,692,338)
Investment in unconsolidated affiliates	(731,169)	(35,164)
Proceeds from disposal of utility property	29,630	18,696
Net cash used in investing activities	<u>(10,514,346)</u>	<u>(10,708,806)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of unsecured notes	731,169	1,225,000
Repayments of notes payable	(1,423,008)	(1,080,000)
Borrowings under line-of-credit	38,070,206	26,329,645
Repayments under line-of-credit	(39,275,971)	(33,331,560)
Debt issuance expenses	(940)	(2,000)
Proceeds from issuance of stock	1,420,139	1,178,250
Cash dividends paid	(4,406,359)	(4,186,906)
Net cash used in financing activities	<u>(4,884,764)</u>	<u>(9,867,571)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,071,617	1,258,586
BEGINNING CASH AND CASH EQUIVALENTS	2,320,369	894,185
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 3,391,986</u>	<u>\$ 2,152,771</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 3,089,223	\$ 3,301,190
Income taxes, net of refunds	855,332	2,175,000

See notes to condensed consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation

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

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to fairly present Resources' financial position as of March 31, 2026, cash flows for the six months ended March 31, 2026 and 2025, and the results of its operations, comprehensive income, and changes in stockholders' equity for the three and six months ended March 31, 2026 and 2025. The results of operations for the three and six months ended March 31, 2026 are not indicative of the results to be expected for the fiscal year ending September 30, 2026 as quarterly earnings are affected by the highly seasonal nature of the business and weather conditions generally result in greater earnings during the winter months.

The unaudited condensed consolidated financial statements and related notes are presented under the rules and regulations of the SEC. Pursuant to those rules, certain information and note disclosures normally included in the annual financial statements prepared in accordance with GAAP have been condensed or omitted. Although the Company believes that the disclosures are adequate, the unaudited condensed consolidated financial statements and the related notes should be read in conjunction with the financial statements and notes contained in the Company's Form 10-K for the year ended September 30, 2025. The September 30, 2025 consolidated balance sheet was included in the Company's audited financial statements included in Form 10-K.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company's significant accounting policies are described in Note 1 to the consolidated financial statements contained in the Company's Form 10-K for the year ended September 30, 2025.

Certain amounts previously disclosed have been reclassified to conform to current year presentations.

Recently Issued or Adopted Accounting Standards

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The new guidance requires that on an annual basis public business entities disclose specific categories in the rate reconciliation table and provide additional information for reconciling items that meet a quantitative threshold (items equal to or greater than 5 percent of the amount computed by multiplying pretax income or loss by the applicable statutory rate). The required disclosures will provide more granularity regarding the payment of income taxes to federal, state and foreign entities. The Company does not expect certain requirements of this ASU to have a significant impact to its current disclosures as all of its operations are domestic and reside in two states. Changes to the rate reconciliation table will result in additional disclosure. The new guidance is effective for the Company for annual periods beginning October 1, 2025. The new guidance is effective for the Company this fiscal year end.

In November 2024, the FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income (Topic 220): Expense Disaggregation Disclosures*. The new guidance requires public business entities to disclose certain additional detail about expenses including, among other items, purchases of inventory, employee compensation, depreciation and intangible asset amortization included within each income statement expense line items within continuing operations. The guidance also requires disclosure of the total amount of selling expenses and the Company's definition of selling expenses. Such disclosures must be made on an annual and interim basis and integrated with existing disclosure requirements in a tabular format in the footnotes to the financial statements. Further, in January 2025, the FASB issued ASU 2025-01, *Income Statement - Reporting Comprehensive Income (Topic 220): Expense Disaggregation Disclosures: Clarifying the Effective Date*, which clarified the effective date of ASU 2024-03. The new guidance is effective for the Company for fiscal year beginning October 1, 2027 and interim periods within fiscal year beginning October 1, 2028. The Company is currently assessing the impact of the new guidance on its financial statement disclosures.

RGC RESOURCES, INC. AND SUBSIDIARIES

In November 2025, the FASB issued ASU 2025-09, *Derivatives and Hedging (Topic 815): Hedge Accounting Improvements*. The new guidance clarifies certain aspects of hedge accounting and addresses several incremental issues arising from the global reference rate reform initiative. The amendments expand the hedged risks permitted to be aggregated in a group of individual forecasted transactions in a cash flow hedge by changing the requirement to designate a group of individual forecasted transactions. The new guidance is effective for the Company for annual periods beginning October 1, 2027. The Company is currently assessing the impact, if any, of the new guidance on its financial statements.

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*. The new guidance makes targeted improvements to interim reporting disclosures, clarifying when guidance is applicable. A new principle was added to require entities to continue to disclose material events in each quarter that have occurred since the end of the last annual reporting period. The new guidance is effective for the Company for interim periods within fiscal year beginning October 1, 2028. The Company is currently assessing the impact of the new guidance on its interim disclosures.

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

2. Revenue

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

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

	Three Months Ended March 31, 2026			Three Months Ended March 31, 2025		
	Gas utility	Non utility	Total operating revenues	Gas utility	Non utility	Total operating revenues
Natural Gas (Billed and Unbilled):						
Residential	\$ 27,642,446	\$ —	\$ 27,642,446	\$ 22,591,822	\$ —	\$ 22,591,822
Commercial	15,777,521	—	15,777,521	12,210,961	—	12,210,961
Transportation and interruptible	1,574,718	—	1,574,718	1,476,042	—	1,476,042
Other	145,565	24,131	169,696	153,299	26,161	179,460
Total contracts with customers	45,140,250	24,131	45,164,381	36,432,124	26,161	36,458,285
Alternative revenue programs	292,628	—	292,628	3,812	—	3,812
Total operating revenues	<u>\$ 45,432,878</u>	<u>\$ 24,131</u>	<u>\$ 45,457,009</u>	<u>\$ 36,435,936</u>	<u>\$ 26,161</u>	<u>\$ 36,462,097</u>

	Six Months Ended March 31, 2026			Six Months Ended March 31, 2025		
	Gas utility	Non utility	Total operating revenues	Gas utility	Non utility	Total operating revenues
Natural Gas (Billed and Unbilled):						
Residential	\$ 45,870,448	\$ —	\$ 45,870,448	\$ 38,413,706	\$ —	\$ 38,413,706
Commercial	26,320,950	—	26,320,950	21,455,956	—	21,455,956
Transportation and interruptible	3,090,299	—	3,090,299	2,981,745	—	2,981,745
Other	412,846	49,458	462,304	399,110	52,443	451,553
Total contracts with customers	75,694,543	49,458	75,744,001	63,250,517	52,443	63,302,960
Alternative revenue programs	(26,524)	—	(26,524)	448,623	—	448,623
Total operating revenues	<u>\$ 75,668,019</u>	<u>\$ 49,458</u>	<u>\$ 75,717,477</u>	<u>\$ 63,699,140</u>	<u>\$ 52,443</u>	<u>\$ 63,751,583</u>

RGC RESOURCES, INC. AND SUBSIDIARIES

Gas utility revenues

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

All customers are billed monthly based on consumption as measured by metered usage with payments due 20 days from the rendering of the bill. Revenue is recognized as bills are issued for natural gas that has been delivered or transported. In addition, the Company utilizes the practical expedient that allows an entity to recognize the invoiced amount as revenue, if that amount corresponds to the value received by the customer. Since customers are billed tariff rates, there is no variable consideration in the transaction price.

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

Other revenues

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

Alternative revenue program revenues

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

Customer accounts receivable and liabilities

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

	Current Assets		Current Liabilities	
	Trade accounts receivable ⁽¹⁾	Unbilled revenue ⁽¹⁾	Customer credit balances	Customer deposits
Balance at September 30, 2025	\$ 3,354,154	\$ 1,373,512	\$ 1,891,161	\$ 1,537,311
Balance at March 31, 2026	9,072,995	3,960,969	767,714	1,947,063
Increase (decrease)	\$ 5,718,841	\$ 2,587,457	\$ (1,123,447)	\$ 409,752

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

The Company did not incur any significant costs to obtain contracts during the period. Certain customers elect to pay even amounts monthly, giving rise to assets and liabilities presented in the table above. All amounts clear annually.

RGC RESOURCES, INC. AND SUBSIDIARIES

3. Segment Information

Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the Company's executive management in deciding how to allocate resources and assess performance. The Company has two reportable segments based on the nature of their activities and are defined as follows:

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

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

In order to reconcile to net income as disclosed in the consolidated statements of income, "Corporate and other" rows are included below associated with certain unallocated expenses that represent corporate reporting adjustments.

The accounting policies of the reported segments are the same as those described in Note 1 to the consolidated financial statements contained in the Company's Form 10-K for the year ended September 30, 2025. Information is routinely presented to the CODM, the Company's President and Chief Executive Officer, in a manner that makes significant elements of profitability and cash flows of each segment easily discernible. The CODM evaluates the performance of the reportable segments based on the Gas Utility's operating income (loss) and the Investment in Affiliates' equity in earnings, as well as cash flows, and uses these measures to evaluate segment performance and allocate resources, primarily during the annual budget and forecasting processes. The CODM regularly reviews variances between budgeted and actual results in assessing earnings, operational performance, and allocating resources including personnel and capital allocations that affect each reportable segment. When the CODM reviews balance sheet information, it is at the consolidated level. Intersegment transactions are recorded at cost.

