

2. BUSINESS ENTITY FILINGS AND REGISTRATION

a. FICTITIOUS NAME: *(Select appropriate statement and provide supporting documentation as listed.)*

The Applicant will be using a fictitious name or doing business as ("d/b/a")

Provide a copy of the Applicant's filing with Pennsylvania's Department of State pursuant to 54 Pa. C.S. §311, Form PA-953.

OR

The Applicant will not be using a fictitious name.

b. BUSINESS ENTITY AND DEPARTMENT OF STATE FILINGS:

(Select appropriate statement and provide supporting documentation. As well, understand that Domestic means being formed within Pennsylvania and foreign means being formed outside Pennsylvania.)

The Applicant is a sole proprietor.

- If the Applicant is located outside the Commonwealth, provide proof of compliance with 15 Pa. C.S. §4124 relating to Department of State filing requirements.

OR

The Applicant is a:

- domestic general partnership (*)
- domestic limited partnership (15 Pa. C.S. §8511)
- foreign general or limited partnership (15 Pa. C.S. §4124)
- domestic limited liability partnership (15 Pa. C.S. §8201)
- foreign limited liability general partnership (15 Pa. C.S. §8211)
- foreign limited liability limited partnership (15 Pa. C.S. §8211)

- Provide proof of compliance with appropriate Department of State filing requirements as indicated above.
- Give name, d/b/a, and address of partners. If any partner is not an individual, identify the business nature of the partner entity and identify its partners or officers.
- Provide the state in which the business is organized/formed and provide a copy of the Applicant's charter documentation.
- * If a corporate partner in the Applicant's domestic partnership is not domiciled in Pennsylvania, attach a copy of the Applicant's Department of State filing pursuant to 15 Pa. C.S. §4124.

OR

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SECRETARY'S BUREAU

The Applicant is a:

- domestic corporation (15 Pa. C.S. §1308)
- foreign corporation (15 Pa. C.S. §4124)
- domestic limited liability company (15 Pa. C.S. §8913)
- foreign limited liability company (15 Pa. C.S. §8981)
- Other (Describe):

- Provide proof of compliance with appropriate Department of State filing requirements as indicated above.
- Provide the state in which the business is incorporated/organized/formed and provide a copy of the Applicant's charter documentation.
- Give name and address of officers.

Please see **Exhibit A**.

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3. AFFILIATES AND PREDECESSORS

(both in state and out of state)

- a. **AFFILIATES:** Give name and address of any affiliate(s) currently doing business and state whether the affiliate(s) are jurisdictional public utilities. If the Applicant does not have any affiliates doing business, explicitly state so. Also, state whether the applicant has any affiliates that are currently applying to do business in Pennsylvania.

Sprague Operating Resources LLC is currently a licensed natural gas supplier (A-125055) in the Commonwealth of Pennsylvania. Sprague Energy Solutions Inc., 185 International Drive, Portsmouth, NH 03801, is currently a licensed electricity broker/marketer (A-2015-2469003) in the Commonwealth of Pennsylvania. Neither entity is a jurisdictional public utility. The Applicant does not have any affiliates that are currently applying to do business in Pennsylvania.

- b. **PREDECESSORS:** Identify the predecessor(s) of the Applicant and provide the name(s) under which the Applicant has operated within the preceding five (5) years, including address, web address, and telephone number, if applicable. If the Applicant does not have any predecessors that have done business, explicitly state so.

Sprague Energy Corp. is the predecessor of the Applicant, Sprague Operating Resources LLC. On November 7, 2011, Sprague Energy Corp. was converted into and changed its name to Sprague Operating Resources LLC and has operated as Sprague Operating Resources LLC since that date.

4. OPERATIONS

a. **APPLICANT'S PRESENT OPERATIONS:** *(select and complete the appropriate statement)*

Definitions

- Supplier – an entity that sells electricity to end-use customers utilizing the jurisdictional transmission and distribution facilities of an EDC.
- Aggregator - an entity that purchases electric energy and takes title to electric energy as an intermediary for sale to retail customers.
- Broker/Marketer - an entity that acts as an intermediary in the sale and purchase of electric energy but does not take title to electric energy.

The Applicant is presently doing business in Pennsylvania as a

- municipal electric corporation
- electric cooperative
- local gas distribution company
- provider of electric generation, transmission or distribution services
- broker/marketer engaged in the business of supplying electricity services
- Other; Identify the nature of service being rendered.

Sprague Operating Resources LLC is currently a licensed natural gas supplier (A-125055) in the Commonwealth of Pennsylvania.

OR

The Applicant is not presently doing business in Pennsylvania.

b. **APPLICANT'S PROPOSED OPERATIONS:** The Applicant proposes to operate as a *(may check multiple)*:

- Supplier of electricity
- Aggregator engaged in the business of supplying electricity
- Broker/Marketer engaged in the business of supplying electricity services
 - Check here to verify that your organization will not be taking title to the electricity nor will you be making payments for customers.
- Electric Cooperative and supplier of electric power
- Other (Describe):

c. **PROPOSED SERVICES:** Describe in detail the electric services or the electric generation services which the Applicant proposes to offer.

Sprague Operating Resources LLC proposes to operate as an electricity broker/marketer for commercial and industrial customers throughout the Commonwealth of Pennsylvania. Sprague Operating Resources LLC will not take title to electricity.

d. **PROPOSED SERVICE AREA:** Check the box of each Electric Distribution Company for which the Applicant proposes to provide service.

- | | |
|---|---|
| <input type="checkbox"/> Citizens' Electric | <input type="checkbox"/> Pike |
| <input type="checkbox"/> Duquesne Light | <input type="checkbox"/> PPL |
| <input type="checkbox"/> Met-Ed | <input type="checkbox"/> UGI Utilities |
| <input type="checkbox"/> PECO | <input type="checkbox"/> Wellsboro |
| <input type="checkbox"/> Penelec | <input type="checkbox"/> West Penn |
| <input type="checkbox"/> Penn Power | |
| | <input checked="" type="checkbox"/> Entire Commonwealth of PA |

e. **CUSTOMERS:** Applicant proposes to provide services to:

- Residential Customers
- Small Commercial Customers - (25 kW and Under)
- Large Commercial Customers - (Over 25 kW)
- Industrial Customers
- Governmental Customers
- All of above
- Other (Describe):
- Residential and Small Commercial Customers in a Mixed Meter Capacity -
This customer class reflects situations in which a large commercial, industrial, and/or governmental customer account also contains features of residential and/or small commercial customers. In this instance, the residential and/or small commercial portion must be an incidental portion of the larger account. **This customer class alone does not allow marketing targeted directly to residential and/or small commercial customers.** Further information may be found in the Requirements Applicable to Mixed Meter Scenarios Secretarial Letter served March 25, 2011, at Docket No. M-2009-2082042.

f. **START DATE:** Provide the approximate date the Applicant proposes to actively market within the Commonwealth.

February 1, 2024.

5. COMPLIANCE

- a. **CRIMINAL/CIVIL PROCEEDINGS:** State specifically whether the Applicant, an affiliate, a predecessor of either, or a person identified in this Application, has been or is currently the defendant of a criminal or civil proceeding within the last five (5) years.
Identify all such proceedings (active or closed), by name, subject and citation; whether before an administrative body or in a judicial forum. If the Applicant has no proceedings to list, explicitly state such. Please see **Exhibit B**.
- b. **CUSTOMER/REGULATORY/PROSECUTORY ACTIONS:** Identify all formal or escalated actions or complaints, in the Commonwealth of Pennsylvania or any state, filed with or by a customer, regulatory agency, or prosecutory agency against the Applicant, an affiliate, a predecessor of either, or a person identified in this Application, for the prior five (5) years, including but not limited to customers, Utility Commissions, and Consumer Protection Agencies such as the Offices of Attorney General. **Applicant should also include if it had a Pennsylvania PUC EGS or NGS license previously cancelled by the Commission.** If the Applicant has no actions or complaints to list, explicitly state such.
In the last five years, the Applicant had three complaint cases in PA (3592844, 3624357, and 3673755). Outside of PA the Applicant had one complaint case in MD (MPSC# 318337209) and one in NJ (NJBPU GC18101101U). By Order dated July 21, 2016, in dockets A-2015-2494779 & A-2012-2292048, the Commission approved Sprague Operating Resources LLC's petition to abandon and cancelled its electric generation supplier (EGS) license (broker/marketer). Please see **Exhibit C**.
- c. **SUMMARY:** Provide a statement as to the resolution or present status of any proceedings or actions listed above. Additionally, provide details of any actions the applicant has undertaken that will prevent the items listed above from occurring if licensed in Pennsylvania.
For a. the status of each item is provided in **Exhibit B**. For b. all five complaints were resolved and the PA Commission closed the two dockets (A-2015-2494779 & A-2012-2292048).

6. PROOF OF SERVICE

Required of ALL Applicants regardless of operating as a supplier, broker, marketer, or aggregator.
(Example Certificate of Service is attached at Appendix C)

- a. **STATUTORY AGENCIES:** Pursuant to Section 5.14 of the Commission's Regulations, 52 Pa. Code §5.14, provide proof of service of a signed and verified Application with attachments on the following:

Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2 West
Harrisburg, PA 17120

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17120

Department of Revenue
Bureau of Compliance
PO Box 281230
Harrisburg, PA 17128-1230

Office of the Small Business Advocate
Commerce Building, Suite 202
300 North Second Street
Harrisburg, PA 17101

- b. **EDCs:** Pursuant to Sections 1.57 and 1.58 of the Commission's Regulations, 52 Pa. Code §§1.57 and 1.58, provide Proof of Service of the Application and attachments upon each of the Electric Distribution Companies the Applicant proposed to provide service in. Upon review of the Application, further notice may be required pursuant to Section 5.14 of the Commission's Regulations, 52 Pa. Code §5.14. Contact information for each EDC is as follows.

<p>Citizens' Electric Company: Citizens' Electric Company Attn: EGS Coordination 1775 Industrial Boulevard Lewisburg, PA 17837</p>	<p>Duquesne Light Company: Regulatory Affairs Duquesne Light Company 411 Seventh Street, MD 16-4 Pittsburgh, PA 15219</p>
<p>Met-Ed, Penelec, and Penn Power: Legal Department First Energy 2800 Pottsville Pike Reading PA, 19612</p>	<p>PECO: Manager Energy Acquisition PECO Energy Company 2301 Market Street Philadelphia, PA 19101-8699</p>
<p>Pike County Light & Power Company: Vice President – Energy Supply Corning Natural Gas Holding Corporation 330 West William Street Corning, NY 14830</p>	<p>PPL: Office of General Counsel Attn: Kimberly A. Klock PPL Two North Ninth Street (GENTW3) Allentown, PA 18101-1179</p>
<p>UGI: UGI Utilities, Inc. Attn: Rates Dept. – Choice Coordinator 1 UGI Drive Denver, PA 17517</p>	<p>Wellsboro Electric Company: Wellsboro Electric Company Attn: EGS Coordination 33 Austin Street P. O. Box 138 Wellsboro, PA 16901</p>
<p>West Penn Power: Legal Department West Penn Power d/b/a Allegheny Power 800 Cabin Hill Drive Greensburg, PA 15601-1689</p>	

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7. FINANCIAL FITNESS

- a. **FINANCIAL SECURITY:** In accordance with 66 Pa. C.S. Section 2809(c)(1)(i), the Applicant is required to file a bond or other instrument to ensure its financial responsibilities and obligations as an EGS. Therefore, the Applicant is...

Furnishing the ORIGINAL of an initial bond, letter of credit or proof of bonding to the Commission in the amount of \$250,000.

Furnishing the ORIGINAL of another initial security for Commission approval, to ensure financial responsibility, such as a parental guarantee, in the amount of \$250,000.

Marketers and Brokers - Filing for a modification to the \$250,000 requirement and furnishing the ORIGINAL of an initial bond, letter of credit or proof of bonding to the Commission in the amount of \$10,000. Applicant is required to provide information supporting an amount less than \$250,000. Such supporting information must include indication that the Applicant will not take title to electricity and will not pay electricity bills on behalf of its customers. Further details for modification may be described as well.

Sprague Operating Resources LLC will collaborate with individual commercial and industrial customers soliciting electricity supply quotes from suppliers on behalf of each individual customer and work with the customer to select an electric supply contract that best fits the customer's preferences based on price, commercial terms, and contractual conditions. Sprague will not be taking title to electricity, nor will it be collecting gross receipts from its customers or paying customer bills.

CRITICAL BONDING NOTES:

Applicant is required to maintain a bond or other financial instrument the entire time it maintains an EGS license with the Commonwealth of Pennsylvania. If Applicant's security instrument is not continuous, Applicant **MUST** submit a Rider, Amendment, or Continuation Certificate annually based on the expiration date of its security instrument.

At least sixty days (60) prior to the security instrument's expiration date, EGS suppliers should email pc-puc-tus-energy@pagov.onmicrosoft.com or call (717)783-5242 to determine the appropriate bonding amount based on a percentage of suppliers gross receipts resulting from the sale of generated electricity consumed in Pennsylvania. Once the amount has been determined, suppliers should overnight the updated security instrument(s) at least thirty (30) days prior to the expiration date to ensure adequate time for staff review and approval of the security instrument(s).

Template versions of a continuous bond (preferred), fixed-term bond, continuous letter of credit, and parental guarantee are attached at Appendix E, F, G, & H, respectively. Applicant's security must follow language from these examples, and must include the unmodified language outlined in Appendix D. Any deviation from these examples must be identified in the application and may not be acceptable to the Commission.

b. FINANCIAL RECORDS, STATEMENTS, AND RATINGS: Applicant must provide sufficient information to demonstrate financial fitness commensurate with the service proposed to be provided. Examples of such information which may be submitted include the following:

- Actual (or proposed) organizational structure including parent, affiliated or subsidiary companies. Please see **Exhibit D**.
- Published Applicant or parent company financial and credit information (i.e. 10Q or 10K) (SEC/EDGAR web addresses are sufficient) Please see **Exhibit E**.
- Applicant's accounting statements, including balance sheet and income statements for the past two years.
- Evidence of Applicant's credit rating. Applicant may provide a copy of its Dun and Bradstreet Credit Report and Robert Morris and Associates financial form, evidence of Moody's, S&P, or Fitch ratings, and/or other independent financial service reports. Please see **Exhibit F**.
- A description of the types and amounts of insurance carried by Applicant which are specifically intended to provide for or support its financial fitness to perform its obligations as a licensee. Please see **Exhibit G**.
- Audited financial statements exhibiting accounts over a minimum two-year period. Please see **Exhibit H** and **Exhibit I**.
- Bank account statements (3-12 recent consecutive months), tax returns from the previous two years, or any other information that demonstrates Applicant's financial fitness.

c. SUPPLIER FUNDING METHOD: If Applicant is operating as anything other than **Broker/Marketer only**, explain how Applicant will fund its operations. Provide all credit agreements, lines of credit, etc., and elaborate on how much is available on each item.

Not applicable.

d. BROKER PAYMENT STRUCTURE: If applicant is a broker/marketer, explain how your organization will be collecting your fees.

The payment structure depends on the terms of the compensation arrangements negotiated with retail suppliers; however, fees will be paid by supplier to broker/marketer on behalf of customer.

e. ACCOUNTING RECORDS CUSTODIAN: Provide the name, title, address, telephone number, FAX number, and e-mail address of Applicant's custodian for its accounting records.

Yanhong Dai, Controller, 185 International Drive, Portsmouth, NH 03801, 603.610.8247, 603.430.5324, ydai@spragueenergy.com.

f. TAXATION: Complete the TAX CERTIFICATION STATEMENT attached as Appendix I to this application.

All sections of the Tax Certification Statement must be completed. Submitting N/A on either the Sales Tax License Number or the Employer ID Number (items 7A and 7B) shall be accompanied by supporting documentation or an explanation validating the absence of such information.

Item 7A on the Tax Certification Statement is designated by the Pennsylvania Department of Revenue. Item 7B on the Tax Certification Statement is designated by the Internal Revenue Service.

Please see **Appendix I**.

8. TECHNICAL FITNESS:

To ensure that the present quality and availability of service provided by electric utilities does not deteriorate, the Applicant shall provide sufficient information to demonstrate technical fitness commensurate with the service proposed to be provided.

a. **EXPERIENCE, PLAN, STRUCTURE:** such information may include:

- Applicant's previous experience in the electricity industry.
Please see **Exhibit J**.
- Summary and proof of licenses as a supplier of electric services in other states or jurisdictions.
Please see **Exhibit K**.
- Type of customers and number of customers Applicant currently serves in other jurisdictions.
Applicant is not yet serving customers in other jurisdictions.
- Staffing structure and numbers as well as employee training commitments.
Please see **Exhibit L**.
- Business plans for operations within the Commonwealth.
To be determined; however, we anticipate it will be similar to that of Sprague Energy Solutions Inc.
- Documentation of membership in PJM, ECAR, MAAC, other regional reliability councils, or any other membership or certification that is deemed appropriate to justify competency to operate as an EGS within the Commonwealth. Applicant will operate as a broker/marketer and as such memberships are not applicable to the scope and nature of its proposed services.
- Any other information appropriate to ensure the technical capabilities of the Applicant.

b. **PROPOSED MARKETING METHOD** (*check all that apply*) Not Applicable.

- Internal – Applicant will use its own internal resources/employees for marketing
- External EGS – Applicant will contract with a PUC LICENSED EGS broker/marketer
- Affiliate – Applicant will use a **NON-EGS** affiliate marketing company and or individuals.
- External Third-Party – Applicant will contract with a **NON-EGS** third party marketing company and or individuals
- Other (Describe):

c. **DOOR TO DOOR SALES:** Will the Applicant be implementing door to door sales activities?

