National Public Gas Agency

Independent Auditor's Report and Financial Statements

March 31, 2025 and 2024

National Public Gas Agency
March 31, 2025 and 2024

Contents

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Independent Auditor's Report

Board of Directors
National Public Gas Agency
Lincoln, Nebraska

Opinion

We have audited the financial statements of National Public Gas Agency, as of and for the years ended March 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise National Public Gas Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of National Public Gas Agency, as of March 31, 2025 and 2024, and the changes in financial position 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 National Public Gas Agency 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 from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Public Gas Agency's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Public Gas Agency'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 National Public Gas Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Forvis Mazars, LLP

Lincoln, Nebraska
May 30, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis on the following pages summarizes the financial highlights and focuses on factors that had a material effect on the financial condition of National Public Gas Agency (NPGA) and the results of operations for the years ended March 31, 2025, 2024 and 2023. This discussion should be read in conjunction with the accompanying financial highlights, the basic financial statements and notes to the financial statements.

Summary of the Financial Statements

The financial statements, related notes to the financial statements and management's discussion and analysis provide information about NPGA's financial position and activities.

> **Management's Discussion and Analysis** – provides an objective and easily readable analysis of the financial activities of NPGA based on currently known facts, decisions or conditions.
>
> **Balance Sheets** – provide a summary of NPGA's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.
>
> **Statements of Revenues, Expenses and Changes in Net Position** – present the operating results of NPGA into various categories of operating revenues and expenses, and non-operating revenues.
>
> **Statements of Cash Flows** – report the cash provided by and used for operating activities, as well as other cash sources such as investment return.
>
> **Notes to the Financial Statements** – provide additional disclosures and information that is essential to a full understanding of the data provided in the statements.

Financial Analysis

The following comparative condensed financial statements summarize NPGA's financial position and operating results for the years ended March 31, 2025, 2024 and 2023.

Condensed Balance Sheets and Financial Highlights

	March 31,			Change	
	2025	2024	2023	From 2024 to 2025	From 2023 to 2024
Current assets	$ 5,278,185	$ 4,853,930	$ 4,701,551	$ 424,255	$ 152,379
Noncurrent assets	262,000	-	-	262,000	-
Deferred outflows of resources	-	2,082,000	1,894,000	(2,082,000)	188,000
Total assets and deferred outflows of resources	$ 5,540,185	$ 6,935,930	$ 6,595,551	$ (1,395,745)	$ 340,379
Current liabilities	$ 1,455,617	$ 3,445,950	$ 3,030,436	$ (1,990,333)	$ 415,514
Noncurrent liabilities	-	529,000	667,000	(529,000)	(138,000)
Deferred inflows of resources	1,019,000	-	-	1,019,000	-
Net position - unrestricted	3,065,568	2,960,980	2,898,115	104,588	62,865
Total liabilities, deferred inflows of resources and net position	$ 5,540,185	$ 6,935,930	$ 6,595,551	$ (1,395,745)	$ 340,379

Current assets increased in 2025 due to more cash on hand offset by a decrease in accounts receivable and gas in storage. Current assets also increased in 2025 due to the fair value of derivative instruments. Current assets increased in 2024 due to an increase in cost of gas in storage as a result of the rise in natural gas prices.

Noncurrent assets in 2025 consist of fair value of derivative instruments.

Current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, and deferred inflows of resources are impacted by the volume of and changes in the fair value of derivative instruments. Derivative instruments consist of commodity swaps NPGA uses to hedge changes in cash flows and reduce exposure due to fluctuations in the market price of natural gas. The volatility of the price of natural gas at each year end compared to the trade price for the derivative instruments resulted in the positive fair value of derivative instruments in 2025 and the negative fair value of derivative instruments in 2024 and 2023. The fair value of derivative instruments was positive in 2025 resulting in current and noncurrent assets and deferred inflows from derivative instruments. The fair value of derivative instruments was negative in 2024 and 2023 resulting in deferred outflows of resources and current and noncurrent liabilities.