Information related to the Company's segments are provided below:

	Gas Utility	Investment in Affiliates	Consolidated Total
Three Months Ended March 31, 2026			
Operating revenues	\$ 45,432,878	\$ —	\$ 45,432,878
Corporate and other	—	—	24,131
Total revenues	45,432,878	—	45,457,009
Cost of gas - utility	24,611,552	—	24,611,552
Operations and maintenance	5,591,695	27,271	5,618,966
Taxes other than income taxes	865,791	779	866,570
Depreciation and amortization	3,071,105	—	3,071,105
Corporate and other	—	—	4,866
Total operating income (loss)	11,292,735	(28,050)	11,283,950
Equity in earnings	—	903,991	903,991
Interest expense	987,127	598,711	1,585,838
Income before income taxes	10,967,140	308,119	11,275,259
Corporate and other	—	—	19,265
Total income before income taxes	<u>\$ 10,967,140</u>	<u>\$ 308,119</u>	<u>\$ 11,294,524</u>

RGC RESOURCES, INC. AND SUBSIDIARIES

	Gas Utility	Investment in Affiliates	Consolidated Total
Three Months Ended March 31, 2025			
Operating revenues	\$ 36,435,936	\$ —	\$ 36,435,936
Corporate and other	—	—	26,161
Total revenues	36,435,936	—	36,462,097
Cost of gas - utility	17,062,153	—	17,062,153
Operations and maintenance	5,285,738	37,453	5,323,191
Taxes other than income taxes	813,858	767	814,625
Depreciation and amortization	2,856,768	—	2,856,768
Corporate and other	—	—	5,418
Total operating income (loss)	10,417,419	(38,220)	10,399,942
Equity in earnings	—	801,175	801,175
Interest expense	942,547	687,728	1,630,275
Income before income taxes	9,937,983	75,749	10,013,732
Corporate and other	—	—	20,743
Total income before income taxes	\$ 9,937,983	\$ 75,749	\$ 10,034,475
Six Months Ended March 31, 2026			
Operating revenues	\$ 75,668,019	\$ —	\$ 75,668,019
Corporate and other	—	—	49,458
Total revenues	75,668,019	—	75,717,477
Cost of gas - utility	39,193,167	—	39,193,167
Operations and maintenance	10,775,319	66,128	10,841,447
Taxes other than income taxes	1,695,231	1,397	1,696,628
Depreciation and amortization	6,142,210	—	6,142,210
Corporate and other	—	—	9,738
Total operating income (loss)	17,862,092	(67,525)	17,834,287
Equity in earnings	—	1,731,061	1,731,061
Interest expense	2,032,034	1,224,954	3,256,988
Income before income taxes	16,977,624	488,426	17,466,050
Corporate and other	—	—	39,720
Total income before income taxes	\$ 16,977,624	\$ 488,426	\$ 17,505,770
Six Months Ended March 31, 2025			
Operating revenues	\$ 63,699,140	\$ —	\$ 63,699,140
Corporate and other	—	—	52,443
Total revenues	63,699,140	—	63,751,583
Cost of gas - utility	28,764,862	—	28,764,862
Operations and maintenance	9,939,694	72,168	10,011,862
Taxes other than income taxes	1,535,761	1,240	1,537,001
Depreciation and amortization	5,700,128	—	5,700,128
Corporate and other	—	—	9,767
Total operating income (loss)	17,758,695	(73,408)	17,727,963
Equity in earnings	—	1,655,388	1,655,388
Interest expense	1,974,956	1,435,249	3,410,205
Income before income taxes	16,719,641	147,798	16,867,439
Corporate and other	—	—	42,676
Total income before income taxes	\$ 16,719,641	\$ 147,798	\$ 16,910,115

RGC RESOURCES, INC. AND SUBSIDIARIES

	<u>Gas Utility</u>	<u>Investment in Affiliates</u>	<u>Consolidated Total</u>
As of March 31, 2026:			
Assets	\$ 300,197,854	\$ 22,254,027	\$ 322,451,881
Corporate and other	—	—	14,652,937
Total assets	300,197,854	22,254,027	337,104,818
Gross additions to utility property	9,812,807	—	9,812,807
Gross investment in affiliates	\$ —	\$ 731,169	\$ 731,169
As of September 30, 2025:			
Assets	\$ 291,571,159	\$ 21,679,154	\$ 313,250,313
Corporate and other	—	—	16,589,253
Total assets	291,571,159	21,679,154	329,839,566
Gross additions to utility property	20,730,140	—	20,730,140
Gross investment in affiliates	\$ —	\$ 76,385	\$ 76,385

4. Rates and Regulatory Matters

The SCC exercises regulatory authority over the natural gas operations of Roanoke Gas. Such regulation encompasses terms, conditions and rates to be charged to customers for natural gas service, safety standards, service extension and depreciation.

In response to continued inflationary pressures, the Company filed for an expedited rate application on December 2, 2025 with the SCC seeking to increase its non-gas base rates by \$4.3 million annually. Pursuant to the Commission's December 29, 2025 Order for Notice and Comment, the new base rates went into effect for service rendered on or after January 1, 2026, subject to refund. The SCC's review of Roanoke Gas' filing is underway and a hearing is set for July 15, 2026. Based on the procedural schedule established in the Commission's Order, the Company expects final resolution of the case in the first quarter of fiscal 2027.

On May 30, 2025, Roanoke Gas filed for approval of an updated RNG Rider to become effective October 1, 2025. The RNG Rider recovers costs associated with the RNG facility to produce renewable natural gas that was approved by the SCC in 2022. The revenue requirement associated with the RNG Rider is \$1.66 million. The impact to customers is affected by the under-recovered costs during the prior fiscal year, the sale of environmental credits and the over crediting of customers for RIN sales, resulting in a net impact to customers of approximately \$699,000. The Company received a final order from the SCC approving the Company's updated RNG Rider on September 26, 2025.

On June 30, 2025, Roanoke Gas filed for approval of an updated annual SAVE Rider to become effective October 1, 2025. The proposed SAVE Rider revenue requirement of \$2.64 million is designed to recover the costs associated with an estimated \$10.33 million of SAVE eligible investment during fiscal 2026. The revenue requirement also included an adjustment for under-recovered costs incurred during the prior year. The Commission approved the Company's updated SAVE Rider on September 26, 2025, which contained a slightly lower revenue requirement of \$2.61 million.

RGC RESOURCES, INC. AND SUBSIDIARIES

5. Other Investments

Midstream has invested less than 1% in the equity interests of the LLC that owns and operates the MVP, Southgate and Boost. The Company accounts for its interest in the LLC under the equity method of accounting given the LLC maintains specific ownership accounts for each investor, and also considering the Company's rights under the LLC management agreement and the Company's involvement as a stakeholder of the MVP. The Company has been using the equity method since the inception of its investment in fiscal 2016.

The Company participates in the earnings of the LLC proportionate to its level of investment, favorably adjusted for a basis difference between the Company's capital account and its carrying value that arose when the Company recorded an other-than-temporary impairment of its investment in 2022. This basis difference amortization is a favorable non-cash adjustment to income over the book life of the MVP, which is 40 years. The Company's share of earnings from the LLC and the basis difference amortization are presented under equity in earnings of unconsolidated affiliates on the condensed consolidated statements of income. The Company received two quarterly cash distributions totaling approximately \$1.4 million and \$1.8 million from the LLC during the first half of fiscal 2026 and 2025, respectively, and expects future quarterly distributions to be of a similar magnitude to those received to date.

Midstream assesses the value of its investment in the LLC on at least a quarterly basis, and no impairment indicators were identified in fiscal 2026 or 2025.

Investment balances of combined MVP, including Southgate and Boost, as of March 31, 2026 and September 30, 2025, are reflected in the table below:

Balance Sheet location:	March 31, 2026	September 30, 2025
Other Assets:		
MVP	\$ 20,840,124	\$ 20,538,437
Southgate	462,738	185,260
Boost	618,369	—
Investment in unconsolidated affiliates	<u>\$ 21,921,231</u>	<u>\$ 20,723,697</u>

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

	Six Months Ended March 31, 2026	2025
Cash investment	\$ 731,169	\$ 35,164
Change in accrued capital calls	129,307	—
Equity in earnings of unconsolidated affiliates	1,731,061	1,655,388
Distribution from unconsolidated affiliate	(1,394,003)	(1,784,582)
Change in investment in unconsolidated affiliates	<u>\$ 1,197,534</u>	<u>\$ (94,030)</u>

Summary combined unaudited financial statements of MVP, Southgate and Boost are presented below.

	Income Statements			
	Three Months Ended March 31, 2026	2025	Six Months Ended March 31, 2026	2025
Revenue	\$ 156,465,128	\$ 144,610,866	\$ 298,299,655	\$ 284,668,826
Operating expenses	(78,843,757)	(76,360,453)	(153,212,830)	(146,337,662)
AFUDC	2,496,934	39,057	5,756,060	65,535
Other income, net	885,056	1,526,125	1,839,589	3,377,185
Net income	<u>\$ 81,003,361</u>	<u>\$ 69,815,595</u>	<u>\$ 152,682,474</u>	<u>\$ 141,773,884</u>

RGC RESOURCES, INC. AND SUBSIDIARIES

	Balance Sheets	
	March 31, 2026	September 30, 2025
Assets:		
Current assets	\$ 214,186,045	\$ 173,283,635
Construction work in progress	156,218,806	—
Property, plant and equipment, net	9,355,578,178	9,418,928,665
Other assets	43,977,205	1,789,092
Total assets	<u>\$ 9,769,960,234</u>	<u>\$ 9,594,001,392</u>
Liabilities and Equity:		
Current liabilities	\$ 25,283,460	\$ 40,148,017
Noncurrent liabilities	3,369,293	1,084,072
Capital	9,741,307,481	9,552,769,303
Total liabilities and equity	<u>\$ 9,769,960,234</u>	<u>\$ 9,594,001,392</u>

6. Line of Credit

The Company had been operating with a line-of-credit in the principal amount of \$30 million that it renewed annually each March. On March 17, 2026, Roanoke Gas amended its line-of-credit to extend the maturity date to March 31, 2028. The line-of-credit's variable interest rate is based upon Term SOFR plus 1.25% and provides for multiple tier borrowing limits to accommodate seasonal borrowing demands. The Company's total available borrowing limits during the term of the line-of-credit range from \$20 million to \$30 million. As of March 31, 2026, the Company had an outstanding balance of \$10,710,995 under the line-of-credit.

