UGI ENERGY SERVICES, LLC
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
and MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
for the years ended September 30, 2022 and 2021

UGI ENERGY SERVICES, LLC AND SUBSIDIARIES

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UGI ENERGY SERVICES, LLC AND SUBSIDIARIES

GLOSSARY OF TERMS AND ABBREVIATIONS

Terms and abbreviations used in this document are defined below:

UGI Energy Services and Related Entities

AmeriGas - AmeriGas Propane, L.P., an indirect wholly-owned subsidiary of UGI

Company - UGI Energy Services, LLC and its consolidated subsidiaries collectively

Energy Services - UGI Energy Services, LLC, a wholly-owned subsidiary of Enterprises, or collectively, UGI Energy Services, LLC and its consolidated subsidiaries

Enterprises - UGI Enterprises, LLC, a wholly-owned subsidiary of UGI

ESFC - Energy Services Funding Corporation, a wholly-owned subsidiary of Energy Services

GHI - GHI Energy, LLC, a Houston-based RNG company and indirect wholly owned subsidiary of Energy Services

MBL Bioenergy - MBL Bioenergy, LLC, a joint venture partnership with the sole purpose of developing RNG projects in South Dakota.

Pennant - Pennant Midstream, LLC, a Delaware limited liability corporation

PennEast - PennEast Pipeline Company, LLC

Pine Run - Pine Run Gathering, LLC

Stonehenge - Stonehenge Energy Resources III, LLC, a portfolio company of Energy Spectrum Partners VIII, L.P.

UGI - UGI Corporation

UGI Dakota, LLC - A wholly owned subsidiary of Energy Services that holds a 99.99% membership interest in MBL Bioenergy

UGI PennEast, LLC - A wholly-owned subsidiary of Energy Services that holds a 20% membership interest in PennEast

UGI Pine Run, LLC - A wholly owned subsidiary of Energy Services that holds a 49% membership interest in Pine Run

UGI Utilities - UGI Utilities, Inc., a wholly-owned subsidiary of UGI

UGID - UGI Development Company, a wholly-owned subsidiary of Energy Services

Other Terms and Abbreviations

AFUDC - Allowance for Funds Used During Construction

AOCI - Accumulated Other Comprehensive Income (Loss)

ARO - Asset Retirement Obligation

ASC - Accounting Standards Codification

ASC 606 - ASC 606, “Revenue from Contracts with Customers”

ASC 820 - ASC 820, "Fair Value Measurement"

ASC 980 - ASC 980, "Regulated Operations"

ASU - Accounting Standards Update

CARES Act - Coronavirus Aid, Relief, and Economic Security Act

CMG - Columbia Midstream Group, LLC

COVID-19 - A novel strain of coronavirus disease discovered in 2019

Energy Services Credit Agreement - Third Amended and Restated Credit Agreement entered into on March 6, 2020 by Energy Services, as borrower, providing for borrowings up to $260 million, including a letter of credit subfacility of up to $50 million, scheduled to expire in March 2025

Energy Services Term Loan - A seven-year $700 million senior secured term loan agreement entered into on August 13, 2019, with a group of lenders

FERC - Federal Energy Regulatory Commission

Fiscal 2016 - The fiscal year ended September 30, 2016

Fiscal 2021 - The fiscal year ended September 30, 2021

Fiscal 2022 - The fiscal year ended September 30, 2022

Fiscal 2023 - The fiscal year ending September 30, 2023

Fiscal 2024 - The fiscal year ending September 30, 2024

Fiscal 2025 - The fiscal year ending September 30, 2025

Fiscal 2026 - The fiscal year ending September 30, 2026

Fiscal 2027 - The fiscal year ending September 30, 2027

GAAP - U.S. generally accepted accounting principles

ICE - Intercontinental Exchange

LNG - Liquefied natural gas

NOL - Net operating loss

NPNS - Normal purchase and normal sale

NYMEX - New York Mercantile Exchange

PennEnergy - PennEnergy Resources, LLC

PJM - PJM Interconnection, LLC

Receivables Facility - A receivables purchase facility of Energy Services with an issuer of receivables-backed commercial paper

ROU - Right-of-use

RNG - Renewable natural gas

SCAA - Storage Contract Administrative Agreements

Stonehenge Acquisition - Acquisition of Stonehenge Appalachia, LLC, which closed January 27, 2022

U.S. **-** United States of America

USD - U.S. Dollar

VIE - Variable Interest Entity

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Report of Independent Auditors

To the Member and Management of UGI Energy Services, LLC

Opinion

We have audited the consolidated financial statements of UGI Energy Services, LLC and Subsidiaries (the Company), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income, cash flows and changes in member's equity for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Ernst + Young LLP

December 21, 2022

UGI ENERGY SERVICES, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Millions of dollars)

	September 30, 2022	September 30, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 62	$ 197
Restricted cash	43	21
Accounts receivable (less allowances for doubtful accounts of $2 and $4, respectively)	243	119
Accounts receivable - related parties	27	11
Inventories	59	36
Derivative instruments	61	50
Prepaid expenses and other current assets	61	51
Total current assets	556	485
Property, plant and equipment:		
Gross property, plant and equipment	2,311	1,988
Accumulated depreciation	(377)	(310)
Net property, plant and equipment	1,934	1,678
Goodwill	337	337
Intangible assets, net	250	262
Derivative instruments	49	34
Investments in equity method investees	110	163
Other assets	45	42
Total assets	$ 3,281	$ 3,001
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 10	$ 10
Accounts payable	211	127
Accounts payable - related parties	12	13
Derivative instruments	29	23
Other current liabilities	51	41
Total current liabilities	313	214
Long-term debt	700	706
Deferred income taxes	301	290
Derivative instruments	16	21
Other noncurrent liabilities	14	13
Total liabilities	1,344	1,244
Member's equity	1,937	1,757
Total liabilities and member's equity	$ 3,281	$ 3,001

See accompanying notes to consolidated financial statements.

UGI ENERGY SERVICES, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of dollars)

	Year Ended September 30,	
	2022	2021
Revenues	$ 2,322	$ 1,391
Costs and expenses:		
Cost of sales (excluding depreciation and amortization shown below)	1,897	860
Operating and administrative expenses	129	128
Depreciation and amortization	79	76
Other operating (income) expense, net	(4)	9
	2,101	1,073
Operating income	221	318
Loss from equity method investees	(12)	(62)
Interest expense	(41)	(42)
Income before income taxes	168	214
Income tax expense	(24)	(69)
Net income	$ 144	$ 145
Other comprehensive income:		
Net gains on derivative instruments (net of tax of $(13) and $(1), respectively)	32	3
Reclassifications of net losses on derivative instruments (net of tax of $(1) and $(3), respectively)	4	7
Other comprehensive income	36	10
Comprehensive income	$ 180	$ 155

See accompanying notes to consolidated financial statements.

UGI ENERGY SERVICES, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Millions of dollars)

	Year Ended September 30, 2022	Year Ended September 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 144	$ 145
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	79	76
Deferred income tax (benefit) expense, net	(4)	92
Changes in unrealized gains and losses on derivative instruments	14	(158)
Loss from equity method investees	12	62
Distributions received from equity method investees	19	22
Other, net	9	11
Net change in:		
Accounts receivable	(145)	(12)
Inventories	(23)	(11)
Accounts payable	84	57
Derivative instruments collateral received	8	79
Other current assets	(10)	(11)
Other current liabilities	10	(1)
Net cash provided by operating activities	197	351
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for property, plant and equipment	(38)	(54)
Acquisitions of assets, net of cash acquired	(242)	—
Investments in equity method investments	(34)	(65)
Other, net	11	5
Net cash used by investing activities	(303)	(114)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions	—	(25)
Receivables Facility net repayments	—	(19)
Repayments of debt	(7)	(7)
Net cash used by financing activities	(7)	(51)
Cash, cash equivalents and restricted cash (decrease) increase	$ (113)	$ 186
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
End of year	$ 105	$ 218
Beginning of year	218	32
Cash, cash equivalents and restricted cash (decrease) increase	$ (113)	$ 186
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid (received) for:		
Interest	$ 40	$ 40
Income taxes	$ 20	$ (6)

See accompanying notes to consolidated financial statements.

UGI ENERGY SERVICES, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY

(Millions of dollars)

	Member's Equity
Balance at September 30, 2020	$ 1,627
Net income	145
Cash distributions	(25)
Changes in AOCI balance (Note 13)	10
Balance at September 30, 2021	$ 1,757
Net income	144
Changes in AOCI balance (Note 13)	36
Balance at September 30, 2022	$ 1,937

See accompanying notes to consolidated financial statements.

Note 1 — Nature of Operations

Energy Services is a Pennsylvania limited liability company and a wholly-owned subsidiary of Enterprises. Enterprises is a wholly-owned subsidiary of UGI. Energy Services is a sole member limited liability company with Enterprises owning 100% of the membership interest.