- Yes
- No

If yes, will the Applicant be using verification procedures?

- Yes
- No

If yes, describe the Applicant's verification procedures.

- d. **OVERSIGHT OF MARKETING:** Explain all methods Applicant will use to ensure all marketing is performed in an ethical manner, for both employees and subcontractors.

Not Applicable.

- e. **OFFICERS:** Identify Applicant's chief officers, and include the professional resumes for any officers directly responsible for operations. All resumes should include date ranges and job descriptions containing actual work experience.

Please see **Exhibit A** and **Exhibit L**.

- f. **FERC FILING:** Applicant has:

- Filed an Application with the Federal Energy Regulatory Commission to be a Power Marketer.
- Received approval from FERC to be a Power Marketer at Docket or Case Number _____.
- Not applicable

9. DISCLOSURE STATEMENTS:

Disclosure Statements: If proposing to serve Residential and/or Small Commercial (under 25 kW) Customers, provide a Residential and/or Small Commercial disclosure statement. A sample disclosure statement is provided as Appendix J to this Application.

- Electricity should be priced in clearly stated terms to the extent possible. Common definitions should be used. All consumer contracts or sales agreements should be written in plain language with any exclusions, exceptions, add-ons, package offers, limited time offers or other deadlines prominently communicated. Penalties and procedures for ending contracts should be clearly communicated.

Not applicable for an applicant applying for a license exclusively as a broker/marketer.

Not Applicable.

10. VERIFICATIONS, ACKNOWLEDGEMENTS, AND AGREEMENTS

- a. **PJM LOAD SERVING ENTITY REQUIREMENT:** As a prospective EGS, the applicant understands that those EGSs which provide retail electric supply service (i.e. takes title to electricity) must provide either:
- proof of registration as a PJM Load Serving Entity (LSE), or
 - proof of a contractual arrangement with a registered PJM LSE that facilitates the retail electricity services of the EGS.

The Applicant understands that compliance with this requirement must be filed within 120 days of the Applicant receiving a license. As well, the Applicant understands that compliance with this requirement may be filed with this instant application.

(Select only one of the following)

- AGREED** - Applicant has included compliance with this requirement in the instant application, labeled in correspondence with this section (10).
- AGREED** - Applicant will provide compliance with this requirement within 120 days of receiving its license
- ACKNOWLEDGED** - Applicant is not proposing to provide retail electric supply service at this time, and therefore is not presently obligated to provide such information

- b. **STANDARDS OF CONDUCT AND DISCLOSURE:** As a condition of receiving a license, Applicant agrees to conform to any Uniform Standards of Conduct and Disclosure as set forth by the Commission. Further, the Applicant agrees that it must comply with and ensure that its employees, agents, representatives, and independent contractors comply with the standards of conduct and disclosure set out in Commission regulations at 52 Pa. Code § 54.43, as well as any future amendments.

AGREED

- c. **REPORTING REQUIREMENTS:** Applicant agrees to provide the following information to the Commission or the Department of Revenue, as appropriate:

- **Retail Electricity Choice Activity Reports:** The regulations at 52 Pa. Code §§ 54.201--54.204 require that all active EGSs report sales activity information. An EGS will file an annual report reporting for customer groups defined by annual usage. Reports must be filed using the appropriate report form that may be obtained from the PUC's Secretary's Bureau or the forms officer, or may be down-loaded from the PUC's internet web site.
- **Reports of Gross Receipts:** Applicant shall report its Pennsylvania intrastate gross receipts to the Commission on a quarterly and year to date basis no later than 30 days following the end of the quarter.
- **The Treasurer or other appropriate officer of Applicant shall transmit to the Department of Revenue by March 15, an annual report, and under oath or affirmation, of the amount of gross receipts received by Applicant during the prior calendar year.**
- **Net Metering Reports:** Applicant shall be responsible to report any Net Metering per the Standards on http://www.puc.pa.gov/consumer_info/electricity/alternative_energy.aspx. Scroll down to the Net Metering Standards Section.

- Applicant shall report to the Commission the percentages of total electricity supplied by each fuel source on an annual basis per 52 Pa. Code § 54.39(d).
- Applicant will be required to meet periodic reporting requirements as may be issued by the Commission to fulfill the Commission's duty under Chapter 28 pertaining to reliability and to inform the Governor and Legislature of the progress of the transition to a fully competitive electric market.

AGREED

- d. **TRANSFER OF LICENSE:** The Applicant understands that if it plans to transfer its license to another entity, it is required to request authority from the Commission for permission prior to transferring the license. See 66 Pa. C.S. Section 2809(D). Transferee will be required to file the appropriate licensing application.

AGREED

- e. **ANNUAL FEES:** The Public Utility Code authorizes the PUC to collect an annual fee of \$350 from suppliers, brokers, marketers, and aggregators selling electricity in the Commonwealth of PA, and an annual supplemental fee based on annual gross intrastate revenues, applicable to suppliers only.

ACKNOWLEDGED

- f. **FURTHER DEVELOPMENTS:** Applicant is under a continuing obligation to amend its application if substantial changes occur to the information upon which the Commission relied in approving the original filing. See 52 Pa. Code § 54.34.

AGREED

- g. **FALSIFICATION:** The Applicant understands that the making of false statement(s) herein may be grounds for denying the Application or, if later discovered, for revoking any authority granted pursuant to the Application. This Application is subject to 18 Pa. C.S. §§4903 and 4904, relating to perjury and falsification in official matters.

AGREED

- h. **NOTIFICATION OF CHANGE:** If your answer to any of these items changes during the pendency of your application or if the information relative to any item herein changes while you are operating within the Commonwealth of Pennsylvania, you are under a duty to so inform the Commission, within twenty (20) days, as to the specifics of any changes which have a significant impact on the conduct of business in Pennsylvania. See 52 Pa. Code § 54.34.

AGREED

- i. **CEASING OF OPERATIONS:** Applicant is also required to officially notify the Commission if it plans to cease doing business in Pennsylvania, 90 days prior to ceasing operations.

AGREED

- j. **Electronic Data Interchange:** The Applicant acknowledges the Electronic Data Interchange (EDI) requirements and the relevant contacts for each EDC, as listed at Appendix M.

AGREED

- k. **FILING FEE:** The Applicant has enclosed or paid the required, non-refundable filing fee by **CERTIFIED CHECK OR MONEY ORDER** in the amount of \$350.00 payable to the Commonwealth of Pennsylvania. The Commission does not accept corporate or personal checks for filing fees.

PAYMENT ENCLOSED

11. AFFIDAVITS

Must be notarized before filing.

- a. **APPLICATION AFFIDAVIT:** Complete and submit with your filing an officially notarized Application Affidavit stating that all the information submitted in this application is truthful and correct. An example copy of this Affidavit can be found at Appendix A.
- b. **OPERATIONS AFFIDAVIT:** Provide an officially notarized affidavit stating that you will adhere to the reliability protocols of the North American Electric Reliability Council, the appropriate regional reliability council(s), and the Commission, and that you agree to comply with the operational requirements of the control area(s) within which you provide retail service. An example copy of this Affidavit can be found at Appendix B.

12. NEWSPAPER PUBLICATIONS

Required of ALL Applicants regardless of operating as a supplier, broker, marketer, or aggregator.

All Applicants MUST include a Commission issued Docket Number in their publications. Docket Numbers are issued to new applicants when an application packet is submitted to the PUC's Secretary's Bureau. **Newspaper publications published without a Commission issued Docket No. will be rejected.** For more information, see 52 Pa. Code § 54.35.

Notice of filing of this Application must be published in newspapers of general circulation covering each county in which the applicant intends to provide service. The newspapers in which proof of publication are required is dependent on the service territories the applicant is proposing to serve.

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The chart below dictates which newspapers are necessary for each EDC. For example, an applicant that wants to operate in Penn Power would need to run ads in both The Erie Times-News and the Pittsburgh Post-Gazette. If the applicant is proposing to serve the entire Commonwealth, please file proof of publication in all seven newspapers.

The only acceptable verification of this requirement is with Notarized Proofs of Publication, which may be requested from each newspaper and **must be supplied to the Commission before the applicant is licensed.**

	Erie Times-News	Harrisburg Patriot-News	Philadelphia Daily News or Philadelphia Inquirer	Pittsburgh Post-Gazette	Scranton Times-Tribune	Williamsport Sun-Gazette	Johnstown Tribune-Democrat
Citizens' Electric						X	
Duquesne				X			
Met Ed		X	X		X		
PECO			X				
Penelec	X	X			X	X	X
Penn Power	X			X			
Pike					X		
PPL		X	X		X	X	
UGI					X		
Wellsboro						X	
West Penn		X		X		X	X
Entire Commonwealth	X	X	X	X	X	X	X

(Newspaper Publication Templates are provided at Appendices K and L)

13. SIGNATURE

Applicant: Sprague Operating Resources LLC

By: Paul Scoff

Title: VP, General Counsel, Chief Compliance Officer and Secretary

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14. CHECKLIST

For the applicant's convenience, please use the following checklist to ensure all relevant sections are complete. The Commission Secretary's Bureau will not accept an application unless each of the following sections are complete.

Applicant: Sprague Operating Resources LLC

Applicant's Use	Signature	
	Filing Fee (CERTIFIED CHECK OR MONEY ORDER ONLY)	
	Application Affidavit	
	Operations Affidavit	
	Bond, Letter of Credit, or Parental/Affiliate Guarantee	
	Tax Certification Statement	
	Commonwealth Department of State Verification	
	Certificate of Service	

PUC Secretary's Bureau Use

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Our Energy Makes the Difference®

Sprague Operating Resources LLC

Electric Generation Supplier (EGS) Broker Application

Supporting Documents

Exhibits

- A. (Section 2.b.) Department of State Filing, Business Organization, and Officers
- B. (Section 5.a.) Criminal/Civil Proceedings
- C. (Section 5.b.) Regulatory Actions
- D. (Section 7.b.) Organizational Structure
- E. (Section 7.b.) Published Financial Information
- F. (Section 7.b.) Dun & Bradstreet Finance Analytics
- G. (Section 7.b.) Insurance Summary
- H. (Section 7.b.) Audited Financial Statements for Prior Two Years
- I. (Section 7.b.) Explanation of Audited Financial Statements
- J. (Section 8.a.) Previous Experience in the Electric Industry
- K. (Section 8.a.) Proof of Licensure as Supplier of Electric Services
- L. (Section 8.a.) Staffing Structure, Numbers, and Employee Training

Appendices

- A. Appendix A – Application Affidavit
- B. Appendix B – Operations Affidavit
- C. Appendix C – Certificate of Service
- E. Appendix E – Continuous Bond
- I. Appendix I – Tax Certification Statement

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Exhibit A (Section 2.b.)

**PENNSYLVANIA DEPARTMENT OF STATE
BUREAU OF CORPORATIONS AND CHARITABLE ORGANIZATIONS**

<input type="checkbox"/> Return document by mail to: <u>CSC order# 867692-5</u> <u>URY</u> Name CSC (cc)Return document by email to: <u>cscpa@cscglobal.com</u>	Transfer of Foreign Registration DSCB:15-418 (rev. 2/2017)  TCO190801DD1527
---	---

Read all instructions prior to completing. This form may be s

Fee: \$70

In compliance with the requirements of the applicable provisions of 15 Pa.C.S. § 418 (relating to transfer of registration), the undersigned registered foreign association hereby states that:

1. The name of the association under which it is registered to do business in this Commonwealth and before the merger or conversion is:

SEC Corp.

2. The type of association before the merger or conversion is (check only one):

- | | | |
|--|--|---|
| <input checked="" type="checkbox"/> Business Corporation | <input type="checkbox"/> Limited Partnership | <input type="checkbox"/> Business Trust |
| <input type="checkbox"/> Nonprofit Corporation | <input type="checkbox"/> Limited Liability (General) Partnership | <input type="checkbox"/> Professional Association |
| <input type="checkbox"/> Limited Liability Company | <input type="checkbox"/> Limited Liability Limited Partnership | |

3. The name of the association following the merger or conversion:

Sprague Operating Resources LLC

3A. If the name in 3 does not contain a required designator or if the name in 3 is not available for use in the Commonwealth, the alternate name under which the association is registering in this Commonwealth is:

4. The type of association after the merger or conversion (check only one):

- | | | |
|---|--|---|
| <input type="checkbox"/> Business Corporation | <input type="checkbox"/> Limited Partnership | <input type="checkbox"/> Business Trust |
| <input type="checkbox"/> Nonprofit Corporation | <input type="checkbox"/> Limited Liability (General) Partnership | <input type="checkbox"/> Professional Association |
| <input checked="" type="checkbox"/> Limited Liability Company | <input type="checkbox"/> Limited Liability Limited Partnership | |

5. The jurisdiction of formation of the association after the merger or conversion is: Delaware

DATE OF DEPOSIT

OCT 17 2023

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

2019 AUG -1 PM 1:29

PA DEPT OF STATE

If different than the information for the registered foreign association before the merger or conversion, all of the following information for the association after the merger or conversion:

6A. The street and mailing address of the association's principal office is:

Number and street	City	State	Zip
-------------------	------	-------	-----

6B. The street and mailing address of the office, if any, required to be maintained by the law of the association's jurisdiction of formation in that jurisdiction is:

Number and street	City	State	Zip
-------------------	------	-------	-----

7. The (a) address of the association's registered office in this Commonwealth or (b) name of its Commercial Registered Office Provider and the county of venue is:

Complete part (a) OR (b) - not both:

(a) _____

Number and street	City	OR	State	Zip	County
-------------------	------	----	-------	-----	--------

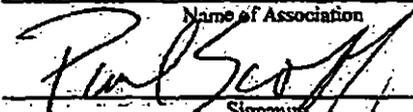
(b) c/o: CORPORATION SERVICE COMPANY _____ Dauphin
Name of Commercial Registered Office Provider _____ County

8. Effective date of transfer of foreign registration is (check, and if appropriate complete, one of the following):

- The Transfer of Foreign Registration shall be effective upon filing in the Department of State.
- The Transfer of Foreign Registration shall be effective on: _____ at _____
Date (MM/DD/YYYY) Hour (if any)

IN TESTIMONY WHEREOF, the undersigned registered foreign association has caused this Transfer of Foreign Registration to be signed by a duly authorized representative of the surviving or converted association this

31 day of JULY 20 19

Sprague Operating Resources LLC
Name of Association

Signature
VICE PRESIDENT, GENERAL COUNSEL,
CHIEF ACCOUNTING OFFICER, SECRETARY
Title

Delaware

PAGE 2

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THAT THE ATTACHED IS A TRUE AND CORRECT COPY OF CERTIFICATE OF FORMATION OF "SPRAGUE OPERATING RESOURCES LLC" FILED IN THIS OFFICE ON THE SEVENTH DAY OF NOVEMBER, A.D. 2011, AT 2:35 O'CLOCK P.M.



2140249 8100V

111173049

You may verify this certificate online
at corp.delaware.gov/authver.shtml


Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 9140933

DATE: 11-07-11

State of Delaware
Secretary of State
Division of Corporations
Delivered 02:35 PM 11/07/2011
FILED 02:35 PM 11/07/2011
V 111173049 - 2140249 FILE

DATE OF DEPOSIT

OCT 17 2023

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

CERTIFICATE OF FORMATION
OF
SPRAGUE OPERATING RESOURCES LLC

This Certificate of Formation, dated as of November 7, 2011, has been duly executed and is filed pursuant to Sections 18-201 and 18-204 of the Delaware Limited Liability Company Act (the "Act") to form a limited liability company (the "Company") under the Act.

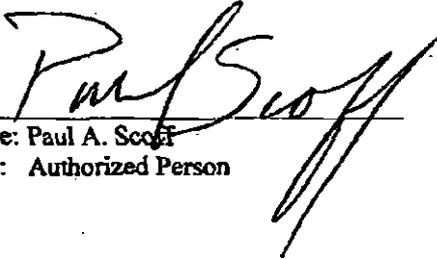
1. **Name.** The name of the Company is "Sprague Operating Resources LLC".
2. **Registered Office; Registered Agent.** The address of the registered office required to be maintained by Section 18-104 of the Act is:

Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801

The name and the address of the registered agent for service of process required to be maintained by Section 18-104 of the Act are:

The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801

EXECUTED as of the date written first above.

By: 
Name: Paul A. Scott
Title: Authorized Person

Delaware

PAGE 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THAT THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF CONVERSION OF A DELAWARE CORPORATION UNDER THE NAME OF "SPRAGUE ENERGY CORP." TO A DELAWARE LIMITED LIABILITY COMPANY, CHANGING ITS NAME FROM "SPRAGUE ENERGY CORP." TO "SPRAGUE OPERATING RESOURCES LLC", FILED IN THIS OFFICE ON THE SEVENTH DAY OF NOVEMBER, A.D. 2011, AT 2:35 O'CLOCK P.M.

DATE OF DEPOSIT

OCT 17 2023

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

2140249 8100V

111173049



You may verify this certificate online
at corp.delaware.gov/authver.shtml


Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 9140933

DATE: 11-07-11

State of Delaware
Secretary of State
Division of Corporations
Delivered 02:35 PM 11/07/2011
FILED 02:35 PM 11/07/2011
NOV 11 11:17:30 AM - 2140249 FILE

STATE OF DELAWARE
CERTIFICATE OF CONVERSION
FROM A DELAWARE CORPORATION
TO A DELAWARE LIMITED LIABILITY COMPANY
PURSUANT TO SECTION 18-214 OF THE
DELAWARE LIMITED LIABILITY COMPANY ACT

November 7, 2011

Pursuant to the provisions of Section 18-214 of the Delaware Limited Liability Company Act, Sprague Energy Corp., a Delaware corporation (the "*Corporation*"), hereby executes this Certificate of Conversion (the "*Certificate*") for the purpose of converting the Corporation into a Delaware limited liability company (the "*LLC*") and, in connection therewith, certifies as follows:

1. The jurisdiction where the Corporation first formed is the State of Delaware.
2. The jurisdiction immediately prior to filing this Certificate is the State of Delaware.
3. The date the Corporation first formed is October 9, 1987.
4. The name of the Corporation immediately prior to filing this Certificate is Sprague Energy Corp.
5. The name of the LLC as set forth in the Certificate of Formation is Sprague Operating Resources LLC.