7. Long-Term Debt

Long-term debt consists of the following:

	March 31, 2026		September 30, 2025	
	Principal	Unamortized Debt Issuance Costs	Principal	Unamortized Debt Issuance Costs
Roanoke Gas:				
Unsecured senior note payable at 4.26%, due September 18, 2034	\$ 30,500,000	\$ 82,060	\$ 30,500,000	\$ 86,887
Unsecured term note payable at 3.58%, due October 2, 2027	8,000,000	7,224	8,000,000	9,632
Unsecured term note payable at 4.41%, due March 28, 2031	10,000,000	15,663	10,000,000	17,229
Unsecured term note payable at 3.60%, due December 6, 2029	10,000,000	13,210	10,000,000	14,971
Unsecured term note payable at 30-day SOFR plus 1.20%, due August 20, 2026 (swap rate at 2.00%)	15,000,000	—	15,000,000	—
Unsecured term note payable at Term SOFR plus 1.00%, due October 1, 2028 (swap rate at 2.49%)	10,000,000	17,773	10,000,000	22,612
Midstream:				
Unsecured term note payable at Term SOFR plus 1.55%, due September 5, 2032 (\$14M swap rate at 3.24%, \$3.2M swap rate at 2.443%, and \$20.4M swap rate at 5.061%)	37,575,221	144,788	38,600,000	171,362
Unsecured term note payable at Term SOFR plus 1.55%, due September 5, 2032 (swap rate at 5.061%)	14,601,770	56,265	15,000,000	66,592
Revolving credit facility at Term SOFR plus 1.75%, due September 5, 2030 ("Southgate")	158,038	4,988	4,215	5,553
Revolving credit facility at Term SOFR plus 1.75%, due September 5, 2030 ("Boost")	577,347	9,842	—	10,956
Total long-term debt	<u>136,412,376</u>	<u>351,813</u>	<u>137,104,215</u>	<u>405,794</u>
Less: current maturities of long-term debt	(17,846,018)	—	(2,846,018)	—
Total long-term debt, net current maturities	<u>\$ 118,566,358</u>	<u>\$ 351,813</u>	<u>\$ 134,258,197</u>	<u>\$ 405,794</u>

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On September 5, 2025, Midstream established new amortizing Term Notes with two banks in the initial amounts of \$38.6 million and \$15 million, which refinanced and replaced all of Midstream's outstanding debt. The interest rate on the new Term Notes is one month Term SOFR plus 1.55% with interest payable monthly. The Term Notes also included a 0.3% origination fee and 0.1% annual fee. Quarterly principal payments are due each October, January, April and July, and repayment terms are based on a schedule aligned with the terms of the MVP shipper agreements, which expire June 2044. The Term Notes mature on September 5, 2032. Also, on September 5, 2025, Midstream executed two interest rate swap agreements initially totaling \$35.6 million, which corresponds to the term and draw provisions of the Term Note agreement and effectively converts that portion of the variable rate note to a fixed rate instrument with an effective annual interest rate of 5.061%. The two existing interest rate swaps will remain in place, have been redesignated, and when combined with the new interest rate swap agreements, hedged Midstream's unsecured notes.

Additionally, on September 5, 2025, Midstream entered into a Loan Agreement for the MVP Southgate extension and MVP Boost expansion that can be drawn to principal amounts of \$1.85 million and \$3.65 million, respectively, (the "Notes"). The Notes bear an interest rate of Term SOFR plus 1.75% subject to adjustment to Term SOFR plus 1.55% upon meeting certain milestones. The Notes mature on September 5, 2030, at which time the outstanding principal balance on each note is due. The Loan Agreement included a 0.25% origination fee.

Debt issuance costs are amortized over the life of the related debt. As of March 31, 2026 and September 30, 2025, the Company also had an unamortized loss on the early retirement of debt of \$970,591 and \$1,027,684, respectively, which has been deferred as a regulatory asset and is being amortized over a 20-year period.

All debt agreements set forth certain representations, warranties and covenants to which the Company is subject, including financial covenants that limit consolidated long-term indebtedness to not more than 65% of total capitalization. All of the debt agreements provide for Priority Indebtedness (defined in the debt agreements) to not exceed 15% of consolidated total assets. The \$15 million, \$10 million, \$53.6 million, \$1.85 million and \$3.65 million notes have an interest coverage ratio requirement of not less than 1.5 to 1, which excludes the effect of the non-cash impairments on the LLC investments up to the total investment as of December 31, 2021. The Company was in compliance with all debt covenants as of March 31, 2026 and September 30, 2025.

8. Derivatives and Hedging

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

The Company has six interest rate swaps associated with certain of its variable rate debt as of March 31, 2026. Roanoke Gas has two variable-rate term notes in the amounts of \$15 million and \$10 million, with corresponding swap agreements to effectively convert the variable interest rates into fixed rates of 2.00% and 2.49%, respectively. Midstream has four swap agreements in the amounts of \$14 million, \$3.2 million, \$20.4 million, and \$14.6 million, corresponding to the \$37.6 million and \$14.6 million variable rate term notes. The swap agreements convert the notes into fixed rate instruments with effective interest rates of 3.24%, 2.443%, 5.061% and 5.061%, respectively. The swaps qualify as cash flow hedges with changes in fair value reported in other comprehensive income. No portion of the swaps were deemed ineffective during the periods presented.

The fair value of the current and non-current portions of the interest rate swaps are reflected in the condensed consolidated balance sheets under the caption interest rate swaps. The table in Note 11 reflects the effect on income and other comprehensive income of the Company's cash flow hedges.

9. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, established a fair value hierarchy that prioritizes each input to the valuation method used to measure fair value of financial and nonfinancial assets and liabilities that are measured and reported on a fair value basis into one of the following three levels:

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

RGC RESOURCES, INC. AND SUBSIDIARIES

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

Level 3 – Unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date, which require the Company to develop its own assumptions.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). All fair value disclosures are categorized within one of the three categories in the hierarchy based on the lowest level that is significant to the valuation.

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

	Fair Value Measurements - March 31, 2026			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Interest rate swaps - current	\$ 596,849	\$ —	\$ 596,849	\$ —
Interest rate swaps - noncurrent	411,615	—	411,615	—
Total	<u>\$ 1,008,464</u>	<u>\$ —</u>	<u>\$ 1,008,464</u>	<u>\$ —</u>
Liabilities:				
Natural gas purchases	\$ 314,802	\$ —	\$ 314,802	\$ —
Total	<u>\$ 314,802</u>	<u>\$ —</u>	<u>\$ 314,802</u>	<u>\$ —</u>
	Fair Value Measurements - September 30, 2025			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Interest rate swaps - current	\$ 828,573	\$ —	\$ 828,573	\$ —
Interest rate swaps - noncurrent	421,511	—	421,511	—
Total	<u>\$ 1,250,084</u>	<u>\$ —</u>	<u>\$ 1,250,084</u>	<u>\$ —</u>
Liabilities:				
Natural gas purchases	\$ 135,863	\$ —	\$ 135,863	\$ —
Interest rate swaps - current	57,144	—	57,144	—
Interest rate swaps - noncurrent	298,016	—	298,016	—
Total	<u>\$ 491,023</u>	<u>\$ —</u>	<u>\$ 491,023</u>	<u>\$ —</u>

The fair value of the interest rate swaps are determined by using the counterparty's proprietary models that can include observable quoted market interest rates and interest rate futures as well as certain assumptions regarding past, present and future market conditions.

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Under the asset management contract, a timing difference can exist between the payment for natural gas purchases and the actual receipt of such purchases. Payments are made based on a predetermined monthly volume and a weighted average basket price. At March 31, 2026 and September 30, 2025, the Company had recorded in accounts payable the estimated fair value of the liability expected to be settled.

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

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

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

	Fair Value Measurements - March 31, 2026			
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Current maturities of long-term debt	\$ 17,846,018	\$ —	\$ —	\$ 17,846,018
Notes payable	118,566,358	—	—	115,558,806
Total	<u>\$ 136,412,376</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 133,404,824</u>
	Fair Value Measurements - September 30, 2025			
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Current maturities of long-term debt	\$ 2,846,018	\$ —	\$ —	\$ 2,846,018
Notes payable	134,258,197	—	—	131,605,756
Total	<u>\$ 137,104,215</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 134,451,774</u>

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

ASC 825, *Financial Instruments*, requires disclosures regarding concentrations of credit risk from financial instruments. Cash equivalents are investments in high-grade, short-term securities (original maturity less than three months), placed with financially sound institutions. Accounts receivable are from a diverse group of customers including individuals and small and large companies in various industries. No individual customer amounted to more than 5% of total accounts receivable at March 31, 2026 and September 30, 2025. The Company maintains certain credit standards with its customers and requires a customer deposit, if warranted.

RGC RESOURCES, INC. AND SUBSIDIARIES
10. Earnings Per Share

Basic EPS for the three and six months ended March 31, 2026 and 2025 was calculated by dividing net income by the weighted-average common shares outstanding during the period excluding unvested nonemployee restricted stock issued to outside directors under the RSPD. Diluted EPS was calculated by dividing net income by the weighted-average common shares outstanding during the period plus potential dilutive common shares. Potential dilutive common shares are calculated in accordance with the treasury stock method, which assumes that proceeds from the exercise of all options are used to repurchase common stock at market value. The number of shares remaining after the proceeds are exhausted represents the potentially dilutive effect of the securities. The computation of diluted EPS for the three months ended March 31, 2026 and 2025 excludes potentially dilutive shares of 1,464 and 2,203, respectively, and 1,566 and 2,160, respectively, for the six months ended March 31, 2026 and 2025, because to include them would be antidilutive for the periods. These shares could potentially dilute EPS in the future.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2026	2025	2026	2025
Net income	\$ 8,744,490	\$ 7,676,208	\$ 13,627,355	\$ 12,945,897
Weighted-average common shares	10,232,835	10,304,222	10,177,581	10,281,725
Effect of potentially dilutive securities	171,822	4,146	201,415	4,214
Diluted average common shares	10,404,657	10,308,368	10,378,996	10,285,939
Earnings per share of common stock:				
Basic	\$ 0.85	\$ 0.74	\$ 1.34	\$ 1.26
Diluted	\$ 0.84	\$ 0.74	\$ 1.31	\$ 1.26