Energy Services conducts, directly and through subsidiaries and affiliates, energy marketing, including RNG, midstream transmission, LNG storage, natural gas gathering and processing, natural gas and RNG production, electricity generation and energy services businesses primarily in the eastern region of the U.S., eastern Ohio, the panhandle of West Virginia and California. UGID owns electricity generation facilities principally located in Pennsylvania. Energy Services and its subsidiaries' storage, LNG and portions of its midstream transmission operations are subject to regulation by the FERC.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and costs. These estimates are based on management's knowledge of current events, historical experience and various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may be different from these estimates and assumptions.

For purposes of comparability, certain prior-year amounts have been reclassified to conform to the current-year presentation.

Principles of Consolidation

The consolidated financial statements include all the accounts of Energy Services, its majority-owned subsidiaries and VIEs, if any, where it has concluded that it is the primary beneficiary. A VIE is defined as a legal entity that has equity investors that do not have sufficient equity at risk for the entity to support its activities without additional subordinated financial support or, as a group, the holders of the equity at risk lack (i) the power to direct the entity's activities or (ii) the obligation to absorb the expected losses or the right to receive the expected residual returns of the entity. A VIE is required to be consolidated by a company if that company is the primary beneficiary. The primary beneficiary is the entity that has a controlling financial interest in the VIE such that it has the power to direct the activities of the VIE that most significantly impact the VIE's financial performance.

We eliminate intercompany accounts and transactions when we consolidate. We account for privately held equity securities of entities without readily determinable fair values in which we do not have control, but have significant influence over operating and financial policies, under the equity method. Distributions received from equity method investees are included in cash flows from operating activities on the Consolidated Statements of Cash Flows. For a more detailed description of our equity method investees, see Note 15. Energy Services' wholly-owned, special purpose subsidiary, ESFC, is consolidated for financial statement purposes (see Note 6).

Effects of Regulation

A subsidiary of the Company accounts for the financial effects of regulation in accordance with the ASC 980. In accordance with this guidance, incurred costs that would otherwise be charged to expense are capitalized and recorded as regulatory assets when it is probable that the incurred costs will be recovered through rates in the future. Similarly, we recognize regulatory liabilities when it is probable that regulators will require customer refunds through future rates or when revenue is collected from customers for expenditures that have not yet been incurred. Generally, regulatory assets and liabilities are amortized into expense and income over the periods authorized by the respective regulatory body. At both September 30, 2022 and 2021, regulatory assets of $2 were included in "Other assets" on the Consolidated Balance Sheets. There were no regulatory liabilities recorded at September 30, 2022 and 2021.

Fair Value Measurements

The Company applies fair value measurements on a recurring and, as otherwise required under ASC 820, on a nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. Fair value measurements performed on a recurring basis principally relate to derivative instruments.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

We use the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets and liabilities that we have the ability to access at the measurement date.

- Level 2 — Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices 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, and inputs that are derived from observable market data by correlation or other means.

- Level 3 — Unobservable inputs for the asset or liability including situations where there is little, if any, market activity for the asset or liability.

Fair value is based upon assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and risks inherent in valuation techniques and inputs to valuations. This includes not only the credit standing of counterparties and credit enhancements but also the impact of our own nonperformance risk on our liabilities. We evaluate the need for credit adjustments to our derivative instrument fair values. These credit adjustments were not material to the fair values of our derivative instruments.

Derivative Instruments

Derivative instruments are reported on the Consolidated Balance Sheets at their fair values, unless the NPNS exception is elected. The accounting for changes in fair value depends upon the purpose of the derivative instrument or if it qualifies and is designated as a hedge for accounting purposes.

Certain of our derivative instruments qualify and are designated as cash flow hedges. For cash flow hedges, changes in the fair values of the derivative instruments are recorded in AOCI, to the extent effective at offsetting changes in the hedged item, until earnings are affected by the hedged item. We discontinue cash flow hedge accounting if occurrence of the forecasted transaction is determined to be no longer probable. Hedge accounting is also discontinued for derivatives that cease to be highly effective. We do not designate our commodity derivative instruments as hedges under GAAP. Changes in the fair values of these derivative instruments are reflected in net income. Cash flows from derivative instruments are included in cash flows from operating activities on the Consolidated Statements of Cash Flows.

For a more detailed description of the derivative instruments we use, our accounting for derivatives, our objectives for using them and other information see Note 12.

Revenue Recognition

In accordance with ASC 606, the Company recognizes revenue when control of promised goods or services is transferred to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Certain revenues such as revenue from leases, financial instruments and other revenues are not within the scope of ASC 606 because they are not from contracts with customers. Such revenues are accounted for in accordance with other GAAP.

Revenue-related taxes collected on behalf of customers and remitted to taxing authorities, principally sales and use taxes, are not included in revenues. Gross receipts taxes are presented on a gross basis. The Company has elected to use the practical expedient to expense the costs to obtain contracts when incurred for contracts that have a term less than one year. The costs incurred to obtain contracts that have durations of longer than one year are not material. See Note 4 for additional disclosures regarding the Company's revenue from contracts with customers.

Accounts Receivable

Accounts receivable are reported on the Consolidated Balance Sheets at the gross outstanding amount adjusted for an allowance for doubtful accounts. Accounts receivable that are acquired are initially recorded at fair value on the date of acquisition. Provisions for uncollectible accounts are established based upon our collection experience, the assessment of the collectability of specific amounts and the Company's best estimate of current expected credit losses. Accounts receivable are written off in the period in which the receivable is deemed uncollectible.

Income Taxes

We join with UGI and its subsidiaries in filing a consolidated federal income tax return. In all periods presented, we joined with UGI as disregarded entities in filing state tax returns. We are charged or credited for our share of current taxes resulting from the effects of our transactions in the UGI consolidated federal income tax return and combined state income tax returns including giving effect to intercompany transactions. The result of this allocation is consistent with income taxes calculated on a separate return basis. Accordingly, income tax-related payments and accrued income tax balances principally reflect transactions with UGI resulting from this allocation. We record interest on tax deficiencies and income tax penalties, if any, in "Income tax expense" on the Consolidated Statements of Comprehensive Income. Interest income or expense recognized in "Income tax expense" on the Consolidated Statements of Comprehensive Income was not material for all periods presented.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash on hand, cash in banks and highly liquid investments with maturities of three months or less when purchased. Restricted cash principally represents those cash balances in our commodity futures brokerage accounts that are restricted from withdrawal.

The following table provides a reconciliation of the total cash, cash equivalents and restricted cash reported on the Consolidated Balance Sheets to the corresponding amounts reported on the Consolidated Statements of Cash Flows.

	2022	2021
Cash and cash equivalents	$ 62	$ 197
Restricted cash	43	21
Cash, cash equivalents and restricted cash	$ 105	$ 218

Inventories

Inventories principally comprise natural gas, liquefied natural gas and, to a lesser extent, propane. Our inventories are stated at the lower of cost or net realizable value. We determine cost using an average cost method.

Property, Plant and Equipment and Related Depreciation

We record property, plant and equipment at the lower of original cost or fair value, if impaired. Capitalized costs include labor, materials and other direct and indirect costs, and for certain operations subject to cost-of-service rate regulation, AFUDC. We also include in property, plant and equipment costs associated with computer software we develop or obtain for use in our business. The amounts assigned to property, plant and equipment of acquired businesses are based upon estimated fair value at date of acquisition. When we retire or otherwise dispose of plant and equipment, we eliminate the associated cost and accumulated depreciation and recognize any resulting gain or loss in "Other operating (income) expense, net" on the Consolidated Statements of Comprehensive Income.

We record depreciation expense on plant and equipment on a straight-line basis over estimated economic useful lives. Our natural gas production assets are depreciated on the units of production method. We classify amortization of computer software and related IT system installation costs included in property, plant and equipment as depreciation expense. No depreciation expense is included in "Cost of sales" on the Consolidated Statements of Comprehensive Income.

Goodwill and Intangible Assets.

Intangible Assets. We amortize intangible assets over their estimated useful lives unless we determine their lives to be indefinite. Estimated useful lives of definite-lived intangible assets, primarily consisting of customer relationships, generally do not exceed 15 years except for customer relationships at CMG which have an estimated useful life of 35 years.

We test definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the associated carrying amounts may be impaired. Determining whether an impairment loss occurred requires comparing the carrying amount to the estimated fair value of the asset in accordance with ASC 820. There were no such indicators identified in Fiscal 2022 or Fiscal 2021.

Goodwill. We do not amortize goodwill, but test it at least annually for impairment at the reporting unit level. A reporting unit is an operating segment, or one level below an operating segment (a component) if it constitutes a business for which discrete financial information is available and regularly reviewed by segment management. Components are aggregated into a single reporting unit if they have similar economic characteristics. A reporting unit with goodwill is required to perform an impairment test annually or whenever events or circumstances indicate that the value of goodwill may be impaired.