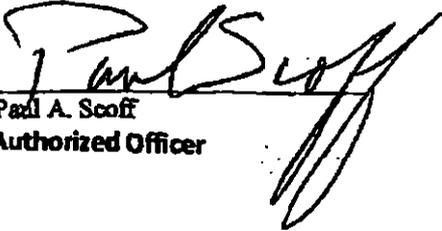
[Signature Page Follows]

DATE OF DEPOSIT

OCT 17 2023

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

IN WITNESS WHEREOF, the undersigned has executed this Certificate on the date first written above.

By: 
Name: Paul A. Scoff
Title: Authorized Officer

Sprague Operating Resources LLC

Officers List as of 8/1/2023

David C. Glendon	President and Chief Executive Officer
David C. Long	Chief Operating Officer & Head of Business Development
Sener Pasalic	Vice President, Business Development
Steven D. Scammon	Vice President, Chief Risk Officer
Joseph S. Smith	Vice President, Corporate Development
Paul A. Scoff	Vice President, General Counsel, Chief Compliance Officer and Secretary
James Therriault	Vice President, Materials Handling
Brian W. Weego	Vice President, Natural Gas
Tim Winters	Vice President, Operations
Todd Tinelli	Chief Financial Officer
Derek Hintz	Assistant Treasurer
Vanda J. Moore	Senior Compliance Officer & Assistant Secretary

This Entity does not have directors – It is Managed by the Sole Member-Manager.
Sole Member Manager: Sprague Resources LP (FEIN 45-2637964)

Business Address:
185 International Drive
Portsmouth, NH 03801

Business Phone:
603.431.1000

Exhibit B (Section 5.a.)

SPRAGUE OPERATING RESOURCES
ENFORCEMENT ACTIONS
BY LOCATION

LOCATION	DATE	TYPE OF ACTION	JURISDICTION	ORDER #	DESCRIPTION OF VIOLATION (UPDATED 10/3/23)
Bridgeport	7/26/2023	Notice of Violation	CT DEEP	NOVWSERU 23-013	OPEN - Received NOV from CT DEEP for the oil sheen released from the underwater abandoned pipelines coming from dock to the terminal. Responded to CT DEEP with work plan for closure. Awaiting approval from CT DEEP to proceed with plan for closure.
East Providence	7/20/2023	Notice of Violation	USCG	1373644	CLOSED - Received an NOV from the USCG for the release of 5 gallons of ULSD into the Providence River. Received at penalty of \$600.
Portland	7/10/2023	Notice of Violation	MEDEP	NOV #306	OPEN - Received after MEDEP inspection for failure to comply with MSGP. Related to development and maintenance of an adequate SWPPP.
Bridgeport	3/30/2023	Notice of Violation	CT DEEP	NOVWSR2320	OPEN - CT DEEP NOV received for not completing the Property Transfer Law remediation requirements within the required timeline. CTDEEP has approved two year extension. Awaiting documentation from CT DEEP to close NOV.
Rensselaer	3/23/2023	Notice of Violation	NYSDEC	NA	OPEN - NYSDEC MOSF#4-1500 series of allegations related to the renewal application sent with administrative corrections of the MOSF license and claim of not having an SPCC Plan signed by a NYS licensee and registered PE.
Providence	2/8/2023	Significant Non-Compliance	RI DEM	NA	CLOSED - RIPDES Permit Non-compliance for TSS effluent. Response for corrective actions due 2/23/2023.
Bronx	12/15/2022	Notice of Violation	NYC Buildings	121522RWNR00278	OPEN - Violation of NYC Code Section 28-305.4.4 for failure to submit examination report for retaining wall at 270 Locust Ave. Response due 2/15/23.
Bronx	12/15/2022	Notice of Violation	NYC Buildings	121522RWNR00084	OPEN - Violation of NYC Code Section 28-305.4.4 for failure to submit examination report for retaining wall at 839 E 138 St. Response due 2/15/23.
Inwood	9/12/2022	Notice of Violation	NYSDEC	Inspection# 90308	CLOSED - TANK # 1D is not equipped with a shutoff valve as required by 6 NYCRR 613-4.1 (b)(i). All tanks which cause a gravity head on a dispenser of motor fuel must be equipped with a device such as a solenoid valve which is positioned adjacent to and downstream from the operating valve. The valve must be installed and adjusted so that liquid cannot flow by gravity from the tank in case of piping or dispenser hose failure.
Sprague PA	4/7/2022	Notice of Violation	USCG	NA	CLOSED - NOV received following USCG inspection. Missing MAWP labeling on pump hoses. Hoses were all labeled properly and USCG was informed of completion. USCG provided closure notice via email 5/9/22.
Searsport	1/11/2022	Notice of Violation	ME DEP	NA	CLOSED - Searsport hazardous waste management self-audit inspection resulted in violations of the Maine DEP management rules. Terminal completed the CAs in the required 30 days and sent report to Maine DEP on changes made.
Providence	12/2/2021	Significant Non-Compliance	RI DEM	NA	CLOSED - RIPDES Permit Non-Compliance (TSS). Response from RI DEM via email 12.15.21.
Searsport	6/6/2021	Consent Agreement	ME DEP	#2021-05-W	CLOSED - Searsport December 2, 2020. Bales of solid recovered fuel (plastic) was being offloaded from a vessel to be directly shipped to Penobscot Energy Recovery Company. Two bales fell off the slings into the water. One bale broke apart and small pieces of plastic were found in the harbor and recovered over time. The second bale was recovered whole by use of MMA sonar boat and divers. 12/2/2022 - signed consent agreement with State. Penalty paid and closed.
Bronx	8/21/2021	Notice of Violation	NYC Fire Dept.	SUMMONS NUMBER: 012110142X	CLOSED - Heat detectors at the asphalt loading rack was triggered by the sun. Sensor was replaced immediately. A Letter of Correction will be submitted to the FDNY. Dismissed by FDNY.
Searsport	2009-2010	Administrative Consent Agreement	ME DEP	2009-161-A	CLOSED 11/15/2010 - Air quality violations - closed with Administrative consent agreement with MEDEP - civil monetary payment - \$17,500.
East Providence	2/5/2021	Notice of Violation	RI DEM	OCI-AIR-20-39	CLOSED - East Providence result of 2018 inspection and exceedance of benzene limits, question on proper benzene limits. Received closure letter from RI DEM. Issue corrected with permit modification to correct errors in benzene calculations.
Searsport	1/15/2021	Notice of Violation	ME DEP	#2021-005-W	CLOSED - see 8/8/2021 Consent Agreement.
Bridgeport	12/4/2020	Notice of Violation	CT DEEP	18118	CLOSED - Required response to explain deviation in 30 days which was completed.
Lawrence	9/10/2020	Notice of Violation	NYSDEC, Region 2 Division of Corporations	SUMMONS NUMBER: 000669305N	CLOSED - 8/20/21 - Respondent caused or permitted the idling of a motor vehicle while parked, standing or stopped. As per DEP records, citizen observed one TRUCK with NY license plate # BL71550 idling for longer than three minutes from 5/7/2020 11:39:28 AM to 5/7/2020 11:42:38 AM, at 124 Crosby Street. \$484 fine paid.
Bronx	8/12/2020	Notice of Violation	NYC Fire Dept.	012104307Y	CLOSED - Terminal Manager sent back a response to FDNY to avoid monetary penalty. Issued for faulty fire pull station.
Mt. Vernon	3/13/2020	Notice of Violation	NYSDEC, Region 3 Division of Environmental Remediation	Inspection #75972q	CLOSED - 12/18/20 - Order on Consent R3-20200325-69 issued for both CBS and MOF violations. \$75,050 fine paid. Schedule of Compliance complete.
Mt. Vernon	3/13/2020	Notice of Violation	NYSDEC, Region 3 Division of Environmental Remediation	Inspection #75957	CLOSED - 12/18/20 - Order on Consent R3-20200325-69 issued for both CBS and MOF violations. \$75,050 fine paid. Schedule of Compliance complete.
Springfield St James	2/28/2020	Penalty Assessment Notice	MassDEP	RPAN-BO-20-U-15	CLOSED - \$500 penalty paid. Inspection completed and reports submitted.
Sprague PA	12/23/2019	Consent Assessment of Civil Penalty	PA DEP SouthWest Regional Office		CLOSED - \$8,000 Penalty Paid. SPCC and other issues addressed. New env. Consultant hired to maintain permits.
Inwood	12/4/2019	Notice of Violation	NYSDEC, Region 1 Division of Environmental Remediation	Inspection# 75321	CLOSED - 12/02/2019 - site CBS inspection completed. Multiple violations noted regarding Spill Prevention Report. Addressed findings with NYSDEC inspector, no formal closure response received.
Lawrence	12/4/2019	Notice of Violation	NYSDEC, Region 1 Division of Environmental Remediation	Inspection# 75347	CLOSED - 12/02/2019 - site CBS inspection completed. Multiple violations noted regarding Spill Prevention Report. Addressed findings with NYSDEC inspector, no formal closure response received.
Bronx	10/9/2019	Notice of Violation	NYSDEC, Region 2, Bulk Storage Compliance Unit	Inspection #73768	CLOSED - 10/9/2019 - issued for lack of SPR management approval, among other missing SPR items. Transfer station for tanks 12G, 12H, and 12I does not have adequate secondary containment. Addressed findings with NYSDEC inspector, no formal closure response received.
Springfield St. James	8/2/2019	Notice of Violation	MassDEP	NON-BO-19-U-402	CLOSED - 8/2/2019 - Failure to submit TPI Report to MassDEP on/before UST facility compliance date. Report completed and submitted to MassDEP.
Providence	5/17/2018	Notice of Violation	State of Rhode Island Department of Environmental Protection	OCI-AIR-18-112	CLOSED - RIDEM consent agreement \$ 31,202. \$20,000 penalty. Installed OCS and follow conditions in air permit.
Coen	12/28/2018	Citation	OSHA	Inspection # 1326294	CLOSED - Serious Violation for hot fueling operations while actively fracing the well. \$12,934 penalty paid.
Rensselaer	10/24/2018	Notice of Violation	NYSDEC, Region 4		CLOSED - 10/24/2018 - Failure to comply with MOSF license conditions.
Lawrence	7/17/2018	Notice of Violation	US EPA, Region 2	CAA-02-2018-1003	CLOSED - 7/17/2018 - Violation of Clean Air Act (CAA). New PRV installed on VRU system and one year of testing submitted.
Washington	7/16/2018	Maintenance Violation	City of Washington Department of Code Enforcement		CLOSED - 7/1/19 - Asphalt millings spread throughout lots to prevent dust.
Quincy	5/29/2018	Notice of Violation	USCG	263840	CLOSED - 5/28/2018 - Failure to maintain security systems and keep security drill records; appealing the findings; operations protesting. Addressed with updated FSP in 2018.
Stamford	1/31/2018	Notice of Violation	USCG	289454	CLOSED - 1/31/2018 - Failure to provide proper oil transfer connections. \$3,000 penalty paid.

Exhibit C (Section 5.b.)

DATE OF DEPOSIT

OCT 17 2023

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held July 21, 2016

Commissioners Present:

Gladys M. Brown, Chairman
Andrew G. Place, Vice Chairman
John F. Coleman, Jr.
Robert F. Powelson
David W. Sweet, Absent

Sprague Operating Resources, LLC
Application to Abandon Electric
Generation License as a Broker/Marketer

A-2015-2494779

License Application of Sprague Operating
Resources LLC for Approval to Offer,
Render, Furnish or Supply Electricity or
Electric Generation Services as a
Broker/Marketer

A-2012-2292048

ORDER

BY THE COMMISSION:

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the Petition for Cancellation (Petition) of its license filed by Sprague Operating Resources, LLC (Sprague), Utility Code 1114324 on July 17, 2015.

History of the Proceeding

Sprague received its license from the Commission to provide electric generation supplier (EGS) services as a broker/marketer in Pennsylvania on June 7, 2012, at Docket No. A-2012-2292048. As a licensed broker/marketer, Sprague was required to have a bond in the amount of \$10,000 to satisfy its security requirement. *See License Application of Sprague Operating Resources LLC*, Docket No. A-2012-2292048 (Order entered June 7, 2012).

On August 28, 2015, the Commission cancelled Sprague's license by Final Order (Final Order) for not having a current financial security on file. The Commission's attempts to contact Sprague were unsuccessful due to Sprague having changed its location and its failure to update the Commission with its new contact address¹. Licensed EGS suppliers are required to comply with 66 Pa. C.S. § 2809(c)(i) which states "no energy supplier license shall be issued or remain in force unless the holder complies with all of the following: Furnishes a bond or other security approved by the Commission...".

On September 10, 2015, Sprague filed its Petition for Reconsideration seeking reinstatement and subsequent cancellation of its license. In later filings Sprague explained that the cancellation of its license per the *Final Order* had an adverse impact upon one of its affiliates (Sprague Energy Solutions) in which electricity market participants and electric distribution companies questioned the affiliate's good standing due to its name being close to that of Sprague's. Sprague attached to the Petition copies of a bond in the amount of \$250,000, which exceeded the \$10,000 bond required for Sprague as a broker/marketer.² The bond covered the entire period during which Sprague was a licensed broker/marketer and expired in January 2016.

¹ See Order at Docket No. M-2015-2490383

² See *License Application of Sprague Operating Resources LLC for Approval to Offer, Render, Furnish or Supply Electricity or Electric Generation Services as a Broker/Marketer*, Docket No. A-2012-2292048.

On January 21, 2016, Sprague filed an original bond continuation certificate for its bond which covers the time period January 10, 2016 through January 10, 2017. In the letter accompanying the continuation certificate, Sprague requested that the Commission accept the certificate until the Commission acted on the instant Petition.

On April 5, 2016, Sprague filed a "Supplement" to its Petition for Reconsideration.

On April 7, 2016, the Commission granted in part Sprague's petition for reconsideration and modified the Final Order by deleting Sprague Operating Resources LLC from Table 2 – Supplier Cancellation.

Discussion

We believe that the relinquishment and abandonment of Sprague's license will have no impact on the public, electric distribution companies, or suppliers of last resort. Sprague states that it has not had any customers in 2013, 2014, and 2015 and has not actively marketed electricity. In its request for abandonment, Sprague stated that it has no outstanding tax issues with the Pennsylvania Department of Revenue. Sprague declares that it will continue having a business presence in the Commonwealth of Pennsylvania after the abandonment of its EGS license.

Sprague has provided contact information for its staff responsible for pertinent aspects of this request for abandonment.

Although Sprague is abandoning its license, its failure to keep updated financial security on file with the Commission – as required by 66 Pa. C.S. § 2809(c)(i) – is a violation of the Public Utility Code. During the period January 10, 2014, through

January 10, 2016, Sprague did not have an approved financial security on file with the Commission. Even though in its Petition for Reconsideration Sprague provided evidence that it had such financial security in place, there still existed a two year time period that Sprague failed to provide that evidence to the Commission. Therefore, the Commission will assess a \$1000.00 fine in accordance with the provisions of 66 Pa. C.S. §3301(a).

For the foregoing reasons, we approve Sprague's Petition to Abandon and, upon payment of the civil penalty, will cancel its EGS license at Docket No. A-2012-2292048; **THEREFORE,**

IT IS ORDERED:

1. That, in accordance with Section 3301 of the Public Utility Code, 66 Pa. C.S. § 3301, within thirty (30) days of the entry of this Opinion and Order, Sprague Operating Resources, LLC shall pay a civil penalty in the amount of one thousand dollars (\$1,000.00). Certified check or money order in that amount shall be made payable to "Commonwealth of Pennsylvania" and sent addressed as follows:

Secretary
Pennsylvania Public Utility Commission
400 North St.
Harrisburg, PA 17120

2. That the Petition to abandon its license filed by Sprague Operating Resources, LLC on July 17, 2015, is hereby granted.

3. That the electric generation supplier license held by Sprague Operating Resources, LLC at Docket No. A-2012-2292048 is hereby cancelled upon payment of the penalty described in Ordering Paragraph No. 1.

4. That if there are no outstanding complaints against Sprague Operating Resources, LLC or outstanding claims against Sprague Operating Resources, LLC's financial security within sixty (60) days after the payment of the penalty described in Ordering Paragraph No. 1, the Secretary shall return Sprague Operating Resources, LLC's financial security.

5. That the notification provisions of the Interim Guidelines Regarding Notification by an Electric Generation Supplier of Operational Changes Affecting Customer Service and Contracts, at Docket No. M-2010-2185981 (Interim Guidelines), are waived consistent with the discussion in this Order.

6. That the Secretary shall strike the Sprague Operating Resource's name from all active utility lists maintained by the Annual Report Section of the Secretary's Bureau and the Assessment Section of the Bureau of Administrative Services upon payment of the penalty described in Ordering Paragraph No. 1.

7. That a copy of this order be served on the Office of Consumer Advocate and the Office of Small Business Advocate.

8. That a copy of this order be served on the Department of Revenue's Bureau of Corporation Taxes, the Department of Revenue's Bureau of Compliance and all electric distribution companies.