11. Other Comprehensive Income (Loss)

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

	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Three Months Ended March 31, 2026			
Interest rate swaps:			
Unrealized gains	\$ 448,204	\$ (115,368)	\$ 332,836
Transfer of realized gains to interest expense	(257,915)	66,388	(191,527)
Net interest rate swaps	190,289	(48,980)	141,309
Defined benefit plans:			
Amortization of net actuarial gains	(7,829)	2,015	(5,814)
Other comprehensive income	\$ 182,460	\$ (46,965)	\$ 135,495
Three Months Ended March 31, 2025			
Interest rate swaps:			
Unrealized losses	\$ (165,869)	\$ 42,695	\$ (123,174)
Transfer of realized gains to interest expense	(327,190)	84,218	(242,972)
Net interest rate swaps	(493,059)	126,913	(366,146)
Defined benefit plans:			
Amortization of net actuarial gains	(10,377)	2,671	(7,706)
Other comprehensive loss	\$ (503,436)	\$ 129,584	\$ (373,852)

RGC RESOURCES, INC. AND SUBSIDIARIES

	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Six Months Ended March 31, 2026			
Interest rate swaps:			
Unrealized gains	\$ 625,742	\$ (161,067)	\$ 464,675
Transfer of realized gains to interest expense	(598,531)	154,062	(444,469)
Net interest rate swaps	<u>27,211</u>	<u>(7,005)</u>	<u>20,206</u>
Defined benefit plans:			
Amortization of net actuarial gains	(15,658)	4,030	(11,628)
Other comprehensive income	<u>\$ 11,553</u>	<u>\$ (2,975)</u>	<u>\$ 8,578</u>
Six Months Ended March 31, 2025			
Interest rate swaps:			
Unrealized gains	\$ 528,308	\$ (135,986)	\$ 392,322
Transfer of realized gains to interest expense	(711,463)	183,130	(528,333)
Net interest rate swaps	<u>(183,155)</u>	<u>47,144</u>	<u>(136,011)</u>
Defined benefit plans:			
Amortization of net actuarial gains	(20,755)	5,342	(15,413)
Other comprehensive loss	<u>\$ (203,910)</u>	<u>\$ 52,486</u>	<u>\$ (151,424)</u>

The amortization of actuarial gains and losses, reflected in the preceding table, relate to the unregulated operations of the Company. Actuarial gains and losses attributable to the regulated operations are included as a regulatory asset. See Note 13 for a schedule of regulatory assets. The amortization of actual gains and losses is recognized as a component of net periodic pension and postretirement benefit costs under other income, net in the condensed consolidated statements of income.

Reconciliation of Accumulated Other Comprehensive Income

	Interest Rate Swaps	Defined Benefit Plans	Accumulated Other Comprehensive Income
Balance at September 30, 2025	\$ 664,568	\$ (402,836)	\$ 261,732
Other comprehensive income (loss)	20,206	(11,628)	8,578
Balance at March 31, 2026	<u>\$ 684,774</u>	<u>\$ (414,464)</u>	<u>\$ 270,310</u>

12. Income Taxes

The effective tax rates for the three-month and six-month periods ended March 31, 2026 and 2025 reflected in the table below are less than the combined federal and state statutory rate of 25.74% due to additional tax deductions from the amortization of excess deferred taxes and amortization of RNG tax credits deferred as a regulatory liability. The effective tax rate for the three and six months ended March 31, 2026 is further reduced due to recognition of amortization of R&D tax credits deferred as a regulatory liability and certain restricted stock-related tax deductions.

	Three Months Ended March 31,		Six Months Ended March 31,	
	2026	2025	2026	2025
Effective tax rate	<u>22.6%</u>	<u>23.5%</u>	<u>22.2%</u>	<u>23.4%</u>

RGC RESOURCES, INC. AND SUBSIDIARIES

During September 2025, the Company participated in the IRS Fast Track Settlement (FTS), which is a process that provides the IRS and taxpayers an opportunity to resolve disputes with an appeals official using mediation skills and settlement authority. The IRS and Company agreed on a settlement equal to 40% of the R&D tax credits claimed for fiscal 2018 and 2019, the two years under examination. The Company received approval from the SCC to refund the settled R&D tax credits, net of related fees, to customers over a 4-month period from January 2026 to April 2026.

ASC 740 provides for the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recognized in the financial statements. As a result of the FTS, the Company reduced the reserve for unrecognized tax benefits of \$273,936 to \$0 as of September 30, 2025. The Company evaluated its tax positions for the three and six months ended March 31, 2026 and has not identified any significant uncertain tax positions.

The Company's policy is to classify interest associated with uncertain tax positions as interest expense in the financial statements. Tax penalties, if any, are netted against other income.

The Company files a consolidated federal income tax return and state income tax returns in Virginia and West Virginia, and thus subject to examinations by federal and state tax authorities. The Company adjusted its income tax assets and liabilities to reflect the outcome of the FTS as of September 30, 2025. With the completion of the IRS examination of the fiscal 2018 and 2019 federal returns, the federal returns and the state returns for Virginia and West Virginia for the tax years ended through September 30, 2022 are closed to examination.

13. Regulatory Assets and Liabilities

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

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

	March 31, 2026	September 30, 2025
Assets:		
Current Assets:		
Regulatory assets:		
Accrued WNA revenues	\$ 482,893	\$ 504,003
Under-recovery of gas costs	1,134,184	750,295
Under-recovery of RNG revenues	739,126	1,019,821
Under-recovery of SAVE Plan revenues	120,158	265,317
Accrued pension	15,320	30,640
Other deferred expenses	12,762	12,762
Total current	<u>2,504,443</u>	<u>2,582,838</u>
Other Non-Current Assets:		
Regulatory assets:		
Premium on early retirement of debt	970,591	1,027,684
Accrued pension	2,168,902	2,168,902
Other deferred expenses	215,565	118,496
Total non-current	<u>3,355,058</u>	<u>3,315,082</u>
Total regulatory assets	<u>\$ 5,859,501</u>	<u>\$ 5,897,920</u>

RGC RESOURCES, INC. AND SUBSIDIARIES

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

	March 31, 2026	September 30, 2025
Liabilities and Stockholders' Equity:		
Current Liabilities:		
Regulatory liabilities:		
Rate refund	\$ 493,960	\$ —
Deferred income taxes	959,090	591,764
Supplier refunds	1,313,488	889,564
Other deferred liabilities	78,791	157,583
Total current	<u>2,845,329</u>	<u>1,638,911</u>
Deferred Credits and Other Non-Current Liabilities:		
Regulatory cost of retirement obligations	16,636,661	15,869,691
Regulatory liabilities:		
Deferred income taxes	10,785,695	13,649,719
Deferred postretirement medical	3,721,711	3,721,711
Total non-current	<u>31,144,067</u>	<u>33,241,121</u>
Total regulatory liabilities	<u>\$ 33,989,396</u>	<u>\$ 34,880,032</u>

As of March 31, 2026 and September 30, 2025, the Company had regulatory assets in the amount of \$5,859,501 and \$5,897,920, respectively, on which the Company did not earn a return during the recovery period.

14. Commitments and Contingencies

Roanoke Gas currently holds the only franchises and/or CPCNs to distribute natural gas in its service area. These franchises generally extend for multi-year periods and are renewable by the municipalities, including exclusive franchises in the cities of Roanoke and Salem and the Town of Vinton, Virginia. All three franchises are set to expire December 31, 2035.

Due to the nature of the natural gas distribution business, the Company has entered into agreements with both suppliers and pipelines for natural gas commodity purchases, storage capacity and pipeline delivery capacity. The Company utilizes an asset manager to assist in optimizing the use of its transportation, storage rights and gas supply in order to provide a secure and reliable source of natural gas to its customers. The Company also has storage and pipeline capacity contracts to store and deliver natural gas to the Company's distribution system. Roanoke Gas is currently served directly by three primary pipelines that deliver the natural gas supplied to the Company's distribution system. Depending on weather conditions and the level of customer demand, failure of one of these transmission pipelines could have a major adverse impact on the Company's ability to deliver natural gas to its customers and its results of operations.

During a routine inspection in the second quarter of fiscal 2026, the Company noted damage to its LNG facility. The LNG facility, which has been in operation since 1972, is used for peak shaving on the coldest days. The Company has hired subject matter experts to help assess the cause(s) and scope of the damage and to design possible solutions. While that work is ongoing, the Company believes that the LNG facility is unlikely to be available in the 2026 to 2027 winter heating season. The Company is developing plans to provide service without this facility. The Company has engaged with both the SCC Staff and its insurance carrier. Currently, the Company is unable to estimate the cost to complete the assessment and design processes as well as the investment necessary to repair the damage or replace the LNG facility. The Company has held discussions with the SCC Staff about establishing a regulatory asset related to the event for amounts not covered by insurance.

RGC RESOURCES, INC. AND SUBSIDIARIES

15. Employee Benefit Plans

The Company has both a pension plan and a postretirement plan. The pension plan covers the Company's employees hired before January 1, 2017 and provides a retirement benefit based on years of service and employee compensation. The postretirement plan, covering employees hired before January 1, 2000, provides certain health care and supplemental life insurance benefits to retired employees who meet specific age and service requirements. Net pension plan and postretirement plan expense is detailed as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2026	2025	2026	2025
Components of net periodic pension cost:				
Service cost	\$ 92,967	\$ 96,858	\$ 185,934	\$ 193,716
Interest cost	380,324	352,602	760,648	705,204
Expected return on plan assets	(427,888)	(375,976)	(855,776)	(751,952)
Recognized loss	10,943	14,857	21,886	29,714
Net periodic pension cost	<u>\$ 56,346</u>	<u>\$ 88,341</u>	<u>\$ 112,692</u>	<u>\$ 176,682</u>
	Three Months Ended March 31,		Six Months Ended March 31,	
	2026	2025	2026	2025
Components of postretirement benefit cost:				
Service cost	\$ —	\$ 1,095	\$ —	\$ 2,190
Interest cost	130,327	126,856	260,654	253,712
Expected return on plan assets	(216,083)	(182,430)	(432,166)	(364,860)
Recognized gain	(50,507)	(58,153)	(101,014)	(116,306)
Net postretirement benefit cost (income)	<u>\$ (136,263)</u>	<u>\$ (112,632)</u>	<u>\$ (272,526)</u>	<u>\$ (225,264)</u>

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

No funding contributions were made to the pension plan or postretirement plan for the periods presented in the tables above. The Company is not currently planning to make any funding contributions to either plan for the remainder of fiscal 2026.