We are required to recognize an impairment charge under GAAP if the carrying amount of a reporting unit exceeds its fair value. From time to time, we may assess qualitative factors to determine whether it is more likely than not that the fair value of such reporting unit is less than its carrying amount. We may bypass the qualitative assessment and perform the quantitative assessment by comparing the fair values of the reporting units with their carrying amounts, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to such excess but not to exceed the total amount of the goodwill of the reporting unit. There were no accumulated goodwill impairment losses at September 30, 2022 and 2021. For further information on our goodwill and intangible assets, see Note 9.

Impairment of Long-Lived Assets

Impairment testing for long-lived assets or an asset group is required when circumstances indicate that such assets may be impaired. If it is determined that a triggering event has occurred, we perform a recoverability test based upon estimated undiscounted cash flow projections expected to be realized over the remaining useful life of the long-lived asset. If the undiscounted cash flows used in the recoverability test are less than the long-lived asset's carrying amount, we determine its fair value. If the fair value is determined to be less than its carrying amount, the long-lived asset is reduced to its estimated fair value and an impairment loss is recognized in an amount equal to such shortfall. When determining whether a long-lived asset has been impaired, management groups assets at the lowest level that has identifiable cash flows.

No provisions for impairments of long-lived assets were recorded during Fiscal 2022 and Fiscal 2021.

Asset Retirement Obligation

The Company accounts for AROs in accordance with GAAP which requires that an ARO be recorded when a legal obligation to retire an asset exists, and such obligation can be reasonably estimated. The Company has determined that it has legal obligations associated with certain of its property, plant and equipment primarily those associated with its natural gas gathering assets.

The obligations associated with its natural gas gathering assets relate primarily to purging and sealing pipelines if abandoned and, in certain instances, the removal of such facilities. With respect to the Company’s natural gas gathering and certain of its other assets, AROs were not recorded because the Company plans to operate and maintain these natural gas gathering and other facilities as long as supply and demand for natural gas and natural gas liquids exists, which the Company expects for the foreseeable future. Therefore, the Company believes that these assets have indeterminate lives, and no AROs were recorded at September 30, 2022 and 2021. The Company continues to evaluate its AROs and future developments that could impact its AROs.

Subsequent Events. Management has evaluated the impact of subsequent events through December 21, 2022, the date these financial statements were issued, and the effects of such evaluation have been reflected in the financial statements and related disclosures.

Note 3 — Accounting Changes

New Accounting Standard Adopted in Fiscal 2022

Income Taxes. Effective October 1, 2021, the Company adopted ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" prospectively and retrospectively where deemed applicable. This ASU simplifies the accounting for income taxes by eliminating certain exceptions within the existing guidance for recognizing deferred taxes for equity method investments, performing intraperiod allocations and calculating income taxes in interim periods. Further, this ASU clarifies existing guidance related to, among other things, recognizing deferred taxes for goodwill and allocated taxes to members of a consolidated group. The adoption of the new guidance did not have a material impact on our consolidated financial statements.

Note 4 — Revenue from Contracts with Customers

Energy Services recognizes revenue when control of promised goods or services is transferred to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Energy Services generally has the right to consideration from a customer in an amount that corresponds directly with the value to the customer for performance completed to date. As such, we have elected to recognize revenue in the amount to which we have a right to invoice except in the case of certain of our peaking contracts for which we recognize revenue on a straight-line basis over the term of the contract, consistent with when the performance obligations are satisfied by Energy Services.

We do not have a significant financing component in our contracts because we receive payment shortly before, at, or shortly after the transfer of control of the good or service. Because the period between the time the performance obligation is satisfied and payment is received is generally one year or less, Energy Services has elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Energy Services revenues from contracts with customers are discussed below.

Energy Marketing. Energy Services operates energy marketing businesses that sell energy commodities, principally natural gas, including RNG, and electricity, to residential, commercial, industrial and wholesale customers.

Energy Services markets natural gas and electricity on full-requirements or agreed-upon volume bases under contracts with varying length terms and at fixed or floating prices that are based on market indices adjusted for differences in price between the market location and delivery locations. Performance obligations associated with these contracts primarily comprise the delivery of the natural gas and electricity over a contractual period of time. Performance obligations also include other energy-related ancillary services provided to customers such as capacity. For performance obligations that are satisfied at a point in time such as the delivery of natural gas, revenue is recorded when customers take control of the natural gas. Revenue is recorded for performance obligations that qualify as a series, when customers consume the natural gas or electricity is delivered, which corresponds to the amount invoiced to the customer. For transactions where the price or volume is not fixed, the transaction price is not determined until delivery occurs. The billed amount, and the revenue recorded, is based upon consumption by the customer.

Midstream. Energy Services provides natural gas pipeline transportation, natural gas gathering, natural gas processing and natural gas underground storage services, which generally contain a performance obligation for Energy Services to have availability to transport or store a product. Additionally, Energy Services provides stand-ready services to sell supplemental energy products and related services, primarily LNG and propane-air mixtures during periods of high demand that typically result from cold weather. Energy Services also sells LNG to end-user customers for use by trucks, drilling rigs and other motor vehicles and equipment, and facilities that are located off the natural gas grid.

Contracts for natural gas transportation and gathering services are typically long-term contracts with terms of up to 30 years, while contracts for storage are typically for one-year or multiple storage season periods. Contracts to provide natural gas during periods of high demand have terms of up to 15 years. Contracts to sell LNG for trucks, drilling rigs and other motor vehicles and equipment are typically short-term (less than one year). Depending on the type of services provided or goods sold, midstream revenues may consist of demand rates, commodity rates, and transportation rates and may include other fees for ancillary services. Pipeline transportation, natural gas gathering and storage services provided and services to stand ready to sell supplemental energy products and services each are considered to have a single performance obligation satisfied through the passage of time ratably based upon providing a stand-ready service generally on a monthly basis. Contracts to sell LNG to end-user customers contain performance obligations to deliver LNG over the term of the contract and revenue is recognized at a point in time when the control of the energy products is transferred to the customer. The price in the contract corresponds to our efforts to satisfy the performance obligation and reflects the consideration we expect to receive for the satisfied performance obligation, and, therefore, the revenue is recognized based on the volume delivered and the price within the contract. In cases where shipping and handling occurs prior to the LNG being delivered to the customer's storage vessel, we have elected to treat this as a cost of fulfillment and not a separate performance obligation. Revenues are typically billed and payment received monthly. Advance fees received from customers for stand-ready services are deferred as contract liabilities and revenue is recognized ratably over time as the performance obligation is satisfied over a period less than one year.

(Millions of dollars, except where indicated otherwise)

A subsidiary of Energy Services provides natural gas transportation services to customers who are generally billed at standard regulated tariff rates approved by FERC through a ratemaking process. Tariff rates include a component that provides for a reasonable opportunity to recover operating costs and expenses and to earn a return on net investment.

Electricity Generation. UGID sells power generated from electricity generation assets in the wholesale electricity markets administered by PJM regional transmission organization. Power contracts with PJM consist of the sale of power, capacity and ancillary services, all of which are considered a bundle of various services. Performance obligations are satisfied over time, generally on a daily basis, as electricity is delivered to and simultaneously consumed by the customer. As such, UGID has elected to recognize revenue in the amount to which we have a right to invoice which is based on market prices at the time of the delivery of the electricity to the customers.

Revenue Disaggregation

The following table presents our disaggregated revenues during Fiscal 2022 and Fiscal 2021:

	2022	2021
Revenues from contracts with customers:		
Energy Marketing	$ 1,917	$ 1,085
Midstream:		
Pipeline	211	181
Peaking	153	114
Other	9	8
Electricity Generation	34	13
Total revenues from contracts with customers	2,324	1,401
Other revenues (a)	(2)	(10)
Total revenues	$ 2,322	$ 1,391

(a) Represents rental revenues from certain assets and gains and losses on commodity derivative instruments not associated with current-period transactions that are not within the scope of ASC 606 and are accounted for in accordance with other GAAP.

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers or cash receipts. Contract assets represent our right to consideration after the performance obligations have been satisfied when such right is conditioned on something other than the passage of time. There were no material contract assets at September 30, 2022 and 2021. Substantially all of our receivables are unconditional rights to consideration and are included in "Accounts receivable" on the Consolidated Balance Sheets. Amounts billed are generally due within the following month.

Contract liabilities arise when payment from a customer is received before the performance obligations have been satisfied and represent the Company’s obligations to transfer goods or services to a customer for which we have received consideration. The balances of contract liabilities were $9 and $5 at September 30, 2022 and 2021, respectively, and are included in “Other current liabilities” on the Consolidated Balance Sheets.

Note 5 — Acquisitions

Acquisitions of Assets

Pennant. As of September 30, 2021, Energy Services held a 47% membership interest in Pennant, a natural gas gathering system located in northeast Ohio and western Pennsylvania. During Fiscal 2022, Energy Services, completed the Pennant Acquisition in which the Company acquired the remaining 53% of the equity interests in Pennant for total cash consideration of approximately $61. The Pennant Acquisition was funded using available cash. The acquisition of the remaining interests has been accounted for as an acquisition of assets, and the purchase price has been primarily allocated to property, plant and equipment. See Note 15 for additional information related to the acquired interest in Pennant.