9. That the proceedings docketed at A-2012-2292048 and A-2015-2494779 be marked closed upon payment of the penalty described in Ordering Paragraph No. 1.

BY THE COMMISSION,



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: July 21, 2016

ORDER ENTERED: July 21, 2016

DATE OF DEPOSIT

OCT 17 2023

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Exhibit D (Section 7.b.)

DATE OF DEPOSIT

OCT 17 2023

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

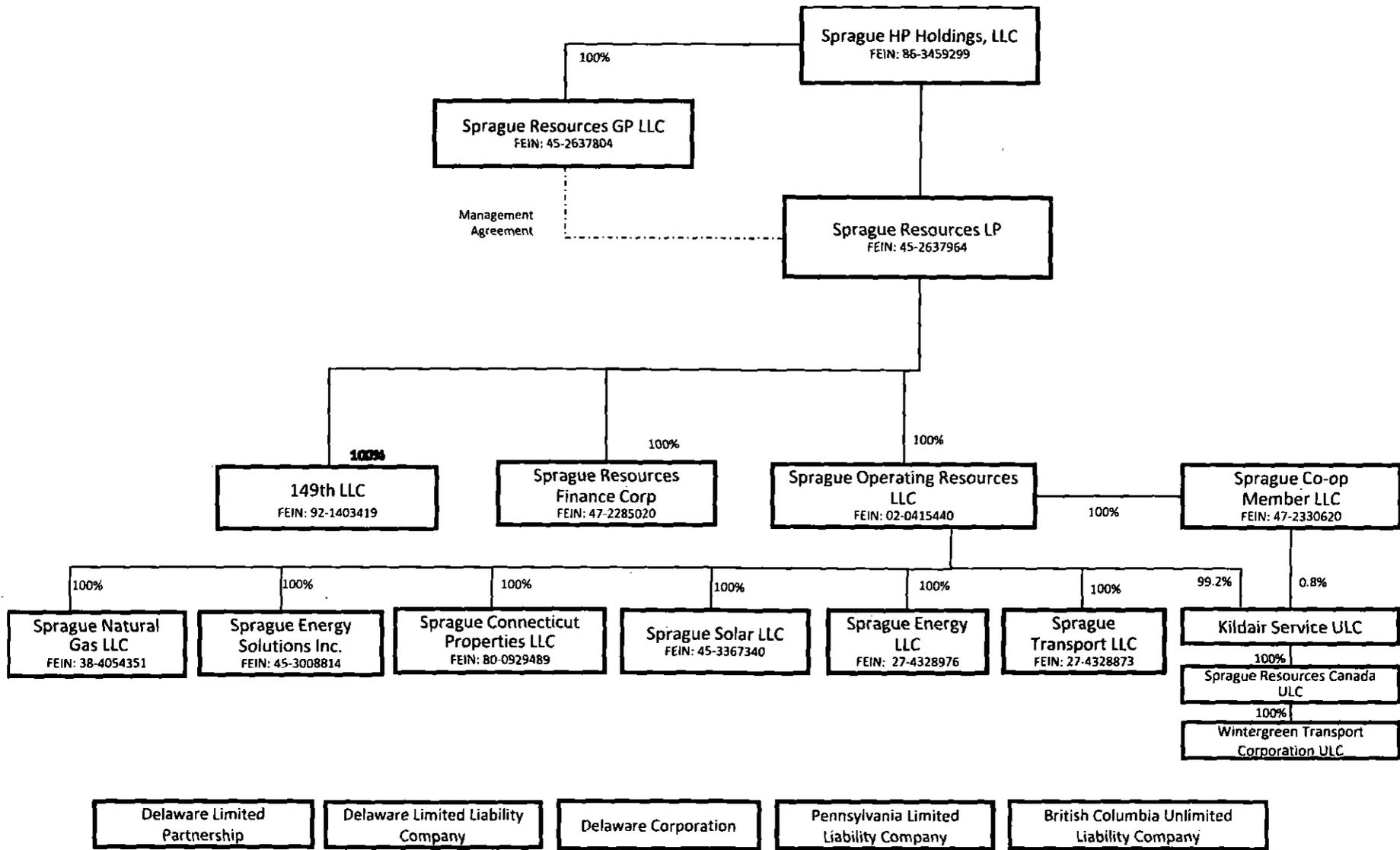


Exhibit E (Section 7.b.)

The most recently published 10Q for Sprague Operating Resources LLC's parent company, Sprague Resources LP, is available in the U.S. Securities and Exchange Commission database and accessible through the following link:

<https://www.sec.gov/ix?doc=/Archives/edgar/data/1525287/000152528722000035/srlp-20220630.htm>

The most recently published 10K for Sprague Operating Resources LLC's parent company, Sprague Resources LP, is available in the U.S. Securities and Exchange Commission database and accessible through the following link:

<https://www.sec.gov/ix?doc=/Archives/edgar/data/1525287/000152528722000013/srlp-20211231.htm>

DATE OF DEPOSIT

OCT 17 2023

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Exhibit G (Section 7.b.)

DATE OF DEPOSIT

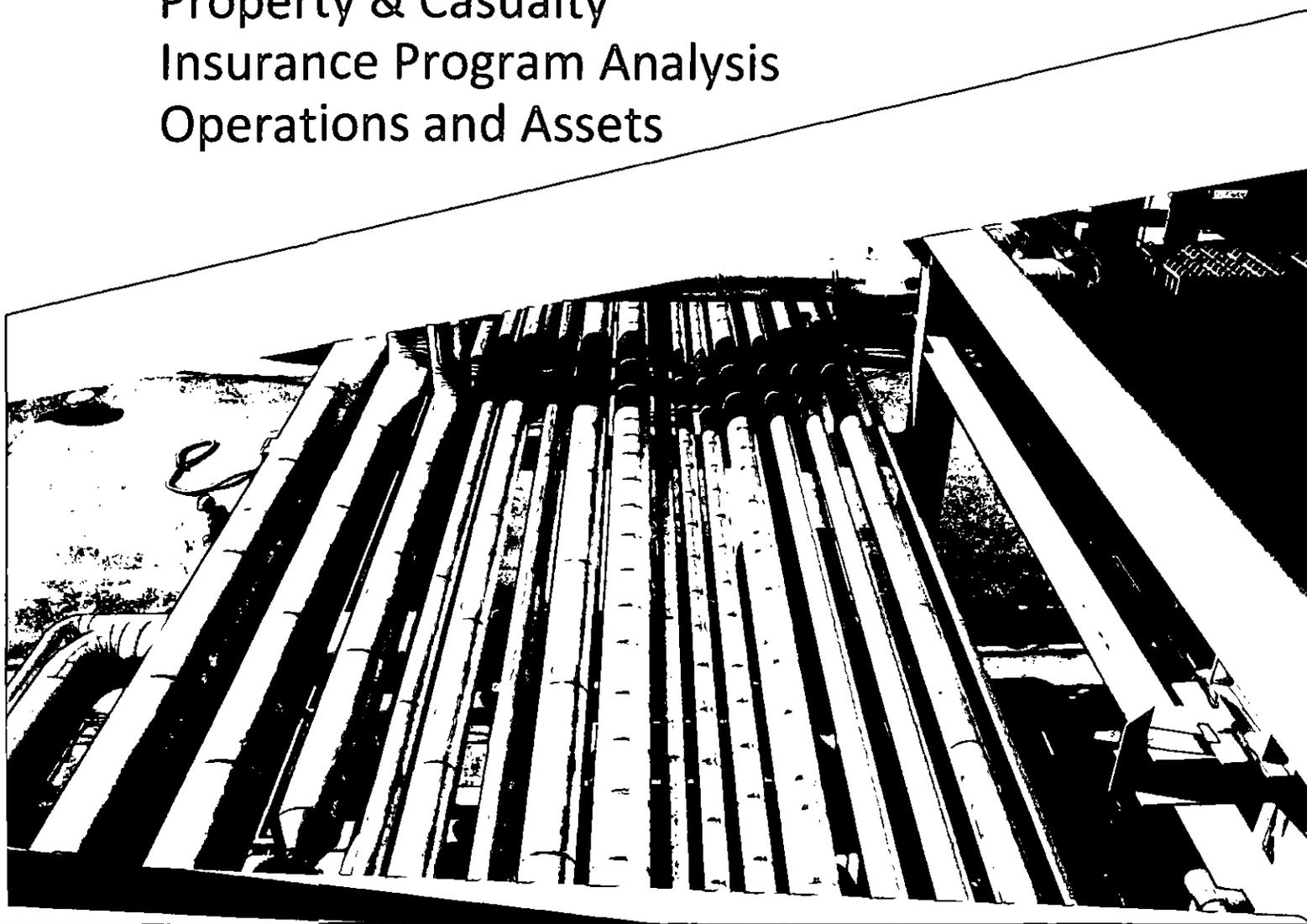
OCT 17 2023

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

OCTOBER 2023

Hartree Partners' Insurance Summary

Property & Casualty
Insurance Program Analysis
Operations and Assets



SECTION ONE

Team Chart

 **Account Management Team**

Michael Imparato
 Managing Director
 917 520 3910
 michael.j.imparato@marsh.com

 **Primary Casualty**

Daniel Traber
 832 314 9218
 daniel.traber@marsh.com

 **Property**

Lena Lee
 646 510 3484
 lena.lee@marsh.com
 Chinyere Hospedales
 212 345 8670
 chinyere.hospedales@marsh.com

 **Control of Well**

Patrick T. Devine
 281 799 3111
 patrick.devine@marsh.com

 **Marine Terminal Operators Liability & Bumpershoot**

Randall Hollomon
 713 416 2828
 randall.hollomon@marsh.com
 Phyllis H. Johnson
 504 210 6822
 phyllis.h.johnson@marsh.com

 **Excess Casualty**

Jesse Paulson
 EXCESS CASUALTY LEADER
 347 326 4135
 jesse.paulson@marsh.com
 Breanna van derSchaff
 281 239 5996
 breanna.van-der-schaff@marsh.com
 Michael MacCroy
 713 346 1224
 michael.maccroy@marsh.com
 Andrew Males
 BERMUDA
 441 298 6682
 andrew.males@marsh.com

 **Casualty Claims**

Richard Huckstadt
 203 229 6530
 richard.huckstadt@marsh.com

 **Marine Claims**

Darrin Kolbet
 773 786 3669
 darrin.kolbet@marsh.com

 **Marine Cargo & Liability**

Melanie Waltrich
 CARGO
 718 578 0176
 melanie.waltrich@marsh.com
 Liam Pembroke
 LONDON CARGO
 liam.pembroke@marsh.com
 Chris Peppiatt
 LONDON CARGO
 chris.peppiatt@marsh.com

Peter Husstege
 LIABILITY
 917 224 7741
 peter.husstege@marsh.com
 Matthew Cramp
 LONDON LIABILITY
 matthew.cramp@marsh.com

 **Pollution**

Amy Gowe
 832 305 1346
 amy.gowe@marsh.com

 **Business Travel Accident**

Nancy Stocks
 212 345 2442
 nancy.stocks@marsh.com

 **Foreign**

Dan Barclay
 347 449 1135
 dan.barclay@marsh.com

 **Crime**

Kevin M. Guillet
 212 345 8095
 kevin.guillet@marsh.com

 **Aviation**

Mike McKittrick
 201 469 5000
 mike.mckittrick@marsh.com
 Kara H. McGrinder
 646 256 2433
 kara.mcgrinder@marsh.com

 **Cyber**

Madison Lanius
 917 691 6493
 madison.lanius@marsh.com

Tom Pitchell
 LONDON LIABILITY
 tomas.pitchell@marsh.com

 **Résources**

Yijing Cui
 Oliver Wyman Actuarial
 212 345 9782
 yijing.cui@oliverwyman.com

John Cace
 FACS
 267 254 7806
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SECTION TWO

Commercial General Liability

Carrier: Zurich American Insurance Company (A+ AM Best Rated)

Policy Term: 7/1/2023- 7/1/2024

Policy No.: GLO4285175-01

Limits:

\$2,000,000- General Aggregate Limit

\$4,000,000- Products & Completed Aggregate Limit

\$2,000,000- Personal & Advertising Injury Limit

\$2,000,000- Each Occurrence Limit

\$1,000,000- Damage to Rented Premises Limit

\$10,000- Medical Expense Limit (Any One Person)

\$1,000,000- Underground Res. & EQ Aggregate Limit

\$2,000,000- Employee Benefits Liability Aggregate Limit

\$2,000,000- Employee Benefits Liability: Each Claim Limit

Deductible: \$2,000,000 per Occurrence

Endorsements & Exclusions:

- Blanket Additional Insured Endorsement – per written agreement- Ongoing & Completed Operations
- Blanket Waiver of Subrogation- per written agreement
- Contractual Liability Exclusion- Railroads
- Underground Resources & Equipment Damage- \$2,000,000 Limit
- Per Location Aggregate
- Per Project Aggregate
- Time Element/Sudden & Accidental Pollution- 30 Day Discovery & 90 Day Reporting
- Knowledgeable Person & Department
- 60 Day “Direct” notice of Cancellation to Others- requires schedule of certificate holders
- Misdelivery of Liquid Products Coverage

General Liability Named Insured Schedule

- HARTREE PARTNERS, LP
- HARTREE BULK STORAGE, LLC
- HP BULK STORAGE MANAGER, LLC
- HARTREE CARDINAL GAS HOLDING COMPANY, LLC
- HARTREE CARDINAL GAS, LLC
- ARCADIA GAS STORAGE, LLC
- MONROE GAS STORAGE, LLC
- CADEVILLE GAS STORAGE, LLC
- PERRYVILLE GAS STORAGE, LLC
- HCS HOLDINGS, LLC
- AMID CRUDE OIL STORAGE, LLC
- HCS LEASING, LLC
- HARTREE REFINING COMPANY, LLC
- HARTREE CHANNELVIEW, LLC
- SPRAGUE HP HOLDINGS, LLC
- SPRAGUE RESOURCES HOLDINGS LLC
- SPRAGUE OPERATING RESOURCES LLC
- SPRAGUE CONNECTICUT PROPERTIES LLC
- SPRAGUE MASSACHUSETTS PROPERTIES, LLC.
- SPRAGUE INTERNATIONAL PROPERTIES, LLC
- SPRAGUE RESOURCES GP, LLC
- SPRAGUE RESOURCES, LP
- SPRAGUE ENERGY SOLUTIONS INC.
- SPRAGUE NATURAL GAS, LLC
- SPRAGUE TERMINAL SERVICES LLC
- SPRAGUE ENERGY, LLC
- SPRAGUE TRANSPORT, LLC
- GESTRON GBV INC.
- SPRAGUE CO-OP MEMBER LLC
- SPRAGUE RESOURCES FINANCE CORP
- COEN ENERGY, LLC
- COEN TRANSPORT, LLC
- SPRAGUE RESOURCES COOPERATIEF U.A.
- SPRAGUE PROJECT ROSE 2011 LLC
- SPRAGUE ENERGY CANADA LTD
- KILDAIR SERVICE ULC
- WINTERGREEN TRANSPORT CORPORATION ULC
- SPRAGUE RESOURCES CANADA ULC

Auto Liability – US Policy

Carrier: Zurich American Insurance Company (US- A+ AM Best Rated)

Policy Term: 7/1/2023-7/1/2024

Policy No.: BAP4285177- 01 (US)

Limits:

\$5,000,000- Liability Each Accident ("Any Auto")

Statutory Limits or Reject- UM/UIM ("Owned Auto")

Statutory Limits or Reject- Personal injury Protection

\$50,000 Limit per Hired Car (Physical Damage)

Deductible: \$250,000 Liability- Each Accident Deductible

\$1,000 Hired Car Physical Damage Deductible

Endorsements & Exclusions:

- Blanket Additional Insured- per written agreement
- Blanket Loss Payee- per written agreement
- Blanket Waiver of Subrogation- per written agreement
- Broadened Pollution (CA 9948)
- Drive Other Car Coverage- Designated Individuals
- Hired Autos as Covered Autos
- MCS 90
- Wrongful Delivery of Liquid Products
- 90 Day Notice of Cancellation (10 Day for Non-Pay)

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

Auto Liability Named Insured Schedule

- HARTREE PARTNERS, LP
- HARTREE BULK STORAGE, LLC
- HP BULK STORAGE MANAGER, LLC
- HARTREE CARDINAL GAS HOLDING COMPANY, LLC
- HARTREE CARDINAL GAS, LLC
- ARCADIA GAS STORAGE, LLC
- MONROE GAS STORAGE, LLC
- CADEVILLE GAS STORAGE, LLC
- PERRYVILLE GAS STORAGE, LLC
- HCS HOLDINGS, LLC
- AMID CRUDE OIL STORAGE, LLC
- HCS LEASING, LLC
- HARTREE REFINING COMPANY, LLC
- HARTREE CHANNELVIEW, LLC
- SPRAGUE HP HOLDINGS, LLC
- SPRAGUE RESOURCES HOLDINGS LLC
- SPRAGUE OPERATING RESOURCES LLC
- SPRAGUE CONNECTICUT PROPERTIES LLC
- SPRAGUE MASSACHUSETTS PROPERTIES, LLC.
- SPRAGUE INTERNATIONAL PROPERTIES, LLC
- SPRAGUE RESOURCES GP, LLC
- SPRAGUE RESOURCES, LP
- SPRAGUE ENERGY SOLUTIONS INC.
- SPRAGUE NATURAL GAS, LLC
- SPRAGUE TERMINAL SERVICES LLC
- SPRAGUE ENERGY, LLC
- SPRAGUE TRANSPORT, LLC
- GESTRON GBV INC.
- SPRAGUE CO-OP MEMBER LLC
- SPRAGUE RESOURCES FINANCE CORP
- COEN ENERGY, LLC
- COEN TRANSPORT, LLC
- SPRAGUE RESOURCES COOPERATIEF U.A.
- SPRAGUE PROJECT ROSE 2011 LLC
- SPRAGUE ENERGY CANADA LTD
- KILDAIR SERVICE ULC
- WINTERGREEN TRANSPORT CORPORATION ULC
- SPRAGUE RESOURCES CANADA ULC
- KILDAIR SERVICE LTEE
- SPRAGUE OPERATING RESOURCES