16. Leases

The Company has four leases for certain assets including office space and land classified as operating leases with original terms ranging from 3 to 20 years. The Company entered into a new lease during the first quarter of fiscal 2026, which is a continuation of a prior lease. The Company determines if an arrangement is a lease at inception of the agreement based on the terms and conditions in the contract. The operating lease ROU assets and operating lease liabilities are recognized at the present value of the future minimum lease payments over the lease term at commencement date. As most of the leases do not provide an implicit rate, the Company uses an estimate of its secured incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The incremental borrowing rate is determined by management aided by inquiries of a third party.

Lease expense for minimum lease payments is recognized on a straight-line basis over the term of the agreement. The Company made an accounting policy election that payments under agreements with an initial term of 12 months or less will not be included on the condensed consolidated balance sheet but will be recognized when paid in the consolidated statements of operations.

RGC RESOURCES, INC. AND SUBSIDIARIES

The operating lease ROU assets are reflected in other non-current assets in the condensed consolidated balance sheets. The current operating lease liabilities and non-current lease liabilities are included in other current liabilities and deferred credits and other non-current liabilities, respectively, in the condensed consolidated balance sheets. The expense components of the Company's operating leases are included under operations and maintenance expense in the condensed consolidated statements of income and were less than \$50,000 for each period presented.

Other information related to leases were as follows:

	Three Months Ended March 31,	
	2026	2025
Supplemental Cash Flow Information:		
Cash paid on operating leases	\$ 6,600	\$ 11,000
Right of use obtained in exchange for operating lease obligations	N/A	N/A
Weighted-average remaining term (in years)	14.9	17.3
Weighted-average discount rate	5.65%	5.65%

	Six Months Ended March 31,	
	2026	2025
Supplemental Cash Flow Information:		
Cash paid on operating leases	\$ 25,800	\$ 16,500
Right of use obtained in exchange for operating lease obligations	17,039	N/A
Weighted-average remaining term (in years)	14.9	17.3
Weighted-average discount rate	5.65%	5.65%

On March 31, 2026, the future minimum rental payments under non-cancelable operating leases by fiscal year were as follows:

2026	\$ 30,800
2027	49,238
2028	45,600
2029	26,400
2030	26,400
Thereafter	316,800
Total minimum lease payments	495,238
Less imputed interest	(153,369)
Total	\$ 341,869

17. Subsequent Events

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

RGC RESOURCES, INC. AND SUBSIDIARIES

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

Forward-Looking Statements

This report contains forward-looking statements that relate to future transactions, events or expectations. In addition, Resources may announce or publish forward-looking statements relating to such matters as anticipated financial performance, business prospects and closures, investments, inflation, ratemaking and other regulatory actions, debt refinancing, technological developments, new products, research and development activities, weather variations, operational impacts and similar matters. These statements are based on management’s current expectations and information available at the time of such statements and are believed to be reasonable and are made in good faith. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause the Company’s actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company’s forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of the Company’s business include, but are not limited to, those set forth in the following discussion and within Item 1A “Risk Factors” in the Company’s 2025 Annual Report on Form 10-K, as well as an updated risk within Item 1A "Risk Factors" in Part II below. These factors are difficult to predict and many are beyond the Company’s control. Accordingly, while the Company believes its forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. When used in the Company’s documents or news releases, the words “anticipate,” “believe,” “intend,” “plan,” “estimate,” “predict,” “target,” “expect,” “objective,” “projection,” “potential,” “forecast,” “budget,” “assume,” “indicate” or similar words or future or conditional verbs such as “will,” “would,” “should,” “can,” “could,” “may,” or “might” are intended to identify forward-looking statements.

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

The three-month and six-month earnings presented herein should not be considered as reflective of the Company’s consolidated financial results for the fiscal year ending September 30, 2026. The total revenues and margins realized during the first six months reflect higher billings due to the weather-sensitive nature of the natural gas business.

Overview

Resources is an energy services company primarily engaged in the regulated sale and distribution of natural gas to approximately 63,900 residential, commercial and industrial customers in Roanoke, Virginia and surrounding localities through its Roanoke Gas subsidiary. Midstream, a wholly owned subsidiary of Resources, is a less than 1% investor in the MVP, Southgate and Boost. The utility operations of Roanoke Gas are regulated by the SCC, which oversees the terms, conditions and rates charged to customers for natural gas service, safety standards, extension of service and depreciation. The Company is also subject to regulation from the United States Department of Transportation in regard to the construction, operation, maintenance, safety and integrity of its transmission and distribution pipelines. FERC regulates the prices for the transportation and delivery of natural gas to the Company’s distribution system and underground storage services. In addition, the Company is subject to other regulations which are not necessarily industry specific.

Nearly all of the Company’s revenues are derived from the sale and delivery of natural gas to Roanoke Gas customers based on rates and fees authorized by the SCC. These rates are designed to provide the Company with the opportunity to recover its gas and non-gas expenses and to earn a reasonable rate of return for shareholders based on normal weather. These rates are determined based on various rate applications filed with the SCC. Generally, investments related to extending service to new customers are recovered through the additional revenues generated by the non-gas base rates in place at that time. The investment in replacing and upgrading existing non-SAVE infrastructure, as well as recovering increases in non-gas expenses due to inflationary pressures, regulatory requirements or operational needs, are generally not recoverable until a formal rate application is filed to include the additional investment and higher costs, and new non-gas base rates are implemented.

On December 2, 2025, the Company filed for an expedited rate application with the SCC to increase non-gas base rates by \$4.3 million annually. Pursuant to the Commission’s December 29, 2025 Order for Notice and Comment, the new base rates went into effect for service rendered on or after January 1, 2026, subject to refund. The SCC’s review of Roanoke Gas’ filing is underway and a hearing is set for July 15, 2026. Based on the procedural schedule established in the Commission’s Order, the Company anticipates final resolution of the case in the first quarter of fiscal 2027.

RGC RESOURCES, INC. AND SUBSIDIARIES

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

The SAVE Plan and Rider provides the Company with a mechanism through which it recovers costs related to qualified SAVE infrastructure investments on a prospective basis, until a rate application is filed incorporating these investments in non-gas base rates. Roanoke Gas filed and received approval from the SCC for an updated annual SAVE Rider rate which became effective October 1, 2025. As a result of the updated SAVE Rider, SAVE Plan revenues increased by approximately \$261,000 and \$532,000, respectively, for the three-month and six-month periods ended March 31, 2026 compared to the same periods last year. The updated SAVE Rider is expected to result in approximately \$2.61 million of annualized SAVE-related revenues during fiscal 2026. Additional information regarding the SAVE Plan and Rider is provided in Note 4 of the condensed consolidated financial statements.

The WNA mechanism reduces the volatility in earnings due to the variability in temperatures during the heating season. The WNA is based on the most recent 30-year temperature average and provides the Company with a level of earnings protection when weather is warmer than normal and provides its customers with price protection when weather is colder than normal. The WNA allows the Company to recover from its customers the lost margin (excluding gas costs) from warmer-than-normal weather and correspondingly requires the Company to refund the excess margin earned for colder-than-normal weather. The WNA mechanism used by the Company is based on a linear regression model that determines the value of a single heating degree day and thereby estimates the revenue adjustment based on weather variance from normal. Any billings or refunds related to the WNA are completed following each WNA year, which extends for the 12-month period from April to March. For the three months ended March 31, 2026, the Company accrued approximately \$298,000 in additional revenues under the WNA model for weather that was 2% warmer than normal, compared to reducing revenues by approximately \$27,000 for weather that was in line with normal for the corresponding period last year. For the six months ended March 31, 2026, the Company reduced revenues by approximately \$21,000 for weather that was in line with normal, compared to approximately \$473,000 in additional revenues for weather that was 2% warmer than normal for the corresponding period last year. The WNA for the 12-month period ended March 31, 2026 was approximately \$483,000, which will be billed to customers during May 2026.

The Company has an approved rate structure to mitigate the impact of the financing costs of its natural gas inventory. Under this rate structure, Roanoke Gas recognizes revenue by applying the ICC factor, based on the Company's weighted-average cost of capital, including interest rates on short-term and long-term debt, and the Company's authorized return on equity, to the average cost of natural gas inventory during the period. Total ICC revenues decreased nominally for both the three-month and six-month periods ended March 31, 2026 compared to the corresponding periods last year. While the average price of gas in storage fluctuated nominally for the six-month period ended March 31, 2026 compared to the same period in the prior year, the average price of gas in storage decreased by 4% during the second quarter of fiscal 2026 compared to the second quarter of fiscal 2025. If natural gas prices remain at or continue to decline as compared to the prior year, coupled with possible reduced storage levels at the LNG facility, the average dollar balance of gas in storage is expected to decrease, leading to lower ICC revenues in fiscal 2026.

Roanoke Gas operates an RNG facility, through a cooperative agreement with the Western Virginia Water Authority, to produce commercial quality RNG for delivery into its distribution system. Roanoke Gas is allowed to recover the costs associated with the investment in RNG facilities and the related operating costs through an RNG Rider added to customer bills that was approved by the SCC in 2023 and updated annually. Customers receive the benefit of environmental credits generated through the production of RNG. Roanoke Gas recognized approximately \$450,000 and \$934,000, respectively, in RNG revenue for the three and six months ended March 31, 2026 compared to approximately \$429,000 and \$817,000 for the corresponding periods in the prior year.