Stonehenge. On January 27, 2022, Energy Services completed the Stonehenge Acquisition in which the Company acquired all of the equity interests in Stonehenge for total cash consideration of approximately $190. The Stonehenge business includes a natural gas gathering system, located in western Pennsylvania, with more than 47 miles of pipeline and associated compression assets. The Stonehenge Acquisition is consistent with our growth strategies, including expanding our midstream natural gas gathering assets within the Appalachian basin production region. The Stonehenge Acquisition was funded using available cash. This transaction has been accounted for as an acquisition of assets, and the purchase price has been primarily allocated to property, plant and equipment. We refer to Stonehenge and its assets as “UGI Moraine East.”

Note 6 — Debt

Credit Facilities and Short-term Borrowings

Energy Services has a revolving credit facility under the Energy Services Credit Agreement, which expires in March 2025 and includes a $50 sublimit for letters of credit. Borrowings outstanding under this agreement, if any, are classified as “Short-term borrowings” on the Consolidated Balance Sheets. There were no borrowings outstanding under this facility as of September 30, 2022 and 2021.

Accounts Receivable Securitization Facility. Energy Services has a Receivables Facility with an issuer of receivables-backed commercial paper. On October 21, 2022, the expiration date of the Receivables Facility was extended to October 20, 2023. The Receivables Facility provides Energy Services with the ability to borrow up to $150 of eligible receivables during the period October 21, 2022 through April 30, 2023, and up to $75 of eligible receivables during the period May 1, 2023 through October 20, 2023. Energy Services uses the Receivables Facility to fund working capital, margin calls under commodity futures contracts, capital expenditures, dividends and for general corporate purposes.

Under the Receivables Facility, Energy Services transfers, on an ongoing basis and without recourse, its trade accounts receivable to its wholly-owned, special purpose subsidiary, ESFC, which is a consolidated VIE for financial statement purposes. ESFC, in turn, has sold and, subject to certain conditions, may from time to time sell, an undivided interest in some or all of the receivables to a major bank. Amounts sold to the bank are reflected as “Short-term borrowings” on the Consolidated Balance Sheets. ESFC was created and has been structured to isolate its assets from creditors of Energy Services and its affiliates, including UGI. Trade receivables sold to the bank remain on the Company’s balance sheet and the Company reflects a liability equal to the amount advanced by the bank. ESFC's accounts are primarily comprised of the trade accounts receivable transferred from Energy Services and the related liability, if any, for amounts sold to the bank. The Company records interest expense on amounts owed to the bank. Energy Services continues to service, administer and collect trade receivables on behalf of the bank, as applicable.

(Millions of dollars, except where indicated otherwise)

Information regarding the amounts of trade receivables transferred to ESFC and the amounts sold to the bank are as follows:

	2022	2021
Trade receivables transferred to ESFC during the year	$ 2,221	$ 1,353
ESFC trade receivables sold to the bank during the year	$ 152	$ 308
ESFC trade receivables - end of year (a)	$ 101	$ 61

(a) At September 30, 2022 and 2021, there were no ESFC trade receivables sold to the bank.

Long Term Debt

Long-term debt comprises the following at September 30:

	2022	2021
Variable-rate term loan due through August 2026 (a)	$ 677	$ 684
Other (b)	40	42
Total long-term debt	717	726
Less: unamortized debt issuance costs	(7)	(10)
Less: current maturities	(10)	(10)
Total long-term debt due after one year	$ 700	$ 706

(a) At September 30, 2022 and 2021, the effective interest rate on the term loan was 5.13% and 5.23%, respectively. We have entered into a pay-fixed, receive variable interest rate swap to effectively fix the underlying variable rate on a significant portion of these borrowings through July 2024. Term loan borrowings are due in equal quarterly installments of $2, with the balance of the principal being due in full at maturity. Under certain circumstances, Energy Services is required to make additional principal payments if the consolidated total leverage ratio, as defined, is greater than defined thresholds. This term loan is collateralized by substantially all of the assets of Energy Services, subject to certain exceptions and carveouts including, but not limited to, accounts receivable and certain real property.

(b) Amounts consist of a finance lease liability with a weighted average remaining lease term of approximately 28 years as of September 30, 2022. The weighted average discount rate on this lease liability was 6.4% for both periods presented. The associated ROU asset as of September 30, 2022 and 2021 was $44 and $45, respectively, and is included within the "Buildings and improvements" category of property, plant and equipment disclosed in Note 8.

Scheduled principal repayments of long-term debt and finance leases for each of the next five fiscal years ending September 30 are as follows: Fiscal 2023 - $10; Fiscal 2024 - $7; Fiscal 2025 - $7; Fiscal 2026 - $656; There are no principal repayments due in Fiscal 2027.

Restrictive Covenants. Our long-term debt and the Energy Services Credit Agreement generally contain customary covenants and default provisions which may include, among other things, restrictions on the incurrence of additional indebtedness and also restrict liens, guarantees, investments, loans and advances, payments, mergers, consolidations, asset transfers, transactions with affiliates, sales of assets, acquisitions and other transactions. The agreement contains standard provisions which require compliance with certain financial ratios. Energy Services was in compliance with all debt covenants as of September 30, 2022.

(Millions of dollars, except where indicated otherwise)

Note 7 — Income Taxes

The provisions for income taxes consist of the following:

	2022	2021
Current expense (benefit):		
Federal	$ 23	$ (20)
State	5	(3)
Total current expense (benefit)	28	(23)
Deferred expense (benefit):		
Federal	13	62
State	(17)	30
Total deferred (benefit) expense	(4)	92
Total income tax expense	$ 24	$ 69

A reconciliation from the statutory federal tax rate to our effective tax rate is as follows:

	2022	2021
Statutory federal tax rate	21.0 %	21.0 %
Difference in tax rate due to:		
Effect of U.S. tax legislation	—	(7.7)
Effect of state tax legislation, net of federal benefit	(12.7)	—
State income taxes, net of federal benefit	7.1	7.2
Allowance for funds used during construction	—	(0.3)
Tax impacts of PennEast impairment	(1.0)	11.4
Other, net	(0.3)	0.4
Effective tax rate	14.1 %	32.0 %

In July 2022, tax legislation was enacted in Pennsylvania reducing the state's corporate net income tax rate from 9.99% to 4.99% over a nine year period, beginning with an initial reduction to 8.99% commencing in Fiscal 2024. The legislation resulted in a $20 benefit being recorded in Fiscal 2022 based on the Company's analysis of future reversals of net deferred tax liabilities.

On March 27, 2020, the CARES Act was enacted into law. The primary tax impact of the legislation was the change in federal net operating loss carryback rules which allowed the Company's U.S. federal tax losses generated in Fiscal 2021 to be carried back to Fiscal 2016. The carryback of the Fiscal 2021 U.S. federal tax losses from a 21% rate environment to offset taxable income in Fiscal 2016 in a 35% rate environment generated an incremental benefit of $16. At September 30, 2022 and 2021, the Company had income taxes receivable of $29 and $37, respectively, included in "Prepaid expenses and other current assets" on the Consolidated Balance Sheets.

(Millions of dollars, except where indicated otherwise)

Deferred tax liabilities (assets) comprise the following at September 30:

	2022	2021
Gross deferred tax liabilities:		
Excess book basis over tax basis of property, plant and equipment	$ 243	$ 228
Derivative financial instruments	48	41
Goodwill and other intangible assets	22	15
ROU assets	11	11
Total gross deferred tax liabilities	324	295
Gross deferred tax assets:		
State net operating loss carryforwards	(4)	(7)
Inventory capitalization	(3)	(6)
Investments in equity method investees	(19)	(2)
Lease liabilities	(11)	(12)
Other	(13)	(9)
Total gross deferred tax assets	(50)	(36)
Deferred tax assets valuation allowance	22	27
Net deferred tax liabilities	$ 296	$ 286

We join with UGI and its subsidiaries in filing a consolidated federal income tax return. We are charged or credited for our share of current taxes resulting from the effects of our transactions in the UGI consolidated federal income tax return including giving effect to intercompany transactions. UGI's federal income tax returns are settled through the tax year 2018.

In Fiscal 2022 and Fiscal 2021, we joined with UGI as disregarded entities in filing state tax returns. We are charged or credited for our share of current taxes resulting from the effects of our transactions in the UGI combined state income tax returns including giving effect to intercompany transactions. We file separate company income tax returns in a number of states but are subject to state income tax principally in Pennsylvania. Pennsylvania income tax returns are generally subject to examination for a period of three years after the filing of the respective returns.

Valuation allowances against deferred tax assets decreased in Fiscal 2022 due to an adjustment to capital losses from the PennEast investment.

At September 30, 2022 and 2021, unrecognized income tax benefits were not material.