Workers Compensation and Employers Liability

Carrier: Zurich American Insurance Company (A+ AM Best Rated)

Policy Term: 7/1/2023-7/1/2024

Policy No.: WC4285176-02

Limits:

\$5,000,000- Bodily Injury by Accident (each accident)

\$5,000,000- Bodily Injury by Disease (policy limit)

\$5,000,000- Bodily Injury by Disease (each employee)

Deductible: \$500,000 Each Accident, Occupational Illness, or Disease

Endorsements & Exclusions:

- Blanket Waiver of Subrogation – per written agreement
- Blanket Alternate Employer- per written agreement
- USL&H & Outer continental Shelf Lands Act
- Maritime Employer's Liability (Jones Act)
- Voluntary Compensation
- Foreign Voluntary Compensation & Employers Liability – see policy for limits
- FELA
- 60 Day Notice of Cancellation

Workers Compensation Named Insured Schedule

- HARTREE PARTNERS, LP
- HARTREE BULK STORAGE, LLC
- HARTREE CARDINAL GAS, LLC
- ARCADIA GAS STORAGE, LLC
- MONROE GAS STORAGE, LLC
- CADEVILLE GAS STORAGE, LLC
- PERRYVILLE GAS STORAGE, LLC
- AMID CRUDE OIL STORAGE, LLC
- HARTREE REFINING COMPANY, LLC
- HARTREE CHANNELVIEW, LLC
- SPRAGUE HP HOLDINGS, LLC
- SPRAGUE RESOURCES HOLDINGS LLC
- SPRAGUE OPERATING RESOURCES LLC
- SPRAGUE CONNECTICUT PROPERTIES, LLC
- SPRAGUE MASSACHUSETTS PROPERTIES, LLC
- SPRAGUE INTERNATIONAL PROPERTIES, LLC
- SPRAGUE RESOURCES GP, LLC
- SPRAGUE RESOURCES, LP
- SPRAGUE ENERGY SOLUTIONS, INC.
- SPRAGUE NATURAL GAS, LLC
- SPRAGUE TERMINAL SERVICES LLC
- SPRAGUE ENERGY, LLC
- SPRAGUE TRANSPORT, LLC
- SPRAGUE CO-OP MEMBER LLC
- SPRAGUE RESOURCES FINANCE CORP

Marine Terminal Operators Liability (MTOL- US)

Carrier: Starr Indemnity & Liability Company (US- A AM Best Rated)

Policy Term: 7/1/2023-7/1/2024

Policy No.: MASILHS00585922 (US)

Limits:

\$5,000,000- Each Occurrence, Combined Single Limit (Section A)

\$5,000,000- Products/Completed Operations Aggregate Limit (Section A)

\$5,000,000- Each Occurrence, Combined Single Limit (Section B)

Deductible: \$250,000- Any One Accident or Occurrence (except below)

\$500,000- Any One Accident or Occurrence: Pollution
Claims

Endorsements & Exclusions:

- Blanket Additional Insured- per written agreement
- Sudden and Accidental (3rd Party Damages Only)- 14 Day Discovery and 30 Day Reporting
- Excludes Other Collectible Insurance- Coordinated with Iron shore's PLL Policy
- Refinery Exclusion
- Includes Bunker Supplier's Legal Liability Endorsement
- Warranted: No release to third party stevedores
- Warranted: Contractor and/or Subcontractor Certificate Warranty

Includes: Charterer's Liability, Cargo Owner's Pollution
Liability, Bunker Supplier's Legal Liability

MTOL Named Insureds

Hartree Partners LP

Hartree Bulk Storage, LLC

HP Bulk Storage Manager, LLC

Hartree Refining Company, LLC

Hartree Channelview, LLC

Sprague HP Holdings, LLC

Sprague Resources Holdings LLC

Sprague Operating Resources LLC

Sprague Connecticut Properties LLC

Sprague Massachusetts Properties, LLC.

Sprague International Properties, LLC

Sprague Resources GP, LLC

Sprague Resources, LP

Sprague Energy Solutions Inc.

Sprague Natural Gas, LLC

Sprague Terminal Services LLC

Sprague Energy, LLC

Gestron GBV Inc.

Sprague Co-op Member LLC

Sprague Resources Finance Corp

Sprague Energy Canada LTD

Kildair Service ULC

Wintergreen Transport Corporation ULC

Sprague Resources Canada ULC

Transit P.M. Inc.

9047-1137 Québec Inc.

8604827 Canada Inc.

Sprague Canadian Properties, LLC

Bumbershoot Policy (Excess Marine Liability above MTOL Policy)

Lead Carrier: National Union Fire Insurance Company of Pittsburgh, PA

Policy Term: 7/1/2023- 7/1/2024

Policy No.: 023551203, 023551204

Limits:

Layer 1) \$20,000,000- Any One Accident or Occurrence

\$20,000,000- General Aggregate Limit

Layer 2) \$25,000,000- Any One Accident or Occurrence Limit

\$25,000,000- General Aggregate Limit

Deductible: \$5,000,000- SIR, except for below

\$2,000,000- SIR for Fronted GL Policy

Endorsements & Exclusions:

- Follow Form of Underlying MTOL
- See Policy list of endorsements and exclusions

Includes (excess carriers):

- \$20 Million excess \$5 Million
 - AIG (National Union)- Lead Underwriter- 50%
 - Navigators Insurance Company- 25%
 - Zurich American Insurance- 25%
- \$25 Million excess \$25 Million
 - AIG (National Union)- Lead Underwriter- 40%
 - Liberty Mutual- 20%
 - Navigators Insurance Company- 20%
 - Starr Indemnity- 20%

Bumbershoot Named Insureds

Hartree Partners LP

Hartree Bulk Storage, LLC

HP Bulk Storage Manager, LLC

Hartree Refining Company, LLC

Hartree Channelview, LLC

Sprague HP Holdings, LLC

Sprague Resources Holdings LLC

Sprague Operating Resources LLC

Sprague Connecticut Properties LLC

Sprague Massachusetts Properties, LLC.

Sprague International Properties, LLC

Sprague Resources GP, LLC

Sprague Resources, LP

Sprague Energy Solutions Inc.

Sprague Natural Gas, LLC

Sprague Terminal Services LLC

Sprague Energy, LLC

Gestron GBV Inc.

Sprague Co-op Member LLC

Sprague Resources Finance Corp

Sprague Energy Canada LTD

Kildair Service ULC

Wintergreen Transport Corporation ULC

Sprague Resources Canada ULC

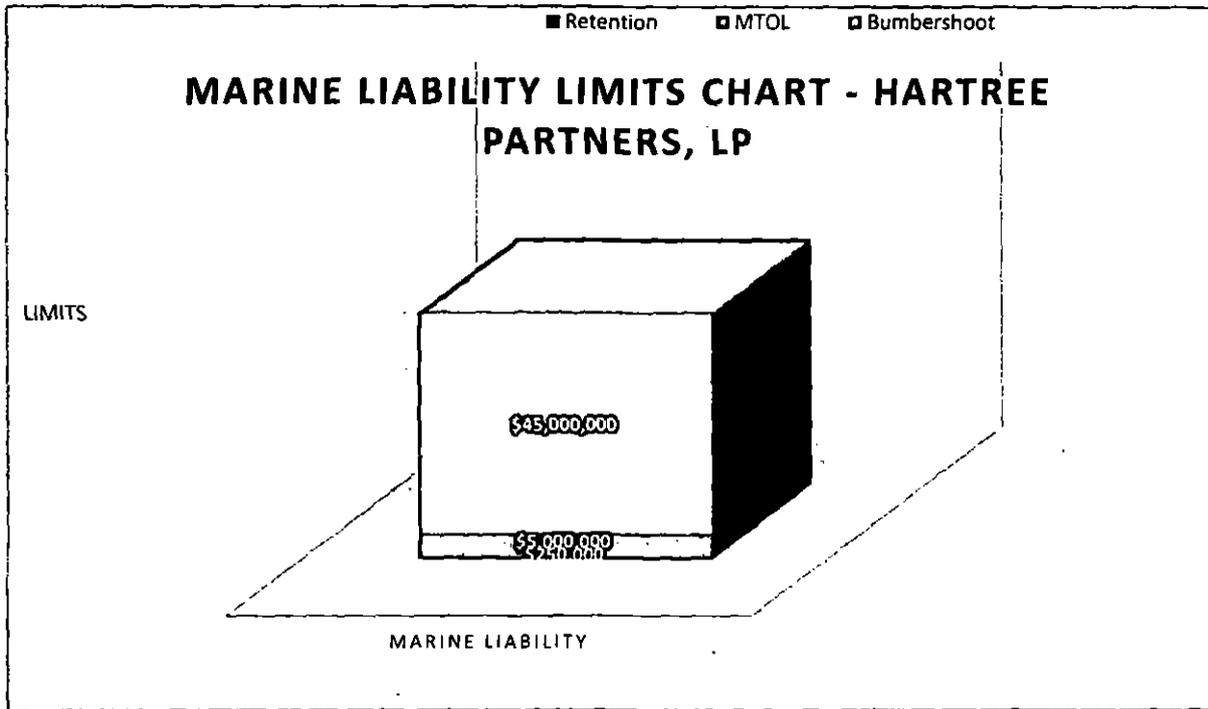
Transit P.M. Inc.

9047-1137 Québec Inc.

8604827 Canada Inc.

Sprague Canadian Properties, LLC

Marine Policies



DATE OF DEPOSIT

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Commercial Umbrella

Carrier: Steadfast Insurance Company- Zurich
Policy Term: 7/1/2023-7/1/2024
Policy No.: AUC 4312436-00
Limits:
\$10,000,000- Each Occurrence Limit
\$10,000,000- General Aggregate Limit
\$10,000,000- Products and Completed Operations Aggregate Limit
\$250,000- Aggregate Limit: Catastrophe Management

Deductible/Retention: \$0

Endorsements & Exclusions:

- Follow Form of Underlying Insurance
- See Policy list of endorsements and exclusions

Underlying Policies Include:

- In Excess of General Liability, Auto, Workers Compensation (Employers Liability), MTOL/Bumbershoot, Canadian Auto, Railroad Equipment Liability

Excess Liability Policies

1. \$10 Million excess \$10 Million

Policy Number: G72532211002

Carrier: Westchester Fire Insurance Co. (Chubb)

Policy Term: 7/1/2023-7/1/2024

2. \$10 Million excess \$20 Million

Policy Number: XSM G7252665A 002

Carrier: Indemnity Insurance Company of North America

Policy Term: 7/1/2023-7/1/2024

3. \$10 Million excess \$30 Million

Policy Number: P-001-000648231-02

Carrier: AXIS Surplus Insurance Company

Policy Term: 7/1/2023-7/1/2024

4. \$10 Million excess \$40 Million

Policy Number: XC6EX00128-221

Carrier: Everest Indemnity Insurance Company

Policy Term: 7/1/2023-7/1/2024

5. \$40 Million excess \$50 Million

- \$15 Million Part 1

Policy Number: G72534888002

Carrier: Westchester Fire Insurance Co. (Chubb)

Policy Term: 7/1/2023-7/1/2024

- **\$15 Million Part 2**

Policy Number: 1000495892-02

Carrier: Liberty Surplus Insurance Corporation (Liberty Mutual)

Policy Term: 7/1/2023-7/1/2024

- **\$10 Million Part 3**

Policy Number: EXS-154738-01

Carrier: OCIL Specialty Ltd

Policy Term: 7/1/2023-7/1/2024

6. \$20 Million excess \$90 Million

- **\$10 Million Part 1**

Policy Number: P-001-000670023-02

Carrier: Axis Surplus Lines Insurance Company

Policy Term: 7/1/2023-7/1/2024

- **\$10 Million Part 2**

Policy Number: 1000031178221

Carrier: Starr Surplus Lines Insurance Company

Policy Term: 7/1/2023-7/1/2024

7. \$55 Million excess \$110 Million

- **\$15 Million Part 1**

Policy Number: B0509ENGAO2250284

Carrier: Zurich XL

Policy Term: 7/1/2023-7/1/2024

- **\$5 Million Part 2**
Policy Number: XC6EX00134211
Carrier: Everest Indemnity Insurance Company
Policy Term: 7/1/2023-7/1/2024

- **\$5 Million Part 3**
Policy Number: 1000501708-02
Carrier: Liberty Surplus Insurance Corporation
Policy Term: 7/1/2023-7/1/2024

- **\$15 Million Part 4**
Policy Number: USL01883522
Carrier: Interstate Fire and Casualty
Policy Term: 7/1/2023-7/1/2024

- **\$10 Million Part 5**
Policy Number: FA0093055-2022-1
Carrier: General Security Indemnity Company of Arizona
Policy Term: 7/1/2023-7/1/2024

- **\$5 Million Part 6**
Policy Number: EXS-154742-01
Carrier: OCIL Specialty Ltd
Policy Term: 7/1/2023-7/1/2024

8. \$20 Million excess \$165 Million

- **\$12.5 Million Part 1**

Policy Number: URP0067132-00

Carrier: Arch Insurance (BDA)

Policy Term: 7/1/2023-7/1/2024

- **\$7.5 Million Part 2**

Policy Number: XLUMB-2986651

Carrier: XL Bermuda Ltd

Policy Term: 7/1/2023-7/1/2024

9. \$15 Million excess \$185 Million

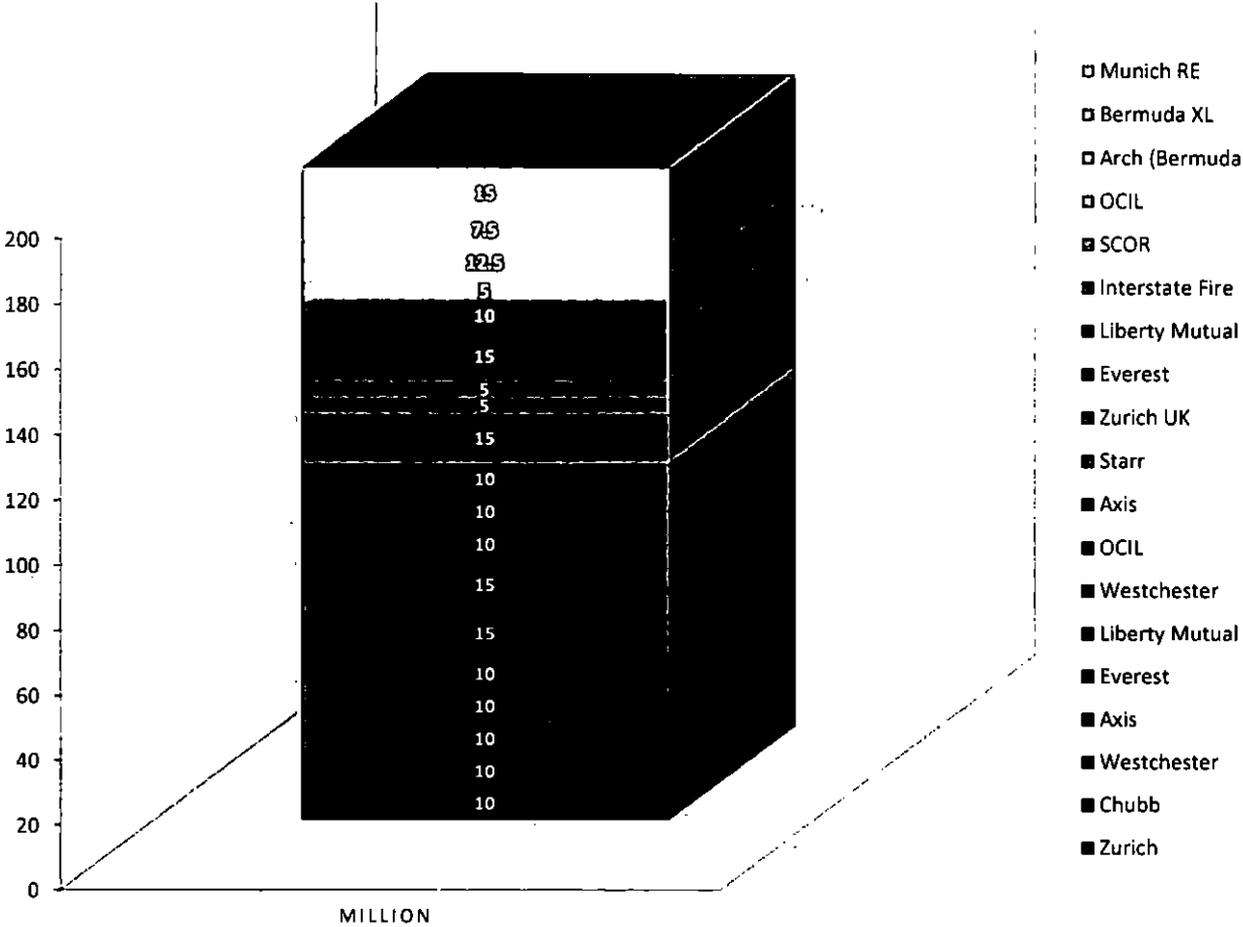
Policy Number: B0509ENGAO2250289

Carrier: Munich Re - Great Lakes Insurance SE

Policy Term: 7/1/2023-7/1/2024

Summary of Excess Policies

EXCESS LIABILITY LAYERS



Pollution Legal Liability (Site Specific- US)