The cost of natural gas, which is a pass-through cost, is independent of the Company's non-gas rates. Accordingly, the Company's approved billing rates include a component designed to allow for the recovery of the cost of natural gas. This rate component, referred to as the PGA, allows the Company to pass along to its customers increases and decreases in natural gas costs through a quarterly filing, or more frequent if necessary, once SCC staff approval is received. As actual costs will differ from the projections used in establishing the PGA rate, the Company will either over-recover or under-recover its actual gas costs during the period. The difference between actual costs incurred and costs recovered through the application of the PGA is recorded as a regulatory asset or liability. At the end of the annual deferral period, the balance is amortized over a succeeding 12-month period through the ensuing non-gas rate component. Due to the extended and extreme cold weather experienced across the eastern half of the United States during Winter Storm Fern, natural gas prices spiked from less than \$4 per DTH to well over \$30 per DTH at the end of January and into February 2026. As such, the Company adjusted the PGA rate effective February 2026 to offset the increased under-recovery of gas costs, which are anticipated to be collected from customers over the ensuing 12 to 18 months.

RGC RESOURCES, INC. AND SUBSIDIARIES
Results of Operations

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

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

Three Months Ended March 31, 2026:

Net income increased by \$1,068,282 for the three months ended March 31, 2026, compared to the same period last year, primarily due to implementation of higher non-gas base rates effective January 1, 2026.

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

	Three Months Ended March 31,		Increase /	
	2026	2025	(Decrease)	Percentage
Operating Revenues				
Gas utility	\$ 45,432,878	\$ 36,435,936	\$ 8,996,942	25%
Non utility	24,131	26,161	(2,030)	(8)%
Total operating revenues	<u>\$ 45,457,009</u>	<u>\$ 36,462,097</u>	<u>\$ 8,994,912</u>	<u>25%</u>
Delivered Volumes				
Regulated natural gas (DTH)				
Residential and commercial	3,190,805	3,361,037	(170,232)	(5)%
Transportation and interruptible	1,093,433	1,163,021	(69,588)	(6)%
Total delivered volumes	<u>4,284,238</u>	<u>4,524,058</u>	<u>(239,820)</u>	<u>(5)%</u>
HDD	1,975	2,025	(50)	(2)%

Total operating revenues for the three months ended March 31, 2026, compared to the same period last year, increased by approximately 25% primarily due to the implementation of a non-gas base rate increase, higher natural gas commodity prices and increased SAVE revenues, slightly offset by a reduction in delivered volumes. Roanoke Gas placed new non-gas rates into effect for natural gas service rendered on or after January 1, 2026, subject to refund. These new non-gas rates will generate approximately \$4.3 million in additional annual revenues, all of which was allocated to the volumetric component; and as such, a larger portion of the rate increase was recognized during the quarter due to the volume of gas consumption. Additionally, total natural gas costs increased by 44% compared to the same period last year, primarily due to pipeline capacity charges increasing over \$1.2 million, which corresponds to a 54% increase in the gas cost component included in the total customer billing rate. The average commodity price per dekatherm during the current quarter was \$5.90 compared to \$3.80 per dekatherm for the corresponding quarter in the prior year. Overall volumes delivered decreased in line with the decrease in HDD as weather for the whole quarter was 2% warmer compared to the 30-year normal despite Winter Storm Fern. Transportation and interruptible volumes declined by 6% as a single, multi-fuel customer that had been utilizing natural gas as its primary fuel source reduced its consumption during the quarter, however, the Company expects this customer's usage to return to normal levels. SAVE Plan revenues increased by approximately \$261,000 compared to the same period in the prior year as Roanoke Gas continues to invest in qualified SAVE infrastructure projects.

	Three Months Ended March 31,		Increase	Percentage
	2026	2025		
Gross Utility Margin				
Gas utility revenues	\$ 45,432,878	\$ 36,435,936	\$ 8,996,942	25%
Cost of gas - utility	24,611,552	17,062,153	7,549,399	44%
Gross utility margin	<u>\$ 20,821,326</u>	<u>\$ 19,373,783</u>	<u>\$ 1,447,543</u>	<u>7%</u>

RGC RESOURCES, INC. AND SUBSIDIARIES

Gross utility margin increased 7% from the same period last year primarily as a result of the aforementioned increases in non-gas base rates, as well as increased SAVE and RNG revenues, which contributed \$611,000 and \$298,000, respectively. As discussed in the Overview section, the WNA model adjusts for the impact of variability of temperatures during the heating season. The WNA model calculates what the corresponding volumes would be if temperatures were equivalent to the 30-year normal during each period and adjusts for the difference in margin from normal. In applying the WNA model to both the current and prior periods, the volumetric margin, inclusive of the WNA, increased by approximately \$1.1 million due to weather that was 2% warmer than normal.

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

	Three Months Ended March 31,		Increase/ (Decrease)
	2026	2025	
Customer base charge	\$ 4,154,529	\$ 4,118,891	\$ 35,638
ICC	86,194	101,758	(15,564)
SAVE Plan	610,703	350,192	260,511
Volumetric	15,162,185	14,349,462	812,723
WNA	298,337	(26,990)	325,327
RNG	450,008	428,930	21,078
Other revenues	59,370	51,540	7,830
Total	\$ 20,821,326	\$ 19,373,783	\$ 1,447,543

The tables below provide a reconciliation between gross utility margin and gross margin:

	Gas Utility	Investment in Affiliates	Consolidated Total
Three Months Ended March 31, 2026			
Operating revenues			
Gas utility	\$ 45,432,878	\$ —	\$ 45,432,878
Non utility	24,131	—	24,131
Total operating revenues	45,457,009	—	45,457,009
Cost of sales			
Cost of gas - utility	(24,611,552)	—	(24,611,552)
Cost of sales - non utility	(4,866)	—	(4,866)
Depreciation and amortization	(3,071,105)	—	(3,071,105)
Operations and maintenance	(5,591,695)	(27,271)	(5,618,966)
Total cost of sales	(33,279,218)	(27,271)	(33,306,489)
Gross margin (GAAP)	12,177,791	(27,271)	12,150,520
Corporate and other, net	(19,265)	—	(19,265)
Depreciation and amortization	3,071,105	—	3,071,105
Operations and maintenance	5,591,695	27,271	5,618,966
Gross utility margin (Non-GAAP)	\$ 20,821,326	\$ —	\$ 20,821,326

RGC RESOURCES, INC. AND SUBSIDIARIES

	<u>Gas Utility</u>	<u>Investment in Affiliates</u>	<u>Consolidated Total</u>
Three Months Ended March 31, 2025			
Operating revenues			
Gas utility	\$ 36,435,936	\$ —	\$ 36,435,936
Non utility	26,161	—	26,161
Total operating revenues	36,462,097	—	36,462,097
Cost of sales			
Cost of gas - utility	(17,062,153)	—	(17,062,153)
Cost of sales - non utility	(5,418)	—	(5,418)
Depreciation and amortization	(2,856,768)	—	(2,856,768)
Operations and maintenance	(5,285,738)	(37,453)	(5,323,191)
Total cost of sales	(25,210,077)	(37,453)	(25,247,530)
Gross margin (GAAP)	11,252,020	(37,453)	11,214,567
Corporate and other, net	(20,743)	—	(20,743)
Depreciation and amortization	2,856,768	—	2,856,768
Operations and maintenance	5,285,738	37,453	5,323,191
Gross utility margin (Non-GAAP)	\$ 19,373,783	\$ —	\$ 19,373,783

Operations and maintenance expenses increased \$295,775, or 6%. The Company continues to experience inflation over the 2% level historically targeted by the Federal Reserve. Inflation levels in health care benefits, certain types of insurance, contracted services and IT service costs, as well as other items, continue to put upward pressure on the Company's expenses. Contracted services increased by approximately \$86,000 also due to inflationary pressures as well as increased customer turn-ons. Capitalized construction overheads declined by approximately \$124,000 due to a reduction in Roanoke Gas capital projects as a result of winter weather. Higher corporate insurance premiums accounted for much of the remaining cost increase.

Taxes other than income taxes increased by \$51,945, or 6%, due to higher property taxes associated with growth in utility property and increased tax rates.

Depreciation expense increased by \$214,337, or 8%, corresponding to a similar increase in investments in depreciable utility property. Increases over the last year in capitalized software, with shorter useful lives, resulted in depreciation expense increasing slightly more than the 5% increase in the average utility property balance from the prior year quarter.

Equity in earnings of unconsolidated affiliate increased by \$102,816, or 13%. See Note 5 of the consolidated financial statements for additional information related to the MVP.

Other income, net increased by \$228,788, or 49%, primarily due to increased interest income and postretirement income, partially offset by a decrease in revenue sharing related to the renewed asset management agreement.

Interest expense decreased by \$44,437, or 3%, as the weighted-average interest rate on total debt decreased from 4.33% during the second quarter of fiscal 2025 to 4.10% in the current quarter. Midstream's interest expense decreased by \$89,017, or 13%, as the total average debt outstanding decreased by approximately \$1,586,000 as a result of principal payments made on term notes, along with the weighted-average interest rate decreasing from 5.06% during the second quarter of fiscal 2025 to 4.53% in the current quarter. Roanoke Gas' interest expense increased by \$44,580, or 5%, as total average debt outstanding increased by approximately \$3,870,000 associated with higher net borrowings under the Company's line-of-credit. Roanoke Gas' weighted-average interest rate remained relatively flat from the second quarter of fiscal 2025 to the current quarter. See Notes 6 and 7 of the consolidated financial statements for more information on the Company's debt.

Income tax expense increased by \$191,767, or 8%, primarily corresponding to the increase in pre-tax income. The effective tax rate was 22.6% and 23.5% for the three-month periods ended March 31, 2026 and 2025, respectively. The effective tax rate is below the combined statutory state and federal rate due to the amortization of excess deferred taxes and tax credits. Additionally, certain restricted stock-related tax deductions contributed to a further reduction to the effective tax rate during the current period.

RGC RESOURCES, INC. AND SUBSIDIARIES
Six Months Ended March 31, 2026:

Net income increased by \$681,458 for the six months ended March 31, 2026, compared to the same period last year, primarily due to the aforementioned implementation of higher non-gas base rates this quarter, lower interest expense and income taxes, slightly offset by continued inflationary pressures on operating costs.