Note 8 — Property, Plant and Equipment

Property, plant and equipment comprise the following at September 30:

	2022	2021	Estimated Useful Life
Land	$ 20	$ 18	
Buildings and improvements	70	69	30 - 40 years
Storage and distribution facilities	434	431	15 - 40 years
Electricity generation assets	216	211	22 - 40 years
Pipeline and related assets	1,523	1,218	25 - 40 years
Other	31	32	3 - 13 years
Construction in process	17	9	
Gross property, plant and equipment	$ 2,311	$ 1,988	

Depreciation expense totaled $68 and $64 for Fiscal 2022 and Fiscal 2021, respectively.

(Millions of dollars, except where indicated otherwise)

Note 9 — Goodwill and Intangible Assets

Changes in the carrying amount of goodwill are as follows:

Balance at September 30, 2020	$	336
Purchase accounting adjustments	$	1
Balance at September 30, 2021	$	337
Balance at September 30, 2022	$	337

Intangible assets comprise the following at September 30:

	2022		2021	
Customer relationships	$	295	$	299
Land development rights and other		26		26
Accumulated amortization		(71)		(63)
Intangible assets, net	$	250	$	262

Amortization expense of intangible assets was $13 and $18 for Fiscal 2022 and Fiscal 2021, respectively. Estimated amortization expense of intangible assets during the next five fiscal years is as follows: Fiscal 2023 — $10; Fiscal 2024 — $10; Fiscal 2025 — $10; Fiscal 2026 — $10; Fiscal 2027 — $10.

Note 10 — Commitments and Contingencies

There are currently no pending claims or legal actions that could have a material adverse effect on our financial position or results of operations.

Note 11 — Fair Value Measurements

Derivative Instruments

The following table presents on a gross basis, our financial assets and liabilities including both current and noncurrent portions, that are measured at fair value on a recurring basis within the fair value hierarchy as described in Note 2.

	Asset (Liability)							
	Level 1		Level 2		Level 3		Total	
September 30, 2022								
Derivative instruments:								
Assets:								
Commodity contracts	$	368	$	30	$	—	$	398
Interest rate contracts	$	—	$	31	$	—	$	31
Liabilities:								
Commodity contracts	$	(263)	$	(14)	$	—	$	(277)
September 30, 2021								
Derivative instruments:								
Assets:								
Commodity contracts	$	314	$	31	$	—	$	345
Liabilities:								
Commodity contracts	$	(196)	$	(12)	$	—	$	(208)
Interest rate contracts	$	—	$	(18)	$	—	$	(18)

The fair values of our Level 1 exchange-traded commodity futures and non exchange-traded commodity futures and forward contracts are based upon actively quoted market prices for identical assets and liabilities. The remainder of our derivative instruments are designated as Level 2. The fair values of certain non-exchange traded commodity derivatives designated as Level 2 are based upon indicative price quotations available through brokers, industry price publications or recent market transactions and related market indicators. The fair values of our Level 2 interest rate contracts are based upon third party quotes or indicative values based on recent market transactions.

Note 12 — Derivative Instruments and Hedging Activities

We are exposed to certain market risks related to our ongoing business operations. Management uses derivative financial and commodity instruments, among other things, to manage: (1) commodity price risk and (2) interest rate risk. Although we use derivative financial and commodity instruments to reduce market risk associated with forecasted transactions, we do not use derivative financial and commodity instruments for speculative or trading purposes. The use of derivative instruments is controlled by our risk management and credit policies, which govern, among other things, the derivative instruments we can use, counterparty credit limits and contract authorization limits. Although our commodity derivative instruments extend over a number of years, a significant portion of our commodity derivative instruments economically hedge commodity price risk during the next twelve months. For information on the accounting for our derivative instruments, see Note 2.

The following summarizes the types of derivative instruments used by the Company to manage certain market risks:

Commodity Price Risk

In order to manage market price risk relating to fixed-price sales contracts for natural gas and electricity, the Company enters into NYMEX and over-the-counter natural gas futures, forward and options contracts, ICE natural gas basis swap contracts, and electricity futures and forward physical contracts. The Company also uses NYMEX and over the counter electricity futures contracts to economically hedge the price of a portion of its anticipated future sales of electricity from its electric generation facilities. Also, Energy Services, from time to time, uses NYMEX futures contracts to economically hedge the gross margin associated with the purchase and anticipated later near-term sale of propane. At September 30, 2022 and 2021, volumes associated with these propane contracts were not material.

Interest Rate Risk

Energy Services has a variable-rate term loan that is indexed to a short-term market interest rate. In order to fix the underlying short-term market interest rate, Energy Services has entered into a pay-fixed, receive-variable interest rate swap to effectively fix the underlying variable rate on a significant portion of the loan's tenor through July 2024. We have designated this interest rate swap as a cash flow hedge. At September 30, 2022, the amount of pre-tax net gains associated with this interest rate swap expected to be reclassified into earnings during the next twelve months based upon current fair values is approximately $17.

Quantitative Disclosures Related to Derivative Instruments

The following table summarizes by derivative type the gross notional amounts related to open derivative contracts at September 30, 2022 and 2021 and the final settlement dates of the Company's open derivative contracts as of September 30, 2022, excluding those derivatives that qualified for the NPNS exception:

			Notional Amounts (in millions)	
			September 30,	
Type	Units	Settlements Extending Through	2022	2021
Commodity Price Risk:				
Natural gas futures, forward, basis swap, options and pipeline contracts	Dekatherms	October 2026	335	310
Electricity forward and futures contracts	Kilowatt hours	December 2026	816	879
Interest Rate Risk:				
Interest rate swaps	USD	July 2024	$ 642	$ 649

Derivative Instrument Credit Risk

We are exposed to risk of loss in the event of nonperformance by our derivative instrument counterparties. Our derivative instrument counterparties principally comprise large energy companies and major U.S. and international financial institutions. We maintain credit policies with regard to our counterparties that we believe reduce overall credit risk. These policies include evaluating and monitoring our counterparties' financial condition, including their credit ratings, and entering into agreements with counterparties that govern credit limits or entering into netting agreements that allow for offsetting counterparty receivable and payable balances for certain financial transactions, as deemed appropriate.

We have concentrations of credit risk associated with derivative instruments and we evaluate the creditworthiness of our derivative counterparties on an ongoing basis. As of September 30, 2022, the maximum amount of loss, based upon the gross fair values of the derivative instruments, we would incur if these counterparties failed to perform according to the terms of their contracts was $429. In general, many of our over-the-counter derivative instruments and all exchange contracts call for the posting of collateral by the counterparty or by the Company in the forms of letters of credit, parental guarantees or cash. At September 30, 2022, we had received cash collateral from derivative instrument counterparties totaling $89. In addition, we may have offsetting derivative liabilities and certain accounts payable balances with certain of these counterparties, which further mitigates the previously mentioned maximum amount of losses. We generally do not have credit-risk-related contingent features in our derivative contracts.

Offsetting Derivative Assets and Liabilities

Derivative assets and liabilities are presented net by counterparty on the Consolidated Balance Sheets if the right of offset exists. We offset amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against amounts recognized for derivative instruments executed with the same counterparty. Our derivative instruments include both those that are executed on an exchange through brokers and centrally cleared and over-the-counter transactions. Exchange contracts utilize a financial intermediary, exchange, or clearinghouse to enter, execute, or clear the transactions. Over-the-counter contracts are bilateral contracts that are transacted directly with a third party. Certain over-the-counter and exchange contracts contain contractual rights of offset through master netting arrangements, derivative clearing agreements, and contract default provisions. In addition, the contracts are subject to conditional rights of offset through counterparty nonperformance, insolvency or other conditions.

In general, many of our over-the-counter transactions and all exchange contracts are subject to collateral requirements. Types of collateral generally include cash or letters of credit. Cash collateral paid by us to our over-the-counter derivative counterparties, if any, is reflected in the table below to offset derivative liabilities. Cash collateral received by us from our over-the-counter derivative counterparties, if any, is reflected in the table below to offset derivative assets. Certain other accounts receivable and accounts payable balances recognized on the Consolidated Balance Sheets with our derivative counterparties are not included in the table below but could reduce our net exposure to such counterparties because such balances are subject to master netting or similar arrangements.