Carrier: Iron shore Specialty Insurance Company (A AM Best Rated), Liberty Mutual Insurance Company

Policy Term: 7/1/2023-7/1/2024

Policy No.: ISPILLSB9469002 (US), ETVTO1AB95MQ122 (CA)

Limits:

\$2,000,000- Policy Aggregate Limit

Coverage A- Onsite Remediation Expenses

\$1,000,000- Each Pollution Incident

\$2,000,000- Coverage Aggregate Limit

Coverage B- Emergency Response Expenses

\$1,000,000- Each Pollution Incident Limit

\$2,000,000- Coverage Aggregate Limit

Coverage C- Third Party Claims

\$1,000,000- Each Pollution Incident Limit

\$2,000,000- Coverage Aggregate Limit

Coverage D- Transportation Liability

\$1,000,000- Each Pollution Incident Limit

\$2,000,000- Coverage Aggregate Limit

Coverage E- Waste Disposal Activities (NODS)

\$1,000,000- Each Pollution Incident Limit

\$2,000,000- Coverage Aggregate Limit

Deductible: \$500,000 Each Pollution Incident (All Sections)

Endorsements & Exclusions:

- Blanket Additional Insured & Blanket Waiver of Subrogation- per written agreement
- Schedule of Covered Locations
- Claims Prep Fees Endorsement
- Defense Costs- 25% Outside the Limits
- Prior Claims Exclusion
- Image Restoration Expenses Endorsement
- Site Specific- New Conditions Only Coverage Endorsement
- Linking of Aggregate Limit
- Other Insurance Amendatory Endorsement- S&A Pollution in GL, MTOL, and Excess policies of no less than \$100Million
- *Canada has its own policy and limits, but same terms and conditions

PLL Named Insured Schedule

1. Hartree Bulk Storage, LLC
 2. Arcadia Gas Storage, LLC
 3. Monroe Gas Storage, LLC
 4. Cadeville Gas Storage, LLC
 5. Perryville Gas Storage, LLC
 6. HCS Holdings, LLC
 7. AMID Crude Oil Storage LLC
 8. Hartree Channelview, LLC
 9. HP Bulk Storage Manager, LLC
 10. Hartree Cardinal Gas Holding Company, LLC
 11. Hartree Cardinal Gas, LLC
 12. HCS Leasing, LLC
 13. Hartree Refining Company, LLC
 14. Sprague HP Holdings, LLC
 15. Sprague Resources Holdings LLC
 16. Sprague Operating Resources LLC
 17. Sprague Connecticut Properties LLC
 18. Sprague Massachusetts Properties, LLC.
- IE.END.ALL.001 (02/16) Page 2 of 2
19. Sprague International Properties LLC
 20. Sprague Resources GP LLC
 21. Sprague Resources LP
 22. Sprague Energy Solutions Inc.
 23. Sprague Natural Gas, LLC
 24. Sprague Terminal Services LLC
 25. Coen Energy, LLC
 26. Coen Transport, LLC
 27. Sprague Energy, LLC

28. Sprague Transport, LLC
29. Gestron GBV Inc.
30. Sprague Co-op Member LLC
31. Sprague Resources Finance Corp
32. Sprague Resources Coöperatief U.A.
33. Titan Energy Développement LLC
34. Sprague Project Rose 2011 LLC
35. Kildair Service ULC
36. Sprague Energy Canada LTD
37. Wintergreen Transport Corporation ULC
38. Transit P.M. Inc.
39. 9047-1137 Québec Inc.
40. 8604827 Canada Inc.
41. Sprague Canadian Properties, LLC
42. Sprague Resources Canada ULC

Excess Pollution Legal Liability (Site Specific)

Carrier: Iron shore Specialty Insurance Company (US)
Policy Term: 7/1/2023-7/1/2024
Policy No.: IEELPLLB947P002 (US), ETLTO1AB95MF122 (CA)
Limits (US and CA):
\$24,000,000- Policy Aggregate Limit (excess of \$1m Primary)
\$24,000,000- Each Event Limit

Deductible: Excess of Underlying Primary PLL Policy Limits

Endorsements & Exclusions:
Various, See Policy

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Property- Offices

Carrier: Travelers Property Casualty Company of America (100%)

Policy Term: 7/1/2023-7/1/2024

Policy No.: Y-630-6T416748-TIL-22

Limits:

Total Insured Value: \$19,101,686

\$250,000 - Debris Removal

\$25,000 - Expediting Cost and Expenses

\$25,000 - Deferred Payments

\$50,000 - Dependent Property - Extra Expense

\$25,000 - Personal Property in Transit

Included - Theft Damage to Rented Property

\$250,000 - Equipment Breakdown - Spoilage

\$25,000 - Outdoor Property

\$100,000 - Outside Signs

\$100,000 - Pollutant Cleanup (Annual Aggregate)

\$1,000,000 - Utility Supply Failure

Locations:

1185 Avenue of the Americas, New York, NY 10036

7704 Forsyth Blvd, Suite 720, Clayton, MO, 63105

8613 Highway 51, Minocqua WI, 54548

6903 Rockledge Drive, Suite 520, Bethesda, MD, 20817

2 Allen Center, Suite 1080, Houston, TX 77010

Endorsements & Exclusions:

Various, See Policy

Property Onshore

Carrier:	Various, See Schedule
Policy Term:	7/1/2023-7/1/2024
Policy No.:	Various See Schedule
Limits:	\$350,000,000 Limit of Liability
Locations:	Various

Property Carrier Schedule

<u>Carrier</u>	<u>Policy Number</u>	<u>Quota Share</u>
Amlin	ENGAO2250755	\$100M Primary -> QS \$350M
Hannover	ENGAO2250755	\$100M Primary -> QS \$350M
Argenta XS	ENGA02250770	\$250M xs \$100M
Markel XS	ENGA02250770	\$250M xs \$100M
HCC XS	ENGA02250770	\$250M xs \$100M
WRB 50M Wind ONLY	ENGAO2250786	\$50M Wind
Arch Primary	ENGAO2250744	Primary \$100M
Guide One Primary	099002579	Primary \$100M
Chaucer	ENGAO2250380	QS \$350M
Partner Re	ENGAO2250380	QS \$350M
Validus	B6044000RURS05022	QS \$350M
Convex	ENGAO2250380	QS \$350M
Oilfield Services	ENGAO2250755	QS \$350M
Sompo	ENGAO2250755	QS \$350M
Markel	ENGAO2250380	QS \$350M
Swiss Re	OMP 2000603-00	QS \$350M
AIG	37706306	QS \$350M
Starr Tech	EPR N1 86 58 46 A	QS \$350M
QBE	ENGAO2250380	QS \$350M
AXA XL	US00110630PR22A	QS \$350M
Helvetia	ENGAO2250755	QS \$350M
SCOR	FA0089313-2022-1	QS \$350M
Munich Re	ENGAO2250380	QS \$350M

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

Foreign Package

Carrier: ACE American Insurance Company (A++XV Rated)

Policy Term: 6/30/2023-6/30/2024

Policy No.: PHFD 38660159 007

Limits:

General Liability

\$1,000,000.00 - Each Occurrence Limit

\$2,000,000.00 - General Aggregate Limit

\$1,000,000.00 - Products/Completed Operations Aggregate

\$1,000,000.00 - Personal/Advertising Injury Aggregate

\$1,000,000.00 - Damage to Premises Rented by You

\$50,000.00 - Medical Expense Limit

Contingent Auto

\$1,000,000 - Combined Single Limit

Employee Benefits Liability

\$1,000,000 - Each Claim

\$1,000,000 - Each Aggregate Limit

Voluntary Employer's Liability

\$1,000,000.00 - Each Accident

\$1,000,000.00 - Disease Coverage Part Limit

\$1,000,000.00 - Disease Each Employee

Endorsements & Exclusions:

- Additional Insured - By Contract
- Additional Insured - Vendors
- Sudden and Accidental Pollution - Time Element

Business Travel Accident

Carrier: ACE American Insurance Company (A ++ XV Rated)
Policy Term: 6/30/2023-9/30/2024
Policy No.: ADD N14304113

Limits: \$500,000 – Principal Sum
\$5,000,000 – Per Covered Accident

Deductible: \$0

Endorsements & Exclusions:

- Suicide of Intentional Injury
- War or Act of War
- Active Duty Service
- Sickness, Disease, Etc.
- Piloting or Crew Member
- Commission of a Felony

Control of Well (Hartree Cardinal Gas Assets Only)

Carrier: Markel International Insurance Co. LTD (via JH Blades)
Policy Term: 6/28/2023- 7/1/2024
Policy No.: JCOW102780
Limits:

Coverage	Limits
A - Control of Well	\$15,000,000 (100%) – Occurrence
B - Redrill/Extra Expense	Combined Single Limit
C - Pollution and Cleanup	\$1,000,000 (100%) - Care, Custody and Control

Deductible/Retention:

\$200,000 - Workover Wells (any one Occurrence)
\$100,000 - Producing Wells (any one Occurrence)
\$100,000 - Care Custody and Control (any one Occurrence)

Endorsements/Exclusions:

Various, See Policy

Underground Storage Tank Liability Policy

Carrier: Ace American Insurance Company (A++ AM Best Rated, Chubb TANKSAFE)

Policy Term: 6/1/2023- 6/1/2024

Policy No.: G28281092003

Limits:

\$1,000,000- Per Storage Tank Limit of Liability

\$1,000,000- Aggregate Limit of Liability (Claims & Remediation)

\$1,000,000- Aggregate Limit of Liability

\$2,000,000- Aggregate Limit of Liability (All UST Incidents)

Deductible: \$5,000- Per Storage Tank incident

Endorsements & Exclusions:

- Strictly for the Springfield/St. James MA Terminal

Claims Guide

General Liability /Auto Liability & Physical Damage/ Workers Compensation/Employers Liability

Insurance Carrier /Adjuster: Zurich

Claim's Liaison: Trina Mouton - (713) 787-5910

Phone Number: (800) 987-3373

Email Address: USZ_CareCenter@Zurichna.com

ONLINE CLAIMS REPORTING: [Zurich North America - Online Claims Service \(zurichna.com\)](http://Zurich North America - Online Claims Service (zurichna.com))

Pollution Legal Liability (United States)

Insurance Carrier /Adjuster: Iron shore

Phone Number: (888) 292- 0249

Fax: (646) 826-6601

Email Address: usclaims@ironshore.com

Pollution Legal Liability (Canada)

Insurance Carrier /Adjuster: Ironshore

Phone Number: (800) 461-5079

Email Address: lmcanadaclaims@libertymutual.com

Marine Terminal Operators Liability (MTOL)

Insurance Carrier /Adjuster: Starr

Phone Number: (855) 782-7725

Marsh Claims Liaison: Darrin.Kolbet@marsh.com

Email Address: claims@starrcompanies.com

ONLINE CLAIMS REPORTING: [Claims \(starrcompanies.com\)](http://Claims (starrcompanies.com))

Bumbershoot

Insurance Carrier /Adjuster: AIG

Email Address: globalmarineclaims@aig.com

Garage Keepers (Canada)

Insurance Carrier /Adjuster: Zurich

Phone Number: (866) 345-3454

Email Address: claims@zurich.com

Excess Liability Policies

Insurance Carrier /Adjuster: Axis Surplus Lines Insurance Company

Phone Number: (866) 259-5435

Email Address: USFNOL@axiscapital.com

Operational Property

Insurance Carrier /Adjuster: Lloyd Warwick

Claims Liaison: Jack Schronk

Email Address: Jack.Schronk@lloydwarwick.com

DATE OF DEPOSIT

OCT 17 2023

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

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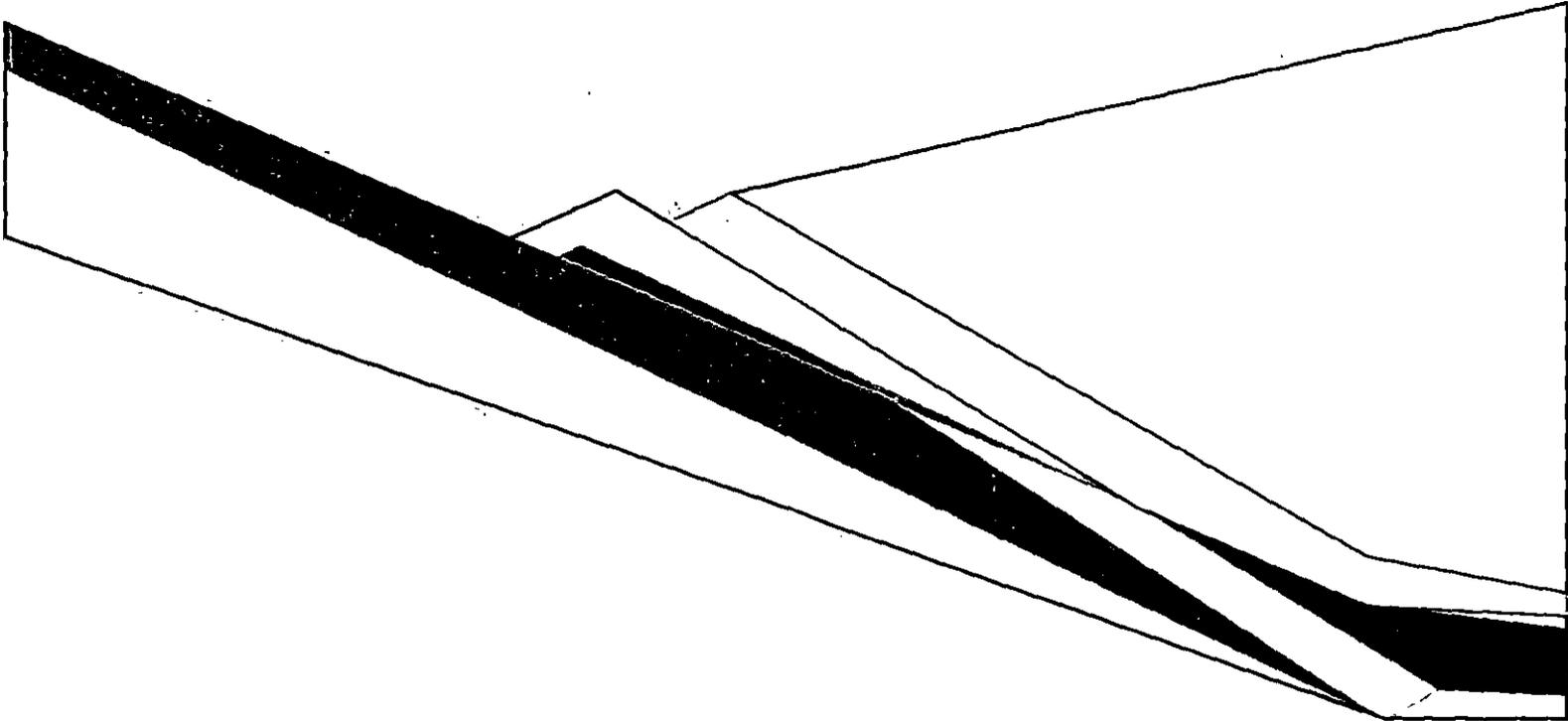


Exhibit H (Section 7.b.)

DATE OF DEPOSIT

OCT 17 2023

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

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Sprague Resources LP
Audited Financial Statements

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REPORT OF INDEPENDENT AUDITORS

To the Partners of Sprague Resources LP

Opinion on the Financial Statements

We have audited the consolidated financial statements of Sprague Resources LP (the Partnership), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income (loss), Partners' equity and cash flows 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 Partnership at December 31, 2022, and 2021, 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 audit 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 Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of ASU 2014-02, Accounting for Goodwill - a consensus of the Private Company Council

As discussed in Note 1 to the financial statements, in the year ended December 31, 2022 the Partnership adopted new accounting guidance for goodwill as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update (ASU) No. 2014-02, Accounting for Goodwill – a consensus of the Private Company Council. Our opinion is not modified with respect to this matter.

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 Partnership'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.

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- 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 Partnership'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 Partnership'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.

[EY Signature]

April 14, 2023

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Sprague Resources LP
Consolidated Balance Sheets
(in thousands)

	December 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,442	\$ 669
Accounts receivable, net	405,150	280,407
Inventories	420,045	439,820
Fair value of derivative assets	217,954	141,018
Other current assets	66,125	22,066
Total current assets	1,119,716	883,980
Fair value of derivative assets long-term	57,799	33,111
Property, plant, and equipment, net	316,631	323,630
Intangibles, net	28,218	34,007
Other assets, net	24,266	28,490
Goodwill, net	103,533	115,037
Total assets	<u>\$ 1,650,163</u>	<u>\$ 1,418,255</u>
Liabilities and Partners' equity		
Current liabilities:		
Accounts payable	\$ 275,586	\$ 193,843
Accrued liabilities	64,657	76,667
Fair value of derivative liabilities	233,781	195,508
Due to General Partner	16,116	11,077
Current portion of working capital facilities	630,986	497,578
Current portion of other obligations	8,380	8,594
Total current liabilities	1,229,506	983,267
Commitments and contingencies		
Acquisition facility	357,400	377,400
Fair value of derivative liabilities long-term	74,249	64,415
Other obligations, less current portion	25,007	31,664
Operating lease liabilities, less current portion	4,677	11,067
Due to General Partner	2,824	2,291
Deferred income taxes	11,971	13,733
Total liabilities	1,705,634	1,483,837
Partners' equity:		
Capital accounts	(69,954)	(49,085)
Accumulated other comprehensive income (loss), net of tax	14,483	(16,497)
Total Partners' equity	(55,471)	(65,582)
Total liabilities and Partners' equity	<u>\$ 1,650,163</u>	<u>\$ 1,418,255</u>

The accompanying notes are an integral part of these financial statements.