The change in current liabilities relates to natural gas prices and volumes purchased to meet needs of members and customers resulting in fluctuations in accounts payable and storage deposits. Accounts payable is lower in 2025 due to lower volumes purchased at year end. Accounts payable is lower in 2024 due to a decline in natural gas prices compared to March of 2023. NPGA members provide cash deposits to fund the gas in storage purchased by NPGA. The cost of gas in storage is lower in 2025 compared to 2024 which results in a decrease in storage deposits held. The cost of gas in storage is higher in 2024 compared to 2023 which results in an increase in storage deposits held. Current liabilities also decreased in 2025 due to the fair value of derivative instruments being positive in 2025 compared to negative in 2024.

Condensed Statements of Revenues, Expenses and Changes in Net Position and Financial Highlights

	March 31,			Change	
	2025	2024	2023	From 2024 to 2025	From 2023 to 2024
Sales volumes (MMBtu)	2,320,513	2,335,865	2,651,573	(15,352)	(315,708)
Operating revenues	$ 8,690,845	$ 8,945,532	$ 13,289,985	$ (254,687)	$ (4,344,453)
Operating expenses	8,680,247	8,986,662	13,328,660	(306,415)	(4,341,998)
Operating income (loss)	10,598	(41,130)	(38,675)	51,728	(2,455)
Investment return	93,990	103,995	54,381	(10,005)	49,614
Change in net position	$ 104,588	$ 62,865	$ 15,706	$ 41,723	$ 47,159

The fluctuation in sales volumes results from changes in demand primarily driven by weather conditions.

The decrease in operating revenues and operating expenses in 2025 related to lower sales volumes and lower average natural gas prices compared to 2024. The decrease in operating revenues and operating expenses in 2024 related to lower sales volumes and lower average natural gas prices compared to 2023.

Fluctuations in investment return relate to fluctuations in interest rates and balances in various investment options each fiscal year. Interest rates declined in 2025 resulting in lower investment return compared to 2024. Higher interest rates is the primary reason for the increase in investment return in 2024.

General Trends and Significant Events

Driven by heating demand in a cold January and February, natural gas storage levels dropped below the five-year historical average by the end of withdrawal season in March 2025, spurring a 7 percent increase in the average bench-mark Henry Hub pricing over the preceding year. Henry Hub averaged $2.62 per MMBtu for NPGA's fiscal year ended March 31, 2025, compared to $2.44 per MMBtu for the prior fiscal year. According to the United States of America (U.S.) Energy Information Administration (EIA), U.S. marketed natural gas production remained relatively flat in calendar 2024, averaging 113 billion cubic feet per day (Bcf/d), growing by less than 0.4 Bcf/d compared with 2023. In 2024, U.S. natural gas consumption averaged a record 90.3 Bcf/d, a 1 percent increase over 2023. New winter and summer monthly records were also set in January and July, according to the EIA. This comes despite decreases in both residential and commercial consumption, driven by a 4 percent increase in use of natural gas for power generation. U.S. exports of liquified natural gas (LNG) continue to add to the demand stack increasing every year since 2016, rising from 0.5 Bcf/d in 2016 to 11.9 Bcf/d in 2024, making the U.S. the world's largest LNG exporter in both 2023 and 2024.

Risk Management Practices

NPGA is subject to various risks inherent in the natural gas business, including market risk, operating risk, regulatory and political risks, credit risk and interest risk.

Natural gas prepay transactions provide a means in which NPGA may purchase gas at an expected discount from the market.

NPGA has entered into natural gas supply contracts as part of projects to obtain long-term supplies of natural gas, at a discount, pursuant to prepaid natural gas purchase and sale agreements. The contract term is generally the earlier of 30 years or an early termination date defined per the terms of the agreement. NPGA has gas supply contracts with a joint action agency and a natural gas acquisition authority to purchase daily contracted quantities at a set discount. NPGA's continued participation in the gas supply contracts through the remaining contract periods, is subject to the ability of each respective organization to supply gas at a minimum discount during each defined reset period.

NPGA has entered into a natural gas production sharing agreement with a nonprofit corporation. The agreement is supported by related agreements with specific members of NPGA who chose to participate.

NPGA also utilizes natural gas commodity swap transactions to manage risks associated with natural gas markets. NPGA's commodity swaps outstanding as of March 31, 2025 have effective dates beginning in May 2025 and extending through March 2028.