(Millions of dollars, except where indicated otherwise)

Fair Value of Derivative Instruments

The following table presents the Company's derivative assets and liabilities by type, as well as the effects of offsetting, as of September 30:

	2022	2021
Derivative assets:		
Derivatives designated as hedging instruments:		
Interest rate contracts	$ 31	$ —
Derivatives not designated as hedging instruments:		
Commodity contracts	398	345
Total derivative assets - gross	429	345
Gross amounts offset in balance sheet	(230)	(182)
Cash collateral received	(89)	(79)
Total derivative assets - net	$ 110	$ 84
Derivative liabilities:		
Derivatives designated as hedging instruments:		
Interest rate contracts	$ —	$ (18)
Derivatives not designated as hedging instruments:		
Commodity contracts	(277)	(208)
Total derivative liabilities - gross	(277)	(226)
Gross amounts offset in balance sheet	230	182
Cash collateral pledged	2	—
Total derivative liabilities - net	$ (45)	$ (44)

Effect of Derivative Instruments

The following tables provide information on the effects of derivative instruments on the Consolidated Statements of Comprehensive Income for Fiscal 2022 and Fiscal 2021:

	Gain Recognized in AOCI		Loss Reclassified from AOCI into Income		Location of Gain (Loss) Reclassified from AOCI into Income
	2022	2021	2022	2021	
Cash Flow Hedges:					
Interest rate contracts	$ 45	$ 4	$ (5)	$ (10)	Interest expense

	Gain (Loss) Recognized in Income		Location of Gain (Loss) Recognized in Income
	2022	2021	
Derivatives Not Designated As Hedging Instruments:			
Commodity contracts	$ (2)	$ (17)	Revenues
Commodity contracts	243	161	Cost of sales
Total	$ 241	$ 144	

(Millions of dollars, except where indicated otherwise)

We are also a party to a number of other contracts that have elements of a derivative instrument however these contracts qualify for NPNS exception accounting under GAAP because they provide for the delivery of products or services in quantities that are expected to be used in the normal course of operating our business and the price in the contract is based on an underlying that is directly associated with the price of the product or service being purchased or sold. These contracts include, among others, binding purchase orders, contracts that provide for the purchase and delivery, or sale, of energy products, and service contracts that require the counterparty to provide commodity storage, transportation or capacity service to meet our normal sales commitments.

Note 13 — Accumulated Other Comprehensive Income

AOCI activity is related to a pay-fixed, receive-variable interest rate contract used to fix the variable rate on the Energy Services variable-rate term loan (see Note 6). Changes in AOCI, net of tax, during Fiscal 2022 and Fiscal 2021 are as follows:

	Derivative Instruments
AOCI - September 30, 2020	$ (22)
Other comprehensive income before reclassification adjustments	3
Amounts reclassified from AOCI	7
Other comprehensive income	10
AOCI - September 30, 2021	$ (12)
Other comprehensive income before reclassification adjustments	32
Amounts reclassified from AOCI	4
Other comprehensive income	36
AOCI - September 30, 2022	$ 24

Note 14 — Related Party Transactions

Income taxes. The Company joins with UGI and its subsidiaries in filing a consolidated federal income tax return and the Company and its subsidiaries are considered disregarded entities in the filing of combined state income tax returns. For further information on income taxes, see Notes 2 and 7.

SCAA Activities. From time to time, Energy Services is a party to SCAAs with UGI Utilities which have terms of up to three years. Under the SCAAs, UGI Utilities has, among other things, released certain natural gas storage and transportation contracts (subject to recall for operational purposes) to Energy Services for the terms of the SCAAs. UGI Utilities also transferred certain associated natural gas storage inventories upon the commencement of the SCAAs, receives a transfer of storage inventories at the end of the SCAAs, and makes payments associated with refilling storage inventories during the term of the SCAAs. Energy Services receives payments from UGI Utilities for storage inventories and pipeline transportation and storage capacity charges associated with SCAAs. Energy Services, in turn, provides a firm delivery service and makes certain payments to UGI Utilities for its various obligations under the SCAAs. In conjunction with the SCAAs, Energy Services pays UGI Utilities security deposits.

Gas Supply and Delivery Services. UGI Utilities purchases natural gas and pipeline capacity from Energy Services. Additionally, UGI Utilities has gas supply and delivery service agreements with Energy Services pursuant to which Energy Services provides certain gas supply and related delivery service to UGI Utilities.

From time to time, Energy Services purchases natural gas or pipeline capacity from UGI Utilities. Also from time to time, Energy Services sells natural gas and pipeline capacity to UGI Utilities (in addition to those transactions already described above) and sells a firm storage service from a subsidiary of Energy Services, under one-year agreements.

Administrative Services. UGI provides certain financial and administrative services to the Company. UGI bills the Company monthly for all direct expenses and for an allocated share of indirect corporate expenses incurred or paid on behalf of the Company. The allocation of indirect UGI corporate expenses to the Company utilizes a weighted, three-component formula comprising revenues, operating expenses and net assets employed and considers the Company's relative percentage of such items to the total of such items for all UGI operating subsidiaries for which general and administrative services were provided. Management believes that this allocation method is reasonable and equitable to the Company.

(Millions of dollars, except where indicated otherwise)

Propane Sales. From time to time, Energy Services sells propane to AmeriGas on an as needed basis. The sales price is generally based on market prices at the time of sale. There were no sales of propane by Energy Services to AmeriGas during Fiscal 2022 and Fiscal 2021.

The following related party amounts are included in our Fiscal 2022 and Fiscal 2021 Consolidated Statements of Income:

	2022	2021	Classification on the Consolidated Statements of Comprehensive Income
SCAA Activities:			
SCAA revenues	$ 41	$ 19	Revenues
Costs of SCAA and firm delivery service	$ 1	$ 2	Cost of sales
Gas Supply and Delivery Service:			
Gas supply and delivery service revenues	$ 327	$ 205	Revenues
Costs of natural gas and pipeline capacity purchases	$ 104	$ 62	Cost of sales
Administrative Services:			
Administrative services provided by UGI	$ 14	$ 16	Operating and administrative expenses

The following related party balances are included in our Consolidated Balance Sheets at September 30, 2022 and 2021:

	2022	2021	Classification on the Consolidated Balance Sheets
SCAA security deposits	$ 8	$ 7	Prepaid expenses and other current assets

Note 15 — Equity Method Investments

Our investments noted below are accounted for under the equity method of accounting as we have the ability to exercise significant influence, but not control, over these entities. These are included in "Investments in equity method investees" on the Consolidated Balance Sheets. Equity method earnings are included in "Loss from equity method investees" on the Consolidated Statements of Comprehensive Income. During Fiscal 2022 and Fiscal 2021, the Company's principal equity method investments comprised Pine Run, Pennant and PennEast.

Pine Run

The Company has an approximately 49% interest in Pine Run, a company jointly owned by Stonehenge Energy Resources and UGI Pine Run, LLC. In February 2021, Pine Run, completed the acquisition of Pine Run Midstream, an affiliate of PennEnergy, and minority partners for approximately $205. The acquisition was funded by cash contributions by UGI Pine Run, LLC and Stonehenge Energy Resources totaling approximately $115, and the issuance by Pine Run of $90 of long-term debt. Pine Run Midstream operates dry gas gathering pipelines and compression assets in western Pennsylvania. Pine Run is accounted for as an equity method investment as we have the ability to exercise significant influence, but not control, over the entity. The carrying value of our investment in Pine Run at September 30, 2022 and 2021 was $68 and $60, respectively.

Pennant

As of September 30, 2021, the Company held a 47% membership interest in Pennant, a natural gas gathering system located in northeast Ohio and western Pennsylvania. In Fiscal 2022, relating to the Company's acquisition of a controlling interest in Pennant, the Company recognized an other-than-temporary pre-tax impairment charge of $44 related to its 47% membership interest, which was recorded in "Loss from equity method investees" in the Consolidated Statements of Income. The estimated fair value of the investment in Pennant was measured using the market approach, which considered the price for the acquisition of the remaining interest in the investment adjusted for a control premium. The estimated fair value of the Company's investment in Pennant was determined to be a Level 2 measurement within the fair value hierarchy. The Company acquired the outstanding interest in Pennant during the fourth quarter of Fiscal 2022. See Note 5 for additional information related to the acquired interest in Pennant. The carrying value of our investment in Pennant at September 30, 2021 was $93.

PennEast

UGI PennEast, LLC and four other members comprising wholly owned subsidiaries of Southern Company, New Jersey Resources, South Jersey Industries, and Enbridge, Inc., each hold a 20% membership interest in PennEast. PennEast was formed to construct an approximate 120-mile natural gas pipeline from Luzerne County, Pennsylvania to the Trenton-Woodbury interconnection in New Jersey. PennEast is accounted for as an equity method investment as we have the ability to exercise significant influence, but not control, over PennEast. In September 2019, a panel of the U.S. Court of Appeals for the Third Circuit ruled that New Jersey's Eleventh Amendment immunity barred PennEast from bringing an eminent domain lawsuit in federal court, under the Natural Gas Act, against New Jersey or its agencies. On February 3, 2021, the U.S. Supreme Court issued an order granting PennEast's petition for a writ of certiorari and the case was argued on April 28, 2021. On June 29, 2021, the U.S. Supreme Court ruled in favor of PennEast, overturning the Third Circuit's decision that blocked PennEast from exercising federal eminent domain authority over lands in which a state has property rights interests.

Following the favorable Supreme Court decision, the partners of the PennEast project re-assessed the remaining legal and regulatory contingencies which needed to be resolved before construction could commence. Based on the significant remaining legal challenges and the expected further delays in obtaining the necessary regulatory approvals, which were preventing the commencement of construction and commercial operation of the project, the Company concluded that its investment in PennEast was impaired at June 30, 2021, and that such impairment was other-than-temporary. The estimated fair value of the Company's investment in PennEast was measured using probability-weighted cash flows under an expected present value technique based on management's estimates and assumptions regarding the likelihood of certain outcomes (and the related timing) that would be used by market participants at the time. Based upon this analysis, the Company recognized an other-than-temporary pre-tax impairment charge of $93 in June 2021, which is recorded in "Loss from equity method investees" in the Consolidated Statements of Income.