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

	Six Months Ended March 31,		Increase/ (Decrease)	Percentage
	2026	2025		
Operating Revenues				
Gas utility	\$ 75,668,019	\$ 63,699,140	\$ 11,968,879	19%
Non utility	49,458	52,443	(2,985)	(6)%
Total operating revenues	\$ 75,717,477	\$ 63,751,583	\$ 11,965,894	19%
Delivered Volumes				
Regulated natural gas (DTH)				
Residential and commercial	5,497,052	5,535,590	(38,538)	(1)%
Transportation and interruptible	2,281,414	2,483,870	(202,456)	(8)%
Total delivered volumes	7,778,466	8,019,460	(240,994)	(3)%
HDD	3,489	3,391	98	3%

Total operating revenues for the six months ended March 31, 2026, compared to the same period last year, increased by approximately 19% for similar reasons as previously discussed for the quarter. Total natural gas costs increased by 36% compared to the same period last year, primarily due to pipeline capacity charges increasing over \$2.3 million, which corresponds to a 38% increase in the gas cost component included in the total customer billing rate. The average commodity price per dekatherm for the first half of fiscal 2026 was \$5.10 compared to \$3.70 per dekatherm for the same period in the prior year. Although weather was 3% colder than the prior year and almost even with the 30-year normal, delivered volumes decreased 3%. Weather-sensitive residential and commercial volumes declined 1%, while transportation and interruptible volumes declined by 8% as a single, multi-fuel customer that had been utilizing natural gas as its primary fuel source reduced its consumption, however, the Company expects this customer's usage to return to normal levels. SAVE Plan revenues increased by approximately \$532,000 compared to the same period in the prior year as Roanoke Gas continues to invest in qualified SAVE infrastructure projects.

	Six Months Ended March 31,		Increase	Percentage
	2026	2025		
Gross Utility Margin				
Gas utility revenues	\$ 75,668,019	\$ 63,699,140	\$ 11,968,879	19%
Cost of gas - utility	39,193,167	28,764,862	10,428,305	36%
Gross utility margin	\$ 36,474,852	\$ 34,934,278	\$ 1,540,574	4%

Gross utility margin increased 4% from the same period last year primarily as a result of the aforementioned increases in non-gas base rates and gas costs, as well as increased SAVE and RNG revenues, which contributed \$1.2 million and \$934,000, respectively, to margin.

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

	Six Months Ended March 31,		Increase/ (Decrease)
	2026	2025	
Customer base charge	\$ 8,233,457	\$ 8,184,039	\$ 49,418
ICC	278,952	291,665	(12,713)
SAVE Plan	1,175,879	644,191	531,688
Volumetric	25,739,522	24,416,549	1,322,973
WNA	(21,110)	473,456	(494,566)
RNG	934,259	816,933	117,326
Other revenues	133,893	107,445	26,448
Total	\$ 36,474,852	\$ 34,934,278	\$ 1,540,574

RGC RESOURCES, INC. AND SUBSIDIARIES

The tables below provide a reconciliation between gross utility margin and gross margin:

	Gas Utility	Investment in Affiliates	Consolidated Total
Six Months Ended March 31, 2026			
Operating revenues			
Gas utility	\$ 75,668,019	\$ —	\$ 75,668,019
Non utility	49,458	—	49,458
Total operating revenues	75,717,477	—	75,717,477
Cost of sales			
Cost of gas - utility	(39,193,167)	—	(39,193,167)
Cost of sales - non utility	(9,738)	—	(9,738)
Depreciation and amortization	(6,142,210)	—	(6,142,210)
Operations and maintenance	(10,775,319)	(66,128)	(10,841,447)
Total cost of sales	(56,120,434)	(66,128)	(56,186,562)
Gross margin (GAAP)	19,597,043	(66,128)	19,530,915
Corporate and other, net	(39,720)	—	(39,720)
Depreciation and amortization	6,142,210	—	6,142,210
Operations and maintenance	10,775,319	66,128	10,841,447
Gross utility margin (Non-GAAP)	\$ 36,474,852	\$ —	\$ 36,474,852
	Gas Utility	Investment in Affiliates	Consolidated Total
Six Months Ended March 31, 2025			
Operating revenues			
Gas utility	\$ 63,699,140	\$ —	\$ 63,699,140
Non utility	52,443	—	52,443
Total operating revenues	63,751,583	—	63,751,583
Cost of sales			
Cost of gas - utility	(28,764,862)	—	(28,764,862)
Cost of sales - non utility	(9,767)	—	(9,767)
Depreciation and amortization	(5,700,128)	—	(5,700,128)
Operations and maintenance	(9,939,694)	(72,168)	(10,011,862)
Total cost of sales	(44,414,451)	(72,168)	(44,486,619)
Gross margin (GAAP)	19,337,132	(72,168)	19,264,964
Corporate and other, net	(42,676)	—	(42,676)
Depreciation and amortization	5,700,128	—	5,700,128
Operations and maintenance	9,939,694	72,168	10,011,862
Gross utility margin (Non-GAAP)	\$ 34,934,278	\$ —	\$ 34,934,278

Operations and maintenance expenses increased \$829,585, or 8%. The Company continues to experience inflation over the 2% level historically targeted by the Federal Reserve. Inflation levels in health care benefits, certain types of insurance, contracted services and IT service costs, as well as other items, continue to put upward pressure on the Company's expenses. Personnel costs increased by approximately \$147,000 due to increased staffing and the inflationary impact on salaries and benefits. Contracted services increased by approximately \$274,000 also due to inflationary pressures as well as increased customer turn-ons. Capitalized construction overheads declined by approximately \$311,000 due to a reduction in Roanoke Gas capital projects as a result of winter weather. Higher corporate insurance premiums and RNG-related costs accounted for much of the remaining increase, which were slightly offset by a decrease in professional services expenses.

RGC RESOURCES, INC. AND SUBSIDIARIES

Taxes other than income taxes increased by \$159,627, or 10%, due to higher property taxes associated with growth in utility property and increased tax rates, as well as increases in payroll taxes.

Depreciation expense increased by \$442,082, or 8%, corresponding to a similar increase in investments in depreciable utility property. Increases over the last year in capitalized software, with shorter useful lives, resulted in depreciation expense increasing slightly more than the 5% increase in the average utility property balance.

Equity in earnings of unconsolidated affiliate increased by \$75,673, or 5%. See Note 5 of the consolidated financial statements for additional information related to the MVP.

Other income, net increased by \$260,441, or 28%, primarily due to additional interest income and increased postretirement income, partially offset by a decrease in revenue sharing related to the asset management agreement.

Interest expense decreased by \$153,217, or 4%, as the weighted-average interest rate on total debt decreased from 4.40% during the first six months of fiscal 2025 to 4.12% in the current year. Midstream's interest expense decreased by \$210,295, or 15%, as the total average debt outstanding decreased by approximately \$1,460,000 as a result of principal payments made on term notes, along with the weighted-average interest rate decreasing from 5.22% during the first six months of fiscal 2025 to 4.58 % in the current year. Roanoke Gas' interest expense increased by \$57,078, or 3%, as total average debt outstanding increased by approximately \$2,727,000 associated with net borrowings under the Company's line-of-credit. Roanoke Gas' weighted-average interest rate remained relatively flat from the first six months of fiscal 2025 to the current year. See Notes 6 and 7 of the consolidated financial statements for more information on the Company's debt.

Income tax expense decreased by \$85,803, or 2%. The effective tax rate was 22.2% and 23.4% for the six-month periods ended March 31, 2026 and 2025, respectively. The effective tax rate is below the combined statutory state and federal rate due to the amortization of excess deferred taxes and tax credits. Additionally, amortization recognition related to R&D tax credits and certain restricted stock-related tax deductions contributed to a further reduction to the effective tax rate during the current period.

Critical Accounting Policies and Estimates

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

There have been no significant changes to the critical accounting policies as reflected in the Company's Annual Report on Form 10-K for the year ended September 30, 2025.

Asset Management and Gas Supply

Roanoke Gas relies on multiple interstate pipelines and gas storage to transport natural gas from production and storage fields into the Company's distribution system. Roanoke Gas is currently served directly by three primary pipelines and uses a third-party asset manager to oversee its pipeline transportation, storage rights and gas supply inventories and deliveries in order to provide a secure and reliable source of natural gas to its customers. In return for utilizing the excess capacities of the transportation and storage rights, the asset manager pays Roanoke Gas a monthly utilization fee. In accordance with an SCC order issued in 2018, a portion of the utilization fee is retained by the Company with the balance passed through to customers through reduced gas costs. The current asset management contract is for a three-year term, expiring in March 2028.

RGC RESOURCES, INC. AND SUBSIDIARIES

In addition, the Company produces commercial quality RNG for delivery into its distribution system and operates and maintains an LNG liquefaction, vaporization and storage tank facility to supplement heating season gas supply requirements on the coldest days (the LNG peak shaving facility). During a routine inspection in the second quarter of fiscal 2026, the Company noted damage to its LNG tank. The Company has hired subject matter experts to help assess the cause(s) and scope of the damage and to design possible solutions. While that work is ongoing, the Company believes that the LNG peak shaving facility is unlikely to be available in the 2026 to 2027 winter heating season and is developing plans to provide service without this facility. Currently, the Company is unable to estimate the cost to complete the assessment and design processes as well as any investment necessary to repair the damage or replace the LNG facility. The Company has held discussions with the SCC Staff about establishing a regulatory asset related to the event for amounts not covered by insurance.

Equity Investment in Mountain Valley Pipeline

The Company owns a less than 1% interest in the LLC that owns and operates the MVP, Southgate and Boost, as defined in the respective operating agreements. The Company accounts for its interest in the LLC under the equity method of accounting given the LLC maintains specific ownership accounts for each investor, and also considering the Company's rights under the LLC management agreement and the Company's involvement as a stakeholder of the MVP. The Company has been using the equity method since the inception of its investment in fiscal 2016.