NPGA will continue to evaluate hedging opportunities, natural gas prepay transactions and other short-term and long-term commitments to manage forward exposure to commodity price risk for members and customers.

Report Purpose and Contact Information

This financial report is designed to provide member municipalities, other customers and counterparties with a general overview of NPGA's financial status for the fiscal years 2025, 2024 and 2023. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Accounting at 8377 Glynoaks Dr., Lincoln, Nebraska 68516.

National Public Gas Agency

Balance Sheets

March 31, 2025 and 2024

	2025	2024
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 2,664,481	$ 2,073,972
Accounts receivable	1,465,427	2,293,436
Gas in storage	391,277	486,522
Fair value of derivative instruments	757,000	-
Total current assets	5,278,185	4,853,930
Noncurrent Assets		
Fair value of derivative instruments	262,000	-
Deferred Outflows of Resources		
Deferred outflows from derivative instruments	-	2,082,000
Total assets and deferred outflows of resources	$ 5,540,185	$ 6,935,930
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 963,977	$ 1,147,623
Storage deposits	438,000	695,000
Due to coalition members	53,640	50,327
Fair value of derivative instruments	-	1,553,000
Total current liabilities	1,455,617	3,445,950
Noncurrent Liabilities		
Fair value of derivative instruments	-	529,000
Deferred Inflows of Resources		
Deferred inflows from derivative instruments	1,019,000	-
Net Position		
Unrestricted	3,065,568	2,960,980
Total liabilities, deferred inflows of resources and net position	$ 5,540,185	$ 6,935,930

National Public Gas Agency

Statements of Revenues, Expenses and Changes in Net Position

Years Ended March 31, 2025 and 2024

	2025	2024
Operating Revenues		
Gas supply	$8,690,845	$8,945,532
Operating Expenses		
Cost of gas sold	8,110,398	8,452,059
Administrative and general	569,849	534,603
Total operating expenses	8,680,247	8,986,662
Operating Income (Loss)	10,598	(41,130)
Nonoperating Revenues		
Investment return	93,990	103,995
Change in Net Position	104,588	62,865
Net Position, Beginning of Year	2,960,980	2,898,115
Net Position, End of Year	$3,065,568	$2,960,980

National Public Gas Agency
Statements of Cash Flows
Years Ended March 31, 2025 and 2024

	2025	2024
Operating Activities		
Cash received from members and customers	$ 7,274,685	$ 6,809,543
Cash paid to suppliers	(6,213,840)	(7,086,761)
Cash received under agent transactions	1,987,277	1,754,853
Cash paid under agent transactions	(1,987,277)	(1,754,853)
Cash paid to coalition members	(564,218)	(524,770)
Net cash provided by (used in) operating activities	496,627	(801,988)
Investing Activities		
Interest received on investments	93,882	103,324
Net cash provided by investing activities	93,882	103,324
Increase (Decrease) in Cash and Cash Equivalents	590,509	(698,664)
Cash and Cash Equivalents, Beginning of Year	2,073,972	2,772,636
Cash and Cash Equivalents, End of Year	$ 2,664,481	$ 2,073,972
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities		
Operating Income (Loss)	$ 10,598	$ (41,130)
Changes in operating assets and liabilities		
Accounts receivable	828,117	(608,136)
Gas in storage	95,245	(242,236)
Accounts payable and accrued expenses	(183,646)	(148,817)
Storage deposits	(257,000)	227,000
Due to coalition members	3,313	11,331
Net Cash Provided By (Used In) Operating Activities	$ 496,627	$ (801,988)

National Public Gas Agency

Notes to Financial Statements

March 31, 2025 and 2024

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

National Public Gas Agency (“NPGA” or “Agency”) was established under provisions of the Interlocal Cooperation Act of Nebraska (Act) for the purpose of providing local governments the opportunity to cooperate with other localities to obtain a mutual advantage in the ability of the entity to meet its gas supply needs. NPGA sells gas to its members in the states of Nebraska, Colorado and Kansas. NPGA also sells gas to other local governments in the states of Colorado, Kansas, Oklahoma, and Wyoming.