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Sprague Resources LP
Consolidated Statements of Operations
(in thousands)

	Years Ended December 31,	
	2022	2021
Net sales	\$ 5,826,142	\$ 3,498,160
Cost of products sold	5,520,426	3,343,302
Operating expenses	93,671	80,673
Selling, general and administrative	92,321	82,700
Depreciation and amortization	43,292	33,335
Total operating costs and expenses	5,749,710	3,540,010
Other operating income	—	9,700
Operating income (loss)	76,432	(32,150)
Other (expense)	(1)	—
Interest income	698	171
Interest expense	(43,129)	(34,109)
Income (loss) before income taxes	34,000	(66,088)
Income tax benefit (provision)	1,783	(2,828)
Net income (loss)	<u>\$ 35,783</u>	<u>\$ (68,916)</u>

The accompanying notes are an integral part of these financial statements.

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Sprague Resources LP
Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

	Years Ended December 31,	
	2022	2021
Net income (loss)	\$ 35,783	\$ (68,916)
Other comprehensive income (loss), net of tax:		
Unrealized income (loss) on interest rate swaps		
Net income arising in the period	30,849	3,729
Reclassification adjustment related to loss realized in income	531	5,838
Net change in unrealized income (loss) on interest rate swaps	31,380	9,567
Tax effect	(245)	(76)
	31,135	9,491
Foreign currency translation adjustment	(155)	(6)
Other comprehensive income	30,980	9,485
Comprehensive income (loss)	\$ 66,763	\$ (59,431)

The accompanying notes are an integral part of these financial statements.

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Sprague Resources LP
Consolidated Statements of Partners' Equity
(in thousands)

	Partners' Capital	Accumulated Other Comprehensive (Loss) Income	Total
Balance as of December 31, 2020	\$ 84,677	\$ (25,982)	\$ 58,695
Net income	(68,916)	—	(68,916)
Other comprehensive loss	—	9,485	9,485
Unit-based compensation	386	—	386
Distributions paid cash	(63,783)	—	(63,783)
Units withheld for employee tax obligations	(1,449)	—	(1,449)
Balance as of December 31, 2021	\$ (49,085)	\$ (16,497)	\$ (65,582)
Net income	35,783	—	35,783
Other comprehensive Income	—	30,980	30,980
Unit-based compensation before the Merger	(79)	—	(79)
Distributions paid to unitholders and Partners	(56,573)	—	(56,573)
Balance as of December 31, 2022	<u>\$ (69,954)</u>	<u>\$ 14,483</u>	<u>\$ (55,471)</u>

The accompanying notes are an integral part of these financial statements.

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Sprague Resources LP
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31,	
	2022	2021
Cash flows from operating activities		
Net income (loss)	\$ 35,783	\$ (68,916)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization (includes amortization of deferred debt issue costs)	48,189	37,928
Gain on sale of assets and insurance recoveries	(45)	(9,806)
Provision for doubtful accounts	330	16
Non-cash unit-based compensation before the Merger	(79)	386
Deferred income taxes	(2,007)	(2,125)
Changes in assets and liabilities:		
Accounts receivable	(125,073)	(87,407)
Inventories	19,776	(184,288)
Other assets	(38,386)	52,694
Fair value of commodity derivative instruments	(22,136)	86,993
Due to/from General Partner and affiliates	5,572	(298)
Accounts payable, accrued liabilities and other	61,598	118,045
Net cash used in operating activities	(16,478)	(56,778)
Cash flows from investing activities		
Purchases of property, plant and equipment	(18,046)	(13,888)
Proceeds from property insurance settlements and sale of assets	388	11,113
Net cash used in investing activities	(17,658)	(2,775)
Cash flows from financing activities		
Net borrowings (payments) under credit agreements	113,792	133,627
Payments on finance/capital leases, term debt, and other obligations	(6,957)	(7,449)
Payment of debt issue costs	(6,348)	(4,465)
Distributions paid to unitholders and Partners	(56,573)	(63,783)
Repurchased units withheld for employee tax obligations	—	(1,450)
Net cash provided by financing activities	43,914	56,480
Effect of exchange rate changes on cash balances held in foreign currencies	(5)	(29)
Net change in cash and cash equivalents	9,773	(3,102)
Cash and cash equivalents, beginning of period	669	3,771
Cash and cash equivalents, end of period	\$ 10,442	\$ 669
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 33,688	\$ 28,638
Cash paid for taxes	\$ 3,900	\$ 6,930
Assets acquired under finance lease obligations	\$ 2,285	\$ 1,831
Non-cash asset retirement obligation and related asset	\$ (780)	\$ —
Cash paid for operating leases	\$ 8,185	\$ 7,444
ROU assets obtained in exchange for new lease liabilities	\$ 1,013	\$ 13,718

The accompanying notes are an integral part of these financial statements.

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Sprague Resources LP **Notes to Consolidated Financial Statements** *(in thousands unless otherwise stated)*

1. Description of Business and Summary of Significant Accounting Policies

Partnership Businesses

Sprague Resources LP (the "Partnership") is a Delaware limited partnership formed on June 23, 2011 by Sprague Holdings and its General Partner and engages in the purchase, storage, distribution and sale of refined products and natural gas, and provides storage and handling services for a broad range of materials.

Unless the context otherwise requires, prior to May 28, 2021, references referring to "Sprague Resources," and the "Partnership," refer to Sprague Resources LP and its subsidiaries; references to the "General Partner" refer to Sprague Resources GP LLC; references to "Axel Johnson" or the "Sponsor" refer to Axel Johnson Inc. and its controlled affiliates, collectively, other than Sprague Resources, its subsidiaries and its General Partner; references to "Sprague Holdings" refer to Sprague Resources Holdings LLC, a wholly owned subsidiary of Axel Johnson and the owner of the General Partner.

Unless the context otherwise requires, effective May 28, 2021, references referring to Sprague Resources, and the Partnership, refer to Sprague Resources LP and its subsidiaries; references to the General Partner refer to Sprague Resources GP LLC; references to "Hartree" or the Sponsor refer to Hartree Partners, LP, and its controlled affiliates, collectively, other than Sprague Resources, its subsidiaries and its General Partner; references to "Sprague Holdings" refer to Sprague HP Holdings LLC, a wholly owned subsidiary of Hartree and the owner of the General Partner.

On April 20, 2021, the Partnership and Hartree Partners, LP ("Hartree") announced that Sprague Holdings entered into an agreement to sell to Sprague HP Holdings, LLC (a wholly owned subsidiary of Hartree) the interest of Sprague Holdings in the General Partner, the incentive distribution rights and all the common units representing limited partner interest that Sprague Holdings owned in the Partnership (the "Transaction"). The Transaction was completed and effective on May 28, 2021 and the aggregate purchase price was \$290.0 million, consisting of approximately \$265.0 million attributable to the purchase of 16,058,484 common units and approximately \$25.0 million attributable to the general partner interest and incentive distribution rights. The Partnership elected to not to apply push-down accounting in its consolidated financial statements upon the change in control on May 28, 2021.

On June 2, 2022, in response to an unsolicited non-binding proposal received from Hartree on January 11, 2022 and following negotiations between Hartree and the conflicts committee of the board of directors of the Partnership, the Partnership, and its General Partner entered into an Agreement and Plan of Merger (the "Merger Agreement") with Sprague Holdings and Sparrow HP Merger Sub, LLC ("Merger Sub"), pursuant to which Merger Sub will merge with and into the Partnership, with the Partnership surviving as a direct wholly owned subsidiary of the General Partner and Hartree (the "Merger"). Under the terms of the Merger Agreement, at the effective time of the Merger, each issued and outstanding common unit, other than those held by Sprague Holdings or its permitted transferees, was converted into the right to receive \$19.00 per common unit in cash without any interest thereon (the "Merger Consideration"). The common units and incentive distribution rights in the Partnership held by Sprague Holdings and its permitted transferees and the General Partner immediately prior to the effective time of the Merger shall be unaffected by the Merger and shall remain outstanding.

On August 31, 2022, the Partnership and Hartree entered into Amendment No. 1 (the "Merger Agreement Amendment") to the Merger Agreement. Under the terms of Merger Agreement Amendment, each Common Unit (other than the Sprague Holdings Units) issued and outstanding immediately prior to the Effective Time will be converted into the right to receive (A) \$19.00 per Common Unit in cash without any interest thereon as merger consideration and (B) an additional \$1.00 per Common Unit in cash without any interest thereon as consideration for the amendment to the date prior to which the Merger may not close without Hartree's consent from July 31, 2022 to November 28, 2022.

The Merger was completed and effective on November 1, 2022 and the closing of the transaction took the Partnership from a public traded company to a private company wholly owned by Hartree, and the Partnership's common units are no longer listed on the NYSE.

The Partnership owns, operates and/or controls a network of refined products and materials handling terminals and storage facilities predominantly located in the Northeast United States from New York to Maine and in Quebec, Canada. The Partnership also utilizes third-party terminals in the Northeast United States through which it sells or distributes refined products pursuant to rack, exchange and throughput agreements. The Partnership has four businesses: refined products, natural gas, materials handling and other operations.

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- The refined products business purchases a variety of refined products, such as heating oil, diesel fuel, residual fuel oil, kerosene, jet fuel, and gasoline - primarily from refining companies, trading organizations and producers - and sells them to wholesale and commercial customers.
- The natural gas business purchases natural gas from natural gas producers and trading companies and sells and distributes natural gas to commercial and industrial customers.
- The materials handling business offloads, stores and prepares for delivery a variety of customer-owned products, including asphalt, clay slurry, salt, gypsum, crude oil, residual fuel oil, coal, petroleum coke, caustic soda, tallow, pulp and heavy equipment.
- The other operations primarily includes the marketing and distribution of coal and certain commercial trucking activities.

See Note 2 - Revenue for a description of the Partnership's revenue activities within these business units.

Services Agreement

The Partnership, the General Partner and Sprague Holdings operate under a services agreement (the "Services Agreement") pursuant to which the General Partner provides certain general and administrative and operational services to the Partnership and Sprague Holdings, and the Partnership and Sprague Holdings reimburse the General Partner for all costs and expenses incurred in connection with providing such services to the Partnership and Sprague Holdings. The Services Agreement does not limit the amount that may be reimbursed or paid by the Partnership to the General Partner. The initial term of the Services Agreement expired on October 30, 2018 and automatically renewed at the end of the initial term for successive one-year terms until terminated in accordance with the terms thereof. The Services Agreement does not limit the ability of the officers and employees of the General Partner to provide services to other affiliates of Sprague Holdings or unaffiliated third parties. See Note 13 - Related Party Transactions.

As of December 31, 2022, the General Partner employed approximately 606 full-time employees who support the Partnership's operations, 76 of whom were covered by five collective bargaining agreements. As of December 31, 2022, the Partnership's Canadian subsidiary had 157 employees, 39 of whom were covered by one collective bargaining agreement which expires on March 18, 2024.

Basis of Presentation

The Consolidated Financial Statements include the accounts of the Partnership and its wholly owned subsidiaries. Intercompany transactions between the Partnership and its subsidiaries have been eliminated.

The Partnership makes estimates and assumptions that affect the reported amounts on these consolidated financial statements and accompanying notes as of the date of the financial statements. The Partnership assessed accounting estimates that require consideration of forecasted financial information, including, but not limited to, the allowance for credit losses, the carrying value of goodwill, intangible assets, and other long-lived assets. This assessment was conducted in the context of information reasonably available to the Partnership.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet and the reported net sales and expenses in the income statement. Actual results could differ from those estimates. Among the estimates made by management are the fair value of derivative assets and liabilities, allowance for credit losses, valuation estimates used for goodwill impairment assessment, and if necessary long-lived asset impairments and environmental and legal obligations.

Revenue Recognition and Cost of Products Sold

Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied. The majority of the Partnership's revenue is generated from refined products and natural gas contracts that have a single performance obligation which is the delivery of the related energy product. Accordingly, the Partnership recognizes revenue for refined products and natural gas when title and control have been transferred to the customer which is generally at the time of

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shipment or delivery of products. Revenue for the Partnership's materials handling business is recorded on a straight-line basis under leasing arrangements or as services are performed.

Revenue is measured as the amount of consideration the Partnership expects to receive in exchange for transferring products or providing services and is generally based upon a negotiated index, formula, list or fixed price. An allowance for doubtful accounts is recorded to reflect an estimate of the ultimate realization of the Partnership's accounts receivable and includes an assessment of the customers' creditworthiness and the probability of collection. The provision for the allowance for doubtful accounts is included in cost of products sold. Estimated discounts are included in the transaction price of the contracts with customers as a reduction to net sales. Cash discounts were \$11.0 million and \$5.9 million for the years ended December 31, 2022 and 2021, respectively. The Partnership sells its products or provides its services directly to commercial customers and wholesale distributors generally under agreements with payment terms typically less than 30 days.

The Partnership has elected to account for shipping and handling as activities to fulfill the promise to transfer the good. As such, shipping and handling fees billed to customers in a sales transaction are recorded in net sales and shipping and handling costs incurred are recorded in cost of products sold. The Partnership has elected to exclude from net sales any value adds, sales and other taxes which it collects concurrently with revenue-producing activities.

The majority of the Partnership's revenue is derived from contracts (i) with an original expected length of one year or less and (ii) contracts for which it recognizes revenue at the amount in which it has the right to invoice the customer as product is delivered. The Partnership has elected the practical expedient in accordance with ASC 606 not to disclose the value of remaining performance obligations associated with these types of contracts.

Commodity Derivatives

The Partnership utilizes derivative instruments consisting of futures contracts, forward contracts, swaps, options and other derivatives individually or in combination, to mitigate its exposure to fluctuations in prices of refined petroleum products and natural gas. The use of these derivative instruments within the Partnership's risk management policy may, on a limited basis, generate gains or losses from changes in market prices. The Partnership enters into futures and over-the-counter ("OTC") transactions either on regulated exchanges or in the OTC market. Futures contracts are exchange-traded contractual commitments to either receive or deliver a standard amount or value of a commodity at a specified future date and price, with some futures contracts based on cash settlement rather than a delivery requirement. Futures exchanges typically require margin deposits as security. OTC contracts, which may or may not require margin deposits as security, involve parties that have agreed either to exchange cash payments or deliver or receive the underlying commodity at a specified future date and price. The Partnership posts initial margin with futures transaction brokers, along with variation margin, which is paid or received on a daily basis, and is included in other current assets and other current liabilities. In addition, the Partnership may either pay or receive margin based upon exposure with counterparties. Payments made by the Partnership are included in other current assets, whereas payments received by the Partnership are included in accrued liabilities. Substantially all of the Partnership's commodity derivative contracts outstanding as of December 31, 2022 will settle prior to June 30, 2024.

The Partnership does enter into master netting arrangements to mitigate credit risk with significant counterparties. Master netting arrangements are standardized contracts that govern all specified transactions with the same counterparty and allow the Partnership to terminate all contracts upon occurrence of certain events, such as a counterparty's default. The Partnership has elected not to offset the fair value of its derivatives, even where these arrangements provide the right to do so.

The Partnership's derivative instruments are recorded at fair value, with changes in fair value recognized in net income (loss) each period. The Partnership's fair value measurements are determined using the market approach and includes non-performance risk and time value of money considerations. Counterparty credit is considered for receivable balances, and the Partnership's credit is considered for payable balances.

The Partnership does not offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against the fair value of derivative instruments executed with the same counterparty under the same master netting arrangement. The Partnership had no right to reclaim or obligation to return cash collateral as of December 31, 2022 or 2021.

Interest Rate Derivatives

The Partnership manages its exposure to variable LIBOR or SOFR borrowings by using interest rate swaps to convert a portion of its variable rate debt to fixed rates. These interest rate swaps are designated as cash flow hedges and the changes in

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fair value of the swaps are included as a component of comprehensive (loss) income and accumulated other comprehensive loss, net of tax.

To designate a derivative as a cash flow hedge, the Partnership documents at inception the assessment that the derivative will be highly effective in offsetting expected changes in cash flows from the item hedged. The assessment, updated at least quarterly, is based on the most recent relevant historical correlation between the derivative and the item hedged. If during the term of the derivative, the hedge is found to be less than highly effective, hedge accounting is prospectively discontinued, and the remaining gains and losses are reclassified to income in the current period.

Market and Credit Risk

The Partnership manages the risk of fluctuations in the price and transportation costs of its commodities through the use of derivative instruments. The volatility of prices for energy commodities can be significantly influenced by market supply and demand, changes in seasonal demand, weather conditions, transportation availability, and federal and state regulations. The Partnership monitors and manages its exposure to market risk on a daily basis in accordance with approved policies.

The Partnership has a number of financial instruments that are potentially at risk including cash and cash equivalents, receivables and derivative contracts. The Partnership's primary exposure is credit risk related to its receivables and counterparty performance risk related to its derivative assets, which is the loss that may result from a customer's or counterparty's non-performance. The Partnership uses credit policies to control credit risk, including utilizing an established credit approval process, monitoring customer and counterparty limits, employing credit mitigation measures such as analyzing customer financial statements, and accepting personal guarantees and various forms of collateral.

The Partnership believes that the counterparties to its derivative contracts will be able to satisfy their contractual obligations. Credit risk is limited by the large number of customers and counterparties comprising the Partnership's business and their dispersion across different industries.