On September 27, 2021, the PennEast partners announced that further development of the project is no longer supported. Following this announcement, the estimated fair value was assessed using the liquidation value of equipment held by PennEast and did not result in a significant change compared to June 30, 2021 and no further impairment loss was recognized. The estimated fair value of the Company's investment in PennEast was determined to be a Level 2 measurement within the fair value hierarchy. During Fiscal 2022, the Company recognized $9 of equity earnings related to the ongoing liquidation of PennEast assets. The carrying value of our investment in PennEast at September 30, 2022 and 2021 was not material.

Other Equity Method Investments

Our other equity method investments totaled $41 and $8 at September 30, 2022 and 2021, respectively, and principally comprise investments in biomass and other renewable energy projects. Our maximum exposure to loss related to these investments is limited to the amount invested.

At September 30, 2022, the principal investment comprises the Company's investment in developing RNG projects in South Dakota, through MBL Bioenergy between UGI Dakota, LLC, Sevana Bioenergy and a subsidiary of California Bioenergy. The sole purpose of MBL Bioenergy is the development of RNG projects in South Dakota comprising three dairy waste anaerobic digester systems. The carrying value of our investment in MBL Bioenergy at September 30, 2022 and 2021 was $23 and $0, respectively.

Management’s Discussion and Analysis of Financial Condition and Results of Operations
(Unaudited)

Recent Developments

During Fiscal 2021 and continuing into the current fiscal year, commodity and labor markets have experienced significant inflationary pressures attributable to various economic and political factors, including: the economic recovery and evolving consumer patterns associated with the COVID-19 pandemic; supply chain issues associated with labor shortages; and significant inflationary pressures on commodity prices, among others. These factors have led to significant volatility across various consumer price indices during Fiscal 2021 and Fiscal 2022. We have experienced substantial shifts in commodity prices, particularly in natural gas and electricity prices, which, in turn, have led to extensive mark-to-market impacts on commodity derivative instruments not associated with current-period activity. The ongoing strain on supply costs has resulted in increased inventory costs and certain distribution expenses across all of our businesses. It has also affected requirements around cash collateral and restricted cash associated with our outstanding derivatives. We cannot predict the duration or total magnitude of these factors and the total effects on our business, financial position, results of operations, liquidity or cash flows at this time. However, we continue to evaluate and react to these global economic and political conditions and remain focused on managing our financial condition and liquidity as these conditions continue to evolve.

Executive Overview

Energy Services' net income was $144 million for Fiscal 2022 compared to $145 million for Fiscal 2021. Our Fiscal 2022 results reflect after-tax losses on commodity derivative instruments not associated with current-period transactions of $19 million compared to after-tax gains of $113 million in Fiscal 2021. Fiscal 2022 and Fiscal 2021 results reflect after-tax impairment losses associated with certain equity method investments of $22 million and $93 million, respectively. Fiscal 2022 results also reflect benefits related to tax law changes of $20 million and restructuring costs of $1 million. Although these items are reflected in our GAAP results, we have excluded these items from our non-GAAP measures. See "Non-GAAP Financial Measures" below.

Excluding the impacts of commodity derivative instruments not associated with current-period transactions, the losses associated with the impairment of certain equity method investments, benefits related to tax law changes and restructuring costs, adjusted net income for Fiscal 2022 was $41 million higher than the prior year. This increase principally reflects incremental margin from capacity management, renewable energy marketing activities and incremental contributions from UGI Moraine East.

Non-GAAP Financial Measures

We present the non-GAAP measures adjusted total margin, adjusted operating income, adjusted income before income taxes and adjusted net income, in order to assist in the evaluation of our overall performance. We believe that these non-GAAP measures provide meaningful information to investors about our performance because they eliminate the impact of (1) gains and losses on commodity derivative instruments not associated with current-period transactions, principally comprising unrealized gains and losses on such derivative instruments, and (2) other significant discrete items that can affect the comparisons of period-over-period results. These financial measures are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not as a substitute for, the comparable GAAP measures.

UGI ENERGY SERVICES, LLC AND SUBSIDIARIES

The following table includes reconciliations of adjusted total margin, adjusted operating income, adjusted income before income taxes and adjusted net income to the most directly comparable financial measures calculated and presented in accordance with GAAP for the periods presented.

	Year Ended September 30,	
(Millions of dollars)	2022	2021
Adjusted total margin:		
Total revenues	$ 2,322	$ 1,391
Cost of sales	(1,897)	(860)
Total margin	425	531
Add net losses (subtract net gains) on commodity derivative instruments not associated with current-period transactions	25	(158)
Adjusted total margin	$ 450	$ 373
Adjusted operating income:		
Operating income	$ 221	$ 318
Add net losses (subtract net gains) on commodity derivative instruments not associated with current-period transactions	25	(158)
Restructuring costs	1	—
Adjusted operating income	$ 247	$ 160
Adjusted income before income taxes:		
Income before income taxes	$ 168	$ 214
Add net losses (subtract net gains) on commodity derivative instruments not associated with current-period transactions	25	(158)
Impairments of certain equity method investments	35	93
Restructuring costs	1	—
Adjusted income before income taxes	$ 229	$ 149
Adjusted net income:		
Net income	$ 144	$ 145
Add net losses (subtract net gains) on commodity derivative instruments not associated with current-period transactions	19	(113)
Impact of change in tax law	(20)	—
Impairments of certain equity method investments	22	93
Restructuring costs	1	—
Adjusted net income	$ 166	$ 125

Analysis of Results of Operations

The following analysis compares Energy Services results of operations for Fiscal 2022 with Fiscal 2021.

Energy Services	2022	2021	Increase (decrease)	
(Dollars in millions)				
Revenues	$ 2,322	$ 1,391	$ 931	67 %
Total margin (a)	$ 425	$ 531	$ (106)	(20)%
Operating and administrative expenses (b)	$ 129	$ 128	$ 1	1 %
Operating income	$ 221	$ 318	$ (97)	(31)%
Income before income taxes (c)	$ 168	$ 214	$ (46)	(21)%
Non-GAAP financial measures (d):				
Adjusted total margin	$ 450	$ 373	$ 77	21 %
Adjusted operating income	$ 247	$ 160	$ 87	54 %
Adjusted income before income taxes	$ 229	$ 149	$ 80	54 %
Adjusted net income	$ 166	$ 125	$ 41	33 %

(a) Total margin represents total revenues less total cost of sales. Total margin for Fiscal 2022 and Fiscal 2021 includes net pre-tax losses of $25 million and net pre-tax gains of $158 million, respectively, on commodity derivative instruments not associated with current-period transactions.
(b) Fiscal 2022 includes restructuring costs of $1 million.
(c) Fiscal 2022 and 2021 include net impairments of certain equity method investments of $35 million and $93 million, respectively
(d) These financial measures are non-GAAP financial measures and are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not a substitute for, the comparable GAAP measures. See "Non-GAAP Financial Measures" above.

Average temperatures across Energy Services' energy marketing territory during Fiscal 2022 were 8.1% warmer than normal and 4.3% warmer than the prior year.

Revenues in Fiscal 2022 and Fiscal 2021 include $4 million and $15 million of net unrealized losses, respectively, on commodity derivative instruments not associated with current period transactions. Excluding the effects on revenues of these commodity derivative instruments, revenues increased $920 million compared to the prior year principally reflecting increased revenues from natural gas marketing activities ($845 million), including the effects of peaking and capacity management activities, which were impacted by significantly higher average natural gas prices compared to the prior year. This increase in revenues was partially offset by lower volumes attributable to the warmer weather. Higher revenues associated with retail power and generation ($45 million) and natural gas gathering activities ($27 million) also contributed to the increase.

Cost of sales were $1,897 million in Fiscal 2022 compared to $860 million in Fiscal 2021. Cost of sales in Fiscal 2022 and Fiscal 2021 includes $21 million of net unrealized losses and $173 million of net unrealized gains, respectively, on commodity derivative instruments not associated with current-period transactions. Excluding the effects on cost of sales of these commodity derivative instruments, total cost of sales increased $843 million. This increase principally reflects higher cost of sales related to the previously mentioned natural gas marketing activities ($807 million) which include the effects of significantly higher product costs in Fiscal 2022 partially offset by the lower volumes sold. Higher cost of sales associated with retail power and generation ($40 million) also contributed to the increase.

Total margin decreased $106 million in Fiscal 2022. Adjusted total margin increased $77 million in Fiscal 2022 largely reflecting improved margin from natural gas marketing activities ($38 million), including the effects of peaking and capacity management activities, and reflects the positive impact of settlement timing of certain multi-year commodity storage hedge contracts during Fiscal 2022. The increase in total adjusted margin also includes incremental margin attributable to UGI Moraine East ($15 million), higher total margin from renewable energy marketing activities ($9 million) including the impact of increased average pricing related to environmental credits compared to Fiscal 2021, and higher retail power and generation margin ($5 million).