Reporting Entity

In evaluating how to define the Agency, for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) the Agency’s ability to appoint a voting majority of another entity’s governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on the Agency and (3) the entity’s fiscal dependency on the Agency.

NPGA, Nebraska Municipal Power Pool (NMPP), Municipal Energy Agency of Nebraska (MEAN) and Public Alliance for Community Energy (ACE), comprise a coalition referred to by the trade name NMPP Energy. This coalition of entities provides energy-related services to communities while sharing facilities and management personnel. None of the organizations included in NMPP Energy are responsible for the obligations, liabilities or debts of any of the other organizations in the coalition. Based upon the above criteria, none of the organizations are considered component units of any of the other organizations.

Basis of Accounting and Presentation

NPGA’s activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. NPGA’s accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC). NPGA prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Use of Estimates

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

Cash Equivalents

NPGA considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. At March 31, 2025 and 2024, cash equivalents consisted of a money market mutual fund.

Investments and Investment Return

Investments in money market mutual funds are carried at cost, which approximates fair value. Fair value is determined using quoted market prices. Investment return consists of interest income.

Accounts Receivable

Accounts receivable are stated at the amount billed to members and customers. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are charged off as they are deemed uncollectible. NPGA does not believe an allowance for doubtful accounts is necessary at March 31, 2025 and 2024, as there were no delinquent accounts.

Gas in Storage

Contracts with certain interstate pipeline suppliers include a storage component. Gas in storage consists of natural gas purchased for the benefit of members with contracted storage. The quantity in storage is valued at the weighted-average cost by member.

Storage Deposits

Storage deposits consists of cash payments made by members to provide funding for the purchase of natural gas in storage. Cash requirements are evaluated on a monthly basis and received from the members as natural gas is injected into storage and returned to the members as natural gas is withdrawn from storage.

Derivative Instruments

Derivative instruments are utilized by NPGA to manage market risk and reduce exposure resulting from fluctuations in prices of natural gas. These instruments include commodity swap agreements. Additional information regarding these instruments is shown in Note 5.

Net Position Classification

Net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

> *Net Investment in capital assets* - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. NPGA had no net investment in capital assets at March 31, 2025 and 2024.

Restricted - consists of restricted assets and deferred outflows, reduced by liabilities and deferred inflows related to those assets, with constraints placed on their use either by a) external groups such as creditors (such as through debt covenants), contributors, or laws or regulations of other governments or b) law through constitutional provisions or enabling legislation. There are no components of net position at March 31, 2025 and 2024 that meet the restricted definition.

Unrestricted - consists of the assets and deferred outflows, and liabilities and deferred inflows that are not included in the investment in capital assets or restricted components of net position.

Classification of Revenues

Operating revenues include revenues resulting from the purchase and delivery of gas supplies to members and customers. Nonoperating revenues include those derived from capital and related financing, noncapital financing and investing activities other than capital contributions from members.

Rates and Charges

NPGA annually determines its wholesale gas supply rates and charges to recover costs of providing natural gas service. Rates and charges for providing wholesale gas supply are reviewed and adopted by NPGA's Board of Directors. The cost of natural gas to NPGA is recovered through NPGA's rates and charges which includes a monthly gas cost adjustment mechanism. Variances between the stated rate for NPGA members and actual costs are recovered from, or returned to, NPGA's members. The transportation costs and charges incurred by NPGA are for certain members and are charged to the individual members.

Income Taxes

In accordance with certain provisions of the Internal Revenue Code and the Act and related governing laws and regulations, NPGA, as a local government entity, is exempt from federal and state income taxes.

Note 2: Deposits, Investments, and Investment Return

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. NPGA's deposit policy for custodial credit risk requires compliance with the provisions of state law. State statutes require banks either to give bond or to pledge government securities to NPGA in the amount of NPGA's deposits. The Federal Deposit Insurance Corporation (FDIC) insures transaction accounts for government deposits up to $250,000 per official custodian at each covered institution. At March 31, 2025 and 2024, NPGA's deposits were covered by FDIC insurance and pledged government securities.