The Company recognizes its share of earnings from the LLC, favorably adjusted for a basis difference between the Company's proportional share of assets and its carrying value that arose when the Company recorded an other-than-temporary impairment of its investment in 2022. This basis difference amortization is a favorable non-cash adjustment over the operational life of the MVP, or 40 years. For the second quarter of fiscal 2026 and 2025, the Company recorded equity in earnings of consolidated affiliates of approximately \$904,000 and \$801,000, respectively. For the first six months of fiscal 2026 and 2025, the Company recorded equity in earnings of consolidated affiliates of approximately \$1.7 million in both periods. The Company received a quarterly cash distribution of its share from the LLC totaling approximately \$641,000 and \$983,000 during the second quarter of fiscal 2026 and 2025, respectively, which was a return on its invested capital, and expects future quarterly distributions to be of a similar magnitude. For the first half of fiscal 2026 and 2025, quarterly cash distributions totaled \$1.4 million and \$1.8 million, respectively. The Company is using this cash to pay interest and other expenditures related to Midstream. The Company refinanced all of the debt supporting its investment in the MVP in September 2025, as described in the liquidity section.

Regulatory

See Note 4 of the condensed consolidated financial statements for discussion on Regulatory matters.

Capital Resources and Liquidity

Due to the capital-intensive nature of the utility business, as well as the impact of weather variability, the Company's primary capital needs are the funding of its capital projects, the seasonal funding of its natural gas inventories and accounts receivables, debt service and payments of dividends to shareholders. The Company anticipates funding these items through its operating cash flows, credit availability under short-term and long-term debt agreements and proceeds from the sale of its common stock.

Cash and cash equivalents increased by \$1,071,617 for the six-month period ended March 31, 2026 compared to an increase of \$1,258,586 for the six-month period ended March 31, 2025. The following table summarizes the sources and uses of cash:

Cash Flow Summary	Six Months Ended March 31,	
	2026	2025
Net cash provided by operating activities	\$ 16,470,727	\$ 21,834,963
Net cash used in investing activities	(10,514,346)	(10,708,806)
Net cash used in financing activities	(4,884,764)	(9,867,571)
Increase in cash and cash equivalents	<u>\$ 1,071,617</u>	<u>\$ 1,258,586</u>

RGC RESOURCES, INC. AND SUBSIDIARIES

Cash Flows Provided by Operating Activities:

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

Cash flows from operating activities for the six months ended March 31, 2026 decreased by \$5,364,236 compared to the same period last year. Under-recovered gas costs increased approximately \$384,000 during the six months ended March 31, 2026 compared to a \$5.8 million increase in over-recovered gas cost during the same period in the prior year. The fluctuation from a liability position to an asset position resulted in a decline of approximately \$6.2 million in operating cash flows between periods. As previously discussed, due to the extended and extreme cold weather experienced across the eastern half of the United States during Winter Storm Fern, natural gas prices spiked from less than \$4 per DTH to well over \$30 per DTH at the end of January and into February 2026. As a result, total commodity costs increased from \$3.70 per DTH in the first half of fiscal 2025 to \$5.07 per DTH in the first half of fiscal 2026. Although incurred by the Company during the six months ended March 31, 2026, the recovery of these costs will be collected from customers over the ensuing 12 to 18 months. The colder weather and increased gas costs also resulted in higher accounts receivable balances.

Cash Flows Used in Investing Activities:

Investing activities primarily consist of expenditures related to Roanoke Gas' utility property, which includes replacing aging natural gas pipe with new plastic or coated steel pipe, improvements to the LNG plant and gas distribution system facilities and expansion of its natural gas system to meet new customer demand. The Company is continuing its focus on SAVE infrastructure replacement projects, including the replacement of pre-1973 first generation plastic pipe. New customer demand for natural gas continues to be steady and therefore extending the natural gas distribution system within its service territory is also a priority. Roanoke Gas' total capital expenditures for the six-month period ended March 31, 2026 were approximately \$9.8 million compared to \$10.7 million during the same period last year. The decline is a result of colder weather delaying completion of capital projects. Total fiscal 2026 capital expenditures are expected to be approximately \$22 million.

Investing cash flows also include the Company's funding of its participation in Southgate and Boost, with a total cash investment of approximately \$731,000 for the six months ended March 31, 2026, which are being funded by dedicated revolving credit facilities as described below. With FERC approval and issuance of the Notice to Proceed on the Southgate extension, construction activities have begun. While the Boost expansion is pending FERC approval, investments have been made for materials related to the construction of the pipeline and other pre-construction costs. With MVP in service, Midstream will incur periodic, future capital investment related to ongoing MVP operations requirements and system improvements.

Cash Flows Provided by Financing Activities:

Financing activities generally consist of borrowings and repayments under credit agreements, issuance of common stock and the payment of dividends. Net cash flows used in financing activities were approximately \$4.9 million for the six months ended March 31, 2026, compared to approximately \$9.9 million for the same period last year. The \$5 million reduction in financing cash flows is primarily attributable to a decrease in net repayments under Roanoke Gas' line-of-credit, slightly offset by an increase in net payments under Midstream's notes payable. The Company's net payments on Roanoke Gas' line-of-credit during the first six months of fiscal 2026 were \$1.2 million compared to \$7.0 million in the same period last year. Additionally, during the first half of fiscal 2026, Midstream repaid a net \$692,000 compared to borrowing a net \$145,000 during the same period in the prior year. Notes 6 and 7 provide details on the Company's line-of-credit and borrowing activity.

Resources issued a total of 67,503 shares of common stock resulting in net proceeds of approximately \$1.4 million during the first six months of fiscal 2026, compared to issuing 59,986 shares of common stock resulting in net proceeds of approximately \$1.2 million during the first six months of fiscal 2025. The ATM program was not utilized during either period.

Management regularly evaluates the Company's liquidity through a review of its available financing resources and its cash flows. Roanoke Gas has a term note in the principal amount of \$15 million coming due in August 2026. Management believes Roanoke Gas has access to sufficient financing resources to meet its cash requirements for the next year, including cash from operations, the line of credit and a private shelf facility. Roanoke Gas may also adjust capital spending as necessary, if such a need would arise.

RGC RESOURCES, INC. AND SUBSIDIARIES

Midstream's future cash requirements will relate to regular monthly operating expenses, debt service and capital contributions. The Company received two quarterly cash distributions from MVP in fiscal 2026 totaling approximately \$1.4 million, and should receive similar quarterly distributions going forward. On September 5, 2025, Midstream established new amortizing term notes with two banks in the initial amounts of \$38.6 million and \$15 million, which refinanced and replaced all of Midstream's outstanding debt. The term notes mature on September 5, 2032. Also on September 5, 2025, Midstream entered into a new Loan Agreement for the MVP Southgate extension and MVP Boost expansion that can be drawn to principal amounts of \$1.85 million and \$3.65 million, respectively. These loans mature on September 5, 2030, at which time the outstanding principal balance on each note is due. With the establishment of the new term notes, Midstream's total debt principal payments over the succeeding 12 months is \$2,846,018. Management believes that it will be able to meet Midstream's cash requirements over the ensuing 12-month period with availability on the Southgate and Boost revolving credit facilities and its quarterly cash distributions from MVP.

As of March 31, 2026, Resources' long-term capitalization ratio was 46% equity and 54% debt.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4 – CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Through March 31, 2026, the Company has evaluated, under the supervision and with the participation of management, including the chief executive officer and the chief financial officer, the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon that evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2026.

Changes in Internal Control over Financial Reporting

Management routinely reviews the Company's internal control over financial reporting and makes changes, as necessary, to enhance the effectiveness of the internal controls. There were no changes in internal control over financial reporting that occurred during the three months ended March 31, 2026, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

On April 1, 2026, the Company implemented a new system of record for revenue transactions with customers. While the Company expects this implementation to either strengthen or have minimal impact to existing internal controls, we will continue to evaluate and monitor our internal control over financial reporting as processes and procedures are finalized with the implementation.

Limitations on the Effectiveness of Controls

Because of the inherent limitations in an effective internal control system, any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements, due to error or fraud, from occurring in the consolidated financial statements. Additionally, management is required to use judgment in evaluating controls and procedures.

RGC RESOURCES, INC. AND SUBSIDIARIES

Part II – Other Information

ITEM 1 – LEGAL PROCEEDINGS

None.

ITEM 1A – RISK FACTORS

There have been no material changes to the risk factors previously disclosed in Resources' Annual Report on Form 10-K for the year ended September 30, 2025; one risk factor has been revised as follows:

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 or damage, 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 has experienced damage at its LNG storage facility as described in Note 14. 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.

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

None.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 – OTHER INFORMATION

None.

RGC RESOURCES, INC. AND SUBSIDIARIES

ITEM 6 – EXHIBITS

Number	Description
10.1	First Amendment to Amended and Restated Promissory Note and Third Amendment to Amended and Restated Loan Agreement by Roanoke Gas Company with Pinnacle Bank, dated March 17, 2026 (incorporated herein by reference to Exhibit 10.1 on Form 8-K as filed March 19, 2026).
10.2	Fourth Amendment to Private Shelf Agreement dated as of March 30, 2026 (incorporated herein by reference to Exhibit 10.1 on Form 8-K as filed April 1, 2026).
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
32.1*	Section 1350 Certification of Principal Executive Officer
32.2*	Section 1350 Certification of Principal Financial Officer
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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

RGC RESOURCES, INC. AND SUBSIDIARIES

SIGNATURES

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

Date: May 7, 2026

RGC Resources, Inc.

By: /s/ Timothy J. Mulvaney
Timothy J. Mulvaney
Vice President, Treasurer and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION

I, Paul W. Nester, certify that:

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

Date: May 7, 2026

/s/ Paul W. Nester

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

CERTIFICATION

I, Timothy J. Mulvaney, certify that:

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

Date: May 7, 2026

/s/ Timothy J. Mulvaney

Timothy J. Mulvaney
Vice President, Treasurer and Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report of RGC Resources, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2026 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul W. Nester, President and Chief Executive Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Paul W. Nester

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

Date: May 7, 2026

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

In connection with the Quarterly Report of RGC Resources, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2026 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy J. Mulvaney, Vice President, Treasurer and Chief Financial Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Timothy J. Mulvaney

Timothy J. Mulvaney
Vice President, Treasurer and Chief Financial Officer
(Principal Financial Officer)

Date: May 7, 2026