Operating income and income before income taxes decreased $97 million and $46 million, respectively, in Fiscal 2022. Adjusted operating income and adjusted income before income taxes increased $87 million and $80 million, respectively compared to the prior year. The increase in adjusted operating income principally reflects the increase in adjusted total margin and the absence of a contingent consideration adjustment related to the GHI acquisition in the prior year partially offset by higher depreciation and amortization expense largely attributable to UGI Moraine East. The increase in adjusted earnings before interest expense and income taxes reflects the improvement in adjusted operating income partially offset by lower income from equity-method investments

Interest Expense and Income Taxes

Interest expense in Fiscal 2022 and Fiscal 2021 was $41 and $42 million, respectively. Interest expense is attributable to borrowings on the Energy Services Term Loan, the Energy Services Credit Agreement and the Receivables Facility.

Income tax expense in Fiscal 2022 includes $20 million of tax benefit from the reduction of Pennsylvania's corporate net income tax rate and $2 million of tax benefit from adjustment of valuation allowances against capital losses. Excluding these items, the effective income tax rate was approximately 28%. Income tax expense in Fiscal 2021 includes $16 million of tax benefits resulting from the carryback of an NOL under the CARES Act and $24 million of tax expense from valuation allowances against capital losses. Excluding these items, the effective income tax rate in the prior year was also approximately 28%.

Liquidity and Capital Resources

The Company expects to have sufficient liquidity including cash on hand and available borrowing capacity, to continue to support long-term commitments and ongoing operations despite uncertainties associated with ongoing global macroeconomic conditions including, among others, changes in consumer behavior resulting from the COVID-19 pandemic, the inflationary cost environment and ongoing energy commodity price volatility. The Company's liquidity has been influenced by continued rising commodity prices experienced during Fiscal 2022 and the impacts of margin calls and collateral deposits associated with derivative instruments. In addition, the Company does not have any near-term term loan maturities. The Company cannot predict the duration or total magnitude of the uncertain economic factors mentioned above and the total effects they will have on its liquidity, debt covenants, financial condition or the timing of capital expenditures. Energy Services was in compliance with all debt covenants as of September 30, 2022.

We depend on both internal and external sources of liquidity to provide funds for working capital and to fund capital requirements. Our short-term cash requirements not met by cash from operations are generally satisfied with borrowings under our Receivables Facility and borrowings under the Energy Services Credit Agreement. Long-term cash requirements are generally met through the issuance of long-term debt. We believe that we have sufficient liquidity in the forms of cash and cash equivalents on hand; cash expected to be generated from operations; credit facility and Receivables Facility borrowings; and the ability to obtain long-term financing to meet anticipated contractual and projected cash commitments. Issuances of debt securities in the capital markets and additional credit facilities may not, however, be available to us on acceptable terms.

Our cash and cash equivalents totaled $62 million at September 30, 2022 and $197 million at September 30, 2021. Our restricted cash balances at September 30, 2022 and 2021, principally comprising cash in brokerage accounts that are restricted from withdrawal, totaled $43 million and $21 million, respectively. Our cash and cash equivalents at September 30, 2022 includes cash collateral received from derivative counterparties resulting from the impact of rising commodity prices and an accumulation of derivative assets associated with our commodity derivative instruments. Our debt outstanding at September 30, 2022, totaled $710 million (including current maturities of long-term debt of $10 million). Our debt outstanding at September 30, 2021, totaled $716 million (including current maturities of long-term debt of $10 million). Total long-term debt outstanding at September 30, 2022, including current maturities, comprises $677 million of Energy Services Term Loan and $40 million of other long-term debt principally comprising a finance lease liability, and is net of $7 million of unamortized debt issuance costs.

Credit Facilities

At September 30, 2022 and 2020, there were no borrowings outstanding under the Energy Services Credit Agreement. There were no average daily and peak short-term borrowings outstanding under the Energy Services Credit Agreement during Fiscal 2022. The average daily and peak short-term borrowings outstanding under the Energy Services Credit Agreement during Fiscal 2021 were $3 million and $32 million, respectively.

Receivables Facility. Energy Services also has a Receivables Facility with an issuer of receivables-backed commercial paper. On October 21, 2022, the expiration date of the Receivables Facility was extended to October 20, 2023. The Receivables Facility provides Energy Services with the ability to borrow up to $150 million of eligible receivables during the period October 21, 2022 through April 30, 2023, and up to $75 million of eligible receivables during the period May 1, 2023 through October 20, 2023. Energy Services uses the Receivables Facility to fund working capital, margin calls under commodity futures contracts, capital expenditures, dividends and for general corporate purposes.

At September 30, 2022 and 2021, the outstanding balance of trade receivables was $101 million and $61 million, respectively, none of which was sold to the bank. During Fiscal 2022 and Fiscal 2021, peak sales of receivables were $98 million and $87 million, respectively. During Fiscal 2022 and 2021, average daily amounts sold were $2 million and $21 million, respectively.

Cash Flows

Due to the seasonal nature of the Company's businesses, cash flows from operating activities are generally strongest during the first and second fiscal quarters when customers pay for natural gas, electricity and other energy products consumed during the peak heating season months. Conversely, operating cash flows are generally at their lowest levels during the third and fourth fiscal quarters when the Company's investment in working capital, principally inventories and accounts receivable, is generally greatest.

Cash flows from operating activities can be significantly affected by year-to-year variations in changes in operating working capital reflecting changes in energy commodity prices, principally changes in prices for natural gas. Cash flow from investing activity is principally affected by cash expenditures for property, plant and equipment and cash paid for acquisitions of businesses and assets. Changes in cash flow from financing activities are primarily due to issuances and repayments of long-term debt, short-term borrowings and capital contributions from, and cash distributions to, Enterprises.

Operating Activities: Cash flow from operating activities was $197 million in Fiscal 2022 compared to $351 million in Fiscal 2021. Cash flow from operating activities before changes in operating working capital was $273 million in Fiscal 2022 compared to $250 million in Fiscal 2021. Changes in operating working capital provided (used) operating cash flow of $(76) million in Fiscal 2022 compared to $101 million in Fiscal 2021. The increase in cash used to fund changes in operating working capital in Fiscal 2022 reflects an increase in accounts receivable, principally reflecting the effects of higher energy prices on receivable balances, and lower cash received from commodity derivative instrument collateral deposits.

Investing Activities: Cash flow used by investing activities was $303 million in Fiscal 2022 compared to $114 million in Fiscal 2021. Cash capital expenditures for property, plant and equipment totaled $38 million in Fiscal 2022 compared to $54 million in Fiscal 2021. Cash flow used by investing activities during Fiscal 2022 reflects the Stonehenge and Pennant transactions. Cash used for investments in equity method investees was $34 million in Fiscal 2022 including investments in biomass and renewable energy projects.

Financing Activities: Cash flow used by financing activities was $7 million in Fiscal 2022 and $51 million in Fiscal 2021. Such cash flows during both Fiscal 2022 and Fiscal 2021 included $7 million of repayments of long-term debt. During Fiscal 2021, cash flows from financing activities also included $25 million of cash distributions paid to Enterprises and $19 million of net repayments made on the Receivables Facility.

Capital Expenditures

Our capital expenditures include continued investments in midstream assets and renewable energy projects. During Fiscal 2022 and Fiscal 2021, our capital expenditures totaled $38 million and $43 million, respectively. We expect capital expenditures of approximately $170 million in Fiscal 2023 which include continued investments in midstream assets and renewable energy projects.

Contractual Obligations and Commitments

The following is a summary of our significant contractual obligations existing as of September 30, 2022:

	Payments Due by Period				
(Millions of dollars)	Total	Fiscal 2023	Fiscal 2024 - 2025	Fiscal 2026 - 2027	Thereafter
Long-term debt (a)	$ 717	$ 10	$ 14	$ 656	$ 37
Interest on long-term-fixed rate debt (a)(b)(c)	132	35	68	29	—
Operating leases	13	5	5	2	1
Supply contracts	1,670	576	391	155	548
Derivative instruments (d)	45	29	15	1	—
Total	$ 2,577	$ 655	$ 493	$ 843	$ 586

(a) Based upon stated maturity dates for debt outstanding at September 30, 2022.

(b) Based upon stated interest rates adjusted for the effects of an interest rate swap.

(c) Calculated using applicable interest rates or forward interest rate curves and leverage ratios, as of September 30, 2022.

(d) Represents the sum of amounts due if derivative instrument liabilities were settled at the September 30, 2022 amounts reflected in the Consolidated Balance Sheet (but excluding amounts associated with interest rate contracts).

Related Party Transactions

See Note 14 to Consolidated Financial Statements for a discussion of related party transactions.

Recently Issued Accounting Pronouncements

See Note 3 to Consolidated Financial Statements for a discussion of the effects of recently issued accounting guidance.