Investments

NPGA's investing is performed in accordance with the investment policy adopted by its Board of Directors and applicable laws of the State of Nebraska. Approved investments are outlined in the investment policy and include bills, notes, bonds or other obligations which as to principal and interest constitute direct obligations of the United States of America (U.S.), municipal bonds, bonds or other obligations which as to principal and interest are guaranteed by the U.S., certain senior obligations issued or guaranteed by noted federal organizations, commercial paper, certificates of deposit and time deposits of any U.S. depository institution or trust company, and certain money market mutual fund accounts. Should investment opportunities arise, that are not listed in the investment policy, investment consent is required through the approval of two of the following: Chair of the Board of Directors, Secretary-Treasurer of the Board of Directors or NPGA Executive Director.

At March 31, 2025 and 2024, NPGA's investments consisted of a money market mutual fund – U.S. government obligations with a carrying value of $2,664,481 and $1,560,000, respectively. The money market mutual fund had a credit rating of Aaa-mf by Moody's Investor's Service and AAAm by S&P Global Ratings at both March 31, 2025 and 2024.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. NPGA's investment policy does not place a limit on the amount that may be invested in any one maturity category. NPGA's investment policy limits the investment term to a maximum of two years. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. NPGA's investment policy establishes requirements for certain investment securities or issuers of securities to be rated at certain rates or higher. The following investment types must be rated at the minimum rates noted below:

Commercial paper	A-1, P-1
Municipal bonds	AA-

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, NPGA would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments are held in safekeeping in NPGA's name, in a broker account with NPGA's primary financial institution.

Concentration of Credit Risk - Concentration of credit risk is the risk associated with the amount of investments NPGA has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement. In accordance with NPGA's investment policy, investments in negotiable certificates of deposit are limited to $250,000 to allow for coverage by FDIC insurance. In addition, NPGA's investment policy limits the amount of its investment portfolio that may be invested in any one issuer, other than U.S. government securities, to $500,000.

Summary of Carrying Values

At March 31, 2025 and 2024, all deposits and investments are included in cash and cash equivalents on the balance sheets. The carrying values of deposits and investments at March 31, 2025 and 2024, are as follows:

	2025	2024
Deposits	$ -	$ 513,972
Investments	2,664,481	1,560,000
	$2,664,481	$2,073,972

Investment Return

Investment return for the years ended March 31, 2025 and 2024 consisted of interest income of $93,990 and $103,995, respectively.

Note 3: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Investments

Money market mutual funds are carried at cost, and thus not included within the fair value hierarchy.

Derivative Instruments

The fair values of NPGA's cash flow hedges are estimated using forward-looking natural gas curves and discounted cash flows that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy at March 31, 2025 and 2024.

Note 4: Transactions with Coalition Members

NPGA, NMPP, MEAN and ACE through common members and management comprise a coalition. NPGA shares personnel and facilities within this coalition, as well as enters into agreements for certain products and services.

NPGA incurred expenses of approximately $520,000 and $480,000 for administrative services and rents provided by coalition members during 2025 and 2024, respectively. A summary of amounts due to coalition members at March 31, 2025 and 2024 is as follows:

	2025	2024
Due to MEAN	$ 17,290	$ 50,327
Due to NMPP	36,350	-
Due to coalition members	$ 53,640	$ 50,327

Note 5: Derivative Instruments

NPGA has entered into commodity swaps to hedge changes in cash flows and reduce exposure due to fluctuations in the market price of natural gas. These commodity swaps are considered derivative instruments under the provisions of GASB Codification Section D40, *Derivative Instruments*. The fair values of the commodity swaps are based on forward prices from established indexes for the applicable region and discounted using established interest rate indexes. The fair value of NPGA's derivative instruments at March 31, 2025 and 2024 is $1,019,000 and $(2,082,000), respectively.

Cash Flow Hedges - Cash flow hedges are derivative instruments associated with a hedgeable item that significantly reduce an identified financial risk by substantially offsetting changes in cash flows or fair values of the hedgeable item. At March 31, 2025, the positive fair value of commodity swaps considered cash flow hedges is classified as a current and noncurrent asset on the balance sheet, with an offsetting deferred inflows of resources for the same amount. At March 31, 2024, the negative fair value of commodity swaps considered cash flow hedges is classified as a current and noncurrent liability on the balance sheet, with an offsetting deferred outflows of resources for the same amount. The change in fair value of cash flow hedges was an increase of $3,101,000 for 2025 and a decrease of $188,000 for 2024. The change in fair value is reflected within deferred inflows from derivative instruments in 2025 and deferred outflows from derivative instruments in 2024.

During 2025 and 2024, NPGA had pay-fixed, receive variable commodity swaps with a national energy corporation. NPGA pays the predetermined fixed price and the counterparty pays the variable price, which is based on the NYMEX natural gas settlement price for the contractual month.

Credit risk – For any swaps with a positive fair value, NPGA would be exposed to credit risk in the amount of the fair value of the swaps. NPGA reduces its exposure to credit risk by requiring the counterparty to maintain credit ratings as defined in contract documents. As of March 31, 2025 and 2024, the counterparty was rated A- by S&P Global Ratings and A1 by Moody's Investors Service. The counterparty is exposed to credit risk for the swaps with a negative fair value. In accordance with the agreement with the counterparty, NPGA would be required to post collateral if the negative fair value exceeds $5,000,000. NPGA has mitigated its credit risk due to the positive fair value at March 31, 2025 by verifying the credit rating of its counterparty. NPGA was not exposed to credit risk at March 31, 2024, as the swaps had a negative fair value.

Termination risk - NPGA or the counterparties may terminate the swaps if either party fails to perform as outlined in the terms of the contracts. If a swap agreement is terminated, each party will make the calculations on its part and will provide to the other party a statement showing relevant quotations and specifying any amount payable according to the applicable swap agreements.

Basis risk - NPGA is exposed to basis risk on the swaps because the variable payments on the commodity swaps are based on the Henry Hub pricing point, which is different than the varying pricing points used by NPGA for its natural gas purchases. The basis difference can vary depending on the geographical location of the pricing point.

NPGA's derivative instruments at March 31, 2025 consist of cash flow hedges with the following terms:

Fiscal Year	Monthly Settlement	Total MMBtu	Fixed Price per MMBtu
2025-2026	May 2025 - March 2026	1,124,120	$3.480 - $5.060
2026-2027	April 2026 - March 2027	871,435	$3.510 - $4.380
2027-2028	April 2027 - March 2028	316,140	$3.600 - $4.125

NPGA's derivative instruments at March 31, 2024 consist of cash flow hedges with the following terms:

Fiscal Year	Monthly Settlement	Total MMBtu	Fixed Price per MMBtu
2024-2025	May 2024 - March 2025	1,081,597	$3.480 - $5.625
2025-2026	April 2025 - March 2026	959,232	$3.480 - $5.060
2026-2027	April 2026 - March 2027	284,395	$3.725 - $4.380

Note 6: Gas Supply

Gas supply for the years ended March 31, 2025 and 2024 was as follows:

	2025	2024
Members	$ 8,239,497	$ 8,499,588
Customers	451,348	445,944
	$ 8,690,845	$ 8,945,532

NPGA has natural gas supply agreements for total requirements supply with members and customers under various terms and rate schedules. As of March 31, 2025 and 2024, NPGA had agreements with 13 members.

Note 7: Natural Gas Costs and Commitments

Cost of gas sold for the years ended March 31, 2025 and 2024 was as follows:

	2025	2024
Purchased gas	$ 6,651,215	$ 6,736,075
Production	41,201	-
Commodity swaps, net	1,259,853	1,598,949
Transportation	158,129	117,035
	$ 8,110,398	$ 8,452,059

Purchased Gas

NPGA's natural gas requirements are purchased through contracts with various natural gas suppliers. NPGA's contracts with natural gas suppliers provide for the pricing of natural gas purchases primarily based on nationally publicized indices plus or minus applicable premiums and discounts.

At March 31, 2025, NPGA has contracts with a natural gas supplier to purchase fixed monthly volumes, varying by month, from April 2025 through October 2025 at a fixed price per MMBtu. The total value of the contracts is approximately $155,000.

NPGA has entered into gas supply contracts as part of projects to obtain long-term supplies of natural gas, at a discount, pursuant to prepaid natural gas purchase and sale agreements. NPGA's continued participation in the gas supply contracts through the earlier of the contract term or an early termination date defined per the terms of the agreement, is subject to the ability of the counterparty to supply gas at a minimum discount during each defined reset period.

NPGA has gas supply contracts with a joint action agency to purchase daily contracted quantities at various set discounts for certain periods as defined per the terms of the agreements. The contract terms are the earlier of a specified date or an early termination date defined per the terms of the agreements. The following is a summary of certain provisions of the agreements:

Average Daily Contracted Quantity (MMBtu)	Initial Discount Period	Contract Term
500	February 2020 through August 2026	January 31, 2050
500	April 2022 through November 2028	March 31, 2052
500	April 2024 through November 2030	March 31, 2054
401	June 2024 through August 2031	March 31, 2054

During the years ended March 31, 2025 and 2024, NPGA purchased approximately 657,000 and 366,000 MMBtu, respectively, under the agreements.

NPGA has a gas supply contract with a natural gas acquisition authority to purchase a daily contracted quantity of 1,000 MMBtu at a set discount. The initial discount period was April 2019 through November 2024. The current discount period is December 2024 through June 2032. The contract term is the earlier of November 30, 2054 or an early termination date defined per the terms of the agreement. During the years ended March 31, 2025 and 2024, NPGA purchased approximately 365,000 and 366,000 MMBtu, respectively, under the agreement.

Production

NPGA has entered into a natural gas production sharing agreement with a nonprofit corporation whereby NPGA has a participation share of 2.2%. Purchase requirements are subject to production availability and have been eliminated. The natural gas production sharing agreement obligates NPGA to pay its participation share of all costs incurred by the related gas supply pool until all related debt has been paid and the last volumes have been delivered. Debt is outstanding through 2025 and is expected to be extended. During the year ended March 31, 2025, NPGA paid assessments of $41,201 which were billed out to member participants. No assessments were billed to NPGA for the year ended March 31, 2024.

Commodity Swaps

NPGA pays the predetermined fixed price and the counterparty pays the variable price, which is based on the NYMEX natural gas settlement price for the contractual month. The amount included in cost of gas sold represents the net amount of commodity swaps settled.

Transportation

NPGA contracts with certain interstate pipeline suppliers for the transportation and storage of its natural gas requirements. NPGA has entered into Asset Management Arrangements (AMA) with natural gas suppliers resulting in payment and consideration for the release of transportation capacity on three interstate pipelines. The terms of the agreements vary by pipeline. Payments received under the AMA are netted against the transportation costs incurred. The transportation costs and charges incurred by NPGA are for certain members and are charged to the individual members. As of March 31, 2025, NPGA has an AMA with a term of April 1, 2025 through October 31, 2025; an AMA with a term of April 1, 2025 through March 31, 2026 with an automatic annual extension unless terminated in accordance with the contract notice provisions; and, an AMA with a term of November 2024 through October 2025.

NPGA has contracted to collect payments for transportation of natural gas on behalf of certain members and customers and remits these payments to the respective interstate pipeline supplier. Since NPGA is only acting as an agent, these amounts are not reflected as revenue or expense in the statements of revenues, expenses and changes in net position. The transportation purchased by the members and customers, that NPGA was responsible for collecting and remitting to the respective transportation suppliers, totaled approximately $1,987,000 and $1,755,000 during 2025 and 2024, respectively.

Note 8: Risk Management

NPGA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and others; and natural disasters. NPGA is named as one of the insureds on joint policies for commercial insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. None of the claims submitted against this commercial coverage in any of the three preceding years were specific to or material to NPGA. All such claims were submitted for losses incurred in the normal course of business.

Note 9: Significant Concentrations

Information regarding major members and customers is provided for those members and customers who individually exceed 10% of NPGA’s annual revenues from gas supply or accounts receivable balances at year-end.

At March 31, 2025, approximately $716,000 or 49% of total accounts receivable were owed by two members. Three members owed a total of $1,034,000 or 45% of total accounts receivable at March 31, 2024.

For the year ended March 31, 2025, two members comprised approximately $4,130,000 or 48% of total revenues from gas supply. Two members comprised approximately $4,183,000 or 47% of total revenues from gas supply for the year ended March 31, 2024.