The Partnership's cash is in demand deposits placed with federally insured financial institutions. Such deposit accounts at times may exceed federally insured limits. The Partnership has not experienced any losses on such accounts.

Fair Value Measurements

The Partnership determines fair value based on a hierarchy for the inputs used to measure the fair value of financial assets and liabilities based on the source of the input, which generally range from quoted prices for identical instruments in a principal trading market (Level 1) to estimates determined using significant unobservable inputs (Level 3). Multiple inputs may be used to measure fair value; however, the level of fair value is based on the lowest significant input level within this fair value hierarchy.

Details on the methods and assumptions used to determine the fair values are as follows:

Fair value measurements based on Level 1 inputs: Measurements that are most observable and are based on quoted prices of identical instruments obtained from the principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to assure liquidity.

Fair value measurements based on Level 2 inputs: Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid are considered Level 2. Measurements based on Level 2 inputs include OTC derivative instruments that are priced on an exchange traded curve, but have contractual terms that are not identical to exchange traded contracts. The Partnership utilizes fair value measurements based on Level 2 inputs for its fixed forward contracts, over-the-counter commodity price swaps, interest rate swaps and forward currency contracts.

Fair value measurements based on Level 3 inputs: Measurements that are least observable are estimated from significant unobservable inputs determined from sources with little or no market activity for comparable contracts or for positions with longer durations.

Long-Term Incentive Plan

The General Partner has the Sprague Resources LP 2013 Long-Term Incentive Plan (the "LTIP"), for the benefit of employees, consultants and directors of the General Partner and its affiliates, who provide services to the General Partner or an affiliate. The LTIP provides the Partnership with the flexibility to grant unit options, restricted units, phantom units, unit appreciation rights, cash awards, distribution equivalent rights, substitute awards and other unit-based awards or any

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combination of the foregoing. The LTIP will expire upon the earlier of (i) its termination by the board of directors of the General Partner, (ii) the date common units are no longer available under the LTIP for grants or (iii) the tenth anniversary of the date the LTIP was approved by the General Partner.

Prior to March 5, 2021, the board of directors of the General Partner granted performance-based phantom unit awards to key employees that vest over a period of time (usually three years). Upon vesting, a holder of performance-based phantom units is entitled to receive a number of common units of the Partnership equal to a percentage (between 0 and 200%) of the phantom units granted, based on the Partnership's achieving predetermined performance criteria. The Partnership uses authorized but unissued units to satisfy its unit-based obligations. Phantom unit awards granted since 2015 included a performance criteria that considered Sprague Holdings operating cash flow, as defined therein ("OCF"), over a three year performance period. The number of common units that may be received in settlement of each phantom unit award can range between 0 and 200% of the number of phantom units granted based on the level of OCF achieved during the vesting period. These awards were equity awards with performance and service conditions which result in compensation cost being recognized over the requisite service period once payment is determined to be probable. Compensation expense related to the OCF based awards was estimated each reporting period by multiplying the number of common units underlying such awards that, based on the Partnership's estimate of OCF, are probable to vest, by the grant-date fair value of the award and was recognized over the requisite service period using the straight-line method. The fair value of the OCF based phantom units was the grant date closing price listed on the New York Stock Exchange. The number of units that the Partnership estimated were probable to vest could change over the vesting period. Any such change in estimate was recognized as a cumulative adjustment calculated as if the new estimate had been in effect from the grant date. The Partnership's performance-based phantom unit awards included tandem distribution equivalent rights ("DERs") which entitled the participant to a cash payment only upon vesting that is equal to any cash distribution paid on a common unit between the grant date and the date the phantom units were settled. Payments made in connection with DERs were recorded as a distribution in unitholders' equity.

Effective March 5, 2021, the board of directors used its discretion to terminate all phantom unit awards granted in 2018, 2019 and 2020. In consideration for this termination, the board of directors paid a higher 2020 cash bonus, issued 172,702 vested common units to each of the Partnership's Named Executive Officers and certain other employees and issued new long-term incentive awards payable in units or cash which vest over a three-year service period. The 2020 cash bonus amounts were expensed during the year ended December 31, 2020 and accrued for as of December 31, 2020. The Partnership accounted for the cancellation of the previously outstanding phantom unit awards and the issuance of the vested units and long-term incentive awards as a modification which resulted in immaterial incremental compensation expense during the year ended December 31, 2021.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments which are readily convertible into cash and have maturities of three months or less when purchased.

Inventories

The Partnership's inventories are valued at the lower of cost or net realizable value. Cost is primarily determined using the first-in, first-out method, except for the Partnership's Canadian subsidiary, which used the weighted average method. Inventory consists of petroleum products, natural gas and coal. The Partnership uses derivative instruments, primarily futures, forwards and swaps, to economically hedge substantially all of its inventory.

Property, Plant and Equipment, Net

Property, plant and equipment, net are recorded at historical cost. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Furniture and Fixtures	5 to 10 years
Plant and Machinery	5 to 30 years
Building and Leasehold Improvements	10 to 25 years

Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvement, whichever is shorter. Maintenance and repairs are charged to expense as incurred. Costs and related accumulated depreciation of properties sold or otherwise disposed of are removed from the respective accounts, and any resulting gains or losses are recorded at that time.

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Long-lived Asset Impairment

The Partnership evaluates the carrying value of its property, plant and equipment and finite lived intangible assets for impairment when events or changes in circumstances indicate the carrying amount of an individual asset or asset group may not be recoverable based on estimated future undiscounted cash flows. Future cash flow projections include assumptions of future sales levels, the impact of controllable cost reduction programs, and the level of working capital needed to support each business. To the extent the carrying amount of the asset group is not recoverable based on undiscounted cash flows, the amount of impairment is measured by the difference between the carrying value and the fair value of the individual assets or asset group.

Goodwill

Goodwill is defined as the excess of cost over the fair value of assets acquired and liabilities assumed in a business combination. Effective January 1, 2022, the Partnership adopted the private company accounting alternative made available under ASU 2014-02, Accounting for Goodwill – a consensus of the Private Company Council (codified in the Accounting Alternative guidance in ASC 350-20). Consistent with the transition provisions of the accounting alternative under ASC 350-20, the Company adopted the change on a prospective basis in the period in which it ceased being a public business entity. As a result, effective January 1, 2022, the Partnership began amortizing goodwill over a 10-year useful life. Refer to Note 10, for the gross carrying value of goodwill and accumulated amortization balances as of December 31, 2022.

The Partnership recorded amortization expense related to goodwill of \$11.5 million for the year ended December 31, 2022. The amortization of goodwill is recorded within depreciation and amortization expense on the consolidated statement of operations. With the adoption of the accounting alternative under ASC 350-20, the Partnership has elected to perform its annual impairment triggering event analysis as of the reporting date (December 31) and at the entity level, versus the reporting unit level. As of December 31, 2022, there were no indicators of impairment present.

Prior to January 1, 2022, the Partnership tested goodwill at the reporting unit level annually or on an as needed basis. In performing the test, the Partnership either used a qualitative assessment or a single step quantitative approach. Under the qualitative approach the Partnership considered a number of factors, including the amount by which the previous quantitative test's fair value exceeded the carrying value, actual performance as compared to internal forecasts used in the previous quantitative test, an evaluation of discount rates, and an evaluation of current economic factors for both the worldwide economy and specifically the oil and gas industry, and any significant changes in customer and supplier relationships. The Partnership weighed these factors to determine if it was more likely than not that the fair value exceeded its carrying value. If after performing a qualitative assessment, indicators were present, or the Partnership identified factors that caused it to believe it was appropriate to perform a more precise calculation of fair value, the Partnership would move beyond the qualitative assessment and perform a quantitative impairment test. Under the quantitative impairment test, the Partnership performed a comparison of the entity's carrying value to its fair value.

During the years ended December 31, 2022 and 2021 there was no impairment of goodwill identified.

Intangibles, Net

Intangibles, net consist of intangible assets with finite lives, primarily customer relationships and non-compete agreements. Intangibles and other assets are amortized over their respective estimated useful lives. The Partnership believes the sum-of-the-years'-digits method of amortization properly reflects the timing of the recognition of the economic benefits realized from its intangible assets.

Income Taxes

The Partnership is organized as a pass-through entity for U.S. federal income tax purposes. As a result, the partners are responsible for U.S. federal income taxes based on their respective share of taxable income. Net income for financial statement purposes may differ significantly from taxable income reportable to partners as a result of differences between the tax bases and financial reporting bases of assets and liabilities and the taxable income allocation requirements under the partnership agreement. The Partnership, however, is subject to a statutory requirement that non-qualifying income cannot exceed 10% of total gross income, determined on a calendar year basis under the applicable income tax provisions. If the amount of non-qualifying income exceeds this statutory limit, the Partnership would be taxed as a corporation. Accordingly, certain activities that generate non-qualifying income are conducted through Sprague Energy Solutions, Inc., a taxable corporate subsidiary. Sprague Energy Solutions, Inc. is subject to U.S. federal and state income tax and pays any income taxes related to the results of its operations. For the year ended October 31, 2022, the Partnership's non-qualifying income did not exceed the statutory

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limit. The Partnership is subject to income tax and franchise tax in certain domestic state and local as well as foreign jurisdictions

Income taxes (*e.g.*, deferred tax assets, deferred tax liabilities, taxes currently payable and tax expense) are recorded based on amounts refundable or payable in the current year and include the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. Deferred taxes are measured by applying currently enacted tax rates. The Partnership establishes a valuation allowance for deferred tax assets when it is more likely than not that these assets will not be realized.

The Partnership's Canadian operations are conducted within entities that are treated as corporations for Canadian tax purposes and are subject to Canadian federal and provincial taxes. Additionally, payments of dividends from the Partnership's Canadian entities to other Sprague entities are subject to Canadian withholding tax that is treated as income tax expense. The partnership's foreign subsidiaries record investment tax credits under the deferral method.

The Partnership recognizes the financial statement effect of an uncertain tax position only when management believes that it is more likely than not, that based on the technical merits, the position will be sustained upon examination. The Partnership classifies interest and penalties associated with uncertain tax positions as income tax expense. During the years ended December 31, 2022 and 2021, the uncertain tax positions and related interest and penalties recognized by the Partnership were immaterial. The Partnership and its subsidiaries tax returns are subject to examination by the Internal Revenue Service and by the Canada Revenue Agency for the years ended December 31, 2022, 2021, 2020, and 2019.

Foreign Currency

The Partnership's reporting currency is the U.S. dollar. The Partnership's most significant foreign operations are conducted by Kildair Service ULC, a Canadian subsidiary ("Kildair"). The functional currency of Kildair is the U.S. dollar. Kildair has an operating subsidiary whose functional currency is the Canadian dollar.

Kildair converts receivables and payables denominated in other than their functional currency at the exchange rate as of the balance sheet date. Kildair utilizes forward currency contracts to manage its exposure to currency fluctuations of certain of its transactions that are denominated in Canadian dollars. These forward currency exchange contracts are recorded at fair value at the balance sheet date and changes in fair value are recognized in net income (loss) as these forward currency contracts have not been designated as hedges. For the years ended December 31, 2022 and 2021, transaction exchange gains or losses net of the impact of the forward currency exchange contracts, amounted to a gain of less than \$0.2 million and loss of \$0.1 million, respectively, which is recorded in cost of products sold.

Recent Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848)* which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform, if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. In December 2022, FASB issued ASU 2022-06 which extends the expiration date of ASU 2020-04 from December 31, 2022 to December 31, 2024. The Partnership adopted ASU 2020-04 on a prospective basis with regard to the Partnership's interest rate swaps. The guidance did not have a material impact on our financial position, results of operations or disclosures at transition.

In May 2021, the FASB issued ASU No. 2021-05, *Leases (Topic 842), Lessors - Certain Leases with Variable Lease Payments*. This ASU addresses an issue related to a lessor's accounting for certain leases with variable lease payments. The amendments in this Update affect lessors with lease contracts that (1) have variable lease payments that do not depend on a reference index or a rate and (2) would have resulted in the recognition of a selling loss at lease commencement if classified as a sales-type lease or a direct financing lease. For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. The adoption of this guidance did not have a material impact to the Partnership's Condensed Consolidated Financial Statements.

2. Revenue

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Disaggregated Revenue

In general, the Partnership's businesses are aligned according to the nature and economic characteristics of its products and customer relationships which provides meaningful disaggregation of each business unit's results of operations. The Partnership operates its businesses in the Northeast and Mid-Atlantic United States and Eastern Canada.

The refined products business purchases a variety of refined products, such as heating oil, diesel fuel, residual fuel oil, kerosene, jet fuel and gasoline (primarily from refining companies, trading organizations and producers), and sells them to wholesale and commercial customers. Refined products revenue-producing activities are direct sales to customers, including throughput transactions. Revenue is recognized when the product is delivered. Revenue is not recognized on exchange agreements, which are entered into primarily to acquire refined products by taking delivery of products closer to the Partnership's end markets. Rather, net differentials or fees for exchange agreements are recorded within cost of products sold.

The natural gas business purchases natural gas from natural gas producers and trading companies and sells and distributes natural gas to commercial and industrial customers. Natural gas revenue-producing activities are sales to customers at various points on natural gas pipelines or at local distribution companies (i.e., utilities). Natural gas sales not billed by month-end are accrued based upon gas volumes delivered.

The materials handling business offloads, stores and prepares for delivery a variety of customer-owned products. A majority of the materials handling business revenue is generated under leasing arrangements with revenue recorded over the lease term generally on a straight-line basis. Contingent rentals are recorded as revenue only when billable under the arrangement. For materials handling contracts that are not leases, the Partnership recognizes revenue either at a point in time after services are performed or over a period of time if the services are performed in a continuous fashion over the period of the contract as these methods represent a faithful depiction of the transfer of goods and services.

The other operations primarily includes the marketing and distribution of coal and certain commercial trucking activities. Revenue from other operations is recognized when the product is delivered or the services are rendered.

Further disaggregation of net sales by business units and geographic destination is as follows:

	<u>Years Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Net sales:		
Refined products		
Distillates	\$ 3,993,239	\$ 2,332,857
Gasoline	1,050,290	560,492
Heavy fuel oil and asphalt	331,867	249,160
Total refined products	\$ 5,375,396	\$ 3,142,509
Natural gas	372,115	284,529
Materials handling	54,250	50,484
Other operations	24,381	20,638
Net sales	\$ 5,826,142	\$ 3,498,160
Net sales by country:		
United States	\$ 5,430,990	\$ 3,196,743
Canada	395,152	301,417
Net sales	\$ 5,826,142	\$ 3,498,160

Contract Balances

Contract liabilities primarily relate to advances or deposits received from the Partnership's customers before revenue is recognized. These amounts are included in accrued liabilities and amounted to \$9.4 million and \$9.8 million as of December 31, 2022 and 2021, respectively. A substantial portion of the contract liabilities as of December 31, 2021 remains outstanding as of December 31, 2022 as they are primarily deposits. The Partnership does not have any material contract assets as of December 31, 2022 or 2021.

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3. Leases

The Partnership determines if an arrangement is a lease at the inception of contract. Finance leases are included in property, plant and equipment, net while the Partnership's operating leases, right-of-use ("ROU") assets, are included as non-current other assets on the Consolidated Balance Sheets. Lease liabilities are included in accrued liabilities, current and non-current other obligations and operating lease liabilities, less current portion in the Consolidated Balance Sheets. Operating lease expense is included in operating expenses and cost of products sold while amortization expense associated with finance leases is included in depreciation and amortization expense.

The Partnership uses the practical expedient not to apply the recognition requirements in the lease standard to short-term leases (a lease that at commencement date has a lease term of 12 months or less and does not contain a purchase option that it is reasonably certain to exercise) and the practical expedient that permits lessees to make an accounting policy election (by class of underlying asset) to account for each separate lease component of a contract and its associated non-lease components as a single lease component.

ROU assets represent the Partnership's right to use an underlying asset for the lease term and lease liabilities represent the Partnership's obligations to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Partnership uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Partnership's lease terms may include options to extend lease terms ranging from 1 to 10 years while others include options to terminate at the Partnership's discretion.

The Partnership's operating and finance leases are primarily for time charters, facilities, railcars and equipment. The terms and conditions for these leases vary by the type of underlying asset. For the years ended December 31, 2022 and December 31, 2021, total operating lease expense was \$14.1 million and \$13.5 million, respectively, of which \$5.9 million and \$6.1 million was related to short-term leases, respectively. For the years ended December 31, 2022 and December 31, 2021, total finance lease expense was \$3.9 million and \$3.9 million, respectively.

Operating and finance leases were as follows:

	As of December 31,			
	2022		2021	
	Operating	Finance	Operating	Finance
ROU Assets:				
Other Assets, Net	\$ 12,299	\$ —	\$ 18,868	\$ —
Property, Plant and Equipment, Net	—	13,496	—	15,142
Total ROU Assets	\$ 12,299	\$ 13,496	\$ 18,868	\$ 15,142
Lease Liabilities:				
Accrued Liabilities	\$ 7,599	\$ —	\$ 7,740	\$ —
Current Portion of Other Obligation	—	3,360	—	3,623
Other Obligations, Less Current Portion	—	9,497	—	11,001
Operating Lease Liabilities, Less Current Portion	4,677	—	11,067	—
Total Lease Liabilities	\$ 12,276	\$ 12,857	\$ 18,807	\$ 14,624
Weighted Average Remaining Lease Term (Years)	2	4	3	4
Weighted Average Discount Rate	3.46 %	4.60 %	6.13 %	4.99 %

Maturities of operating and finance lease liabilities as of December 31, 2022 are as follows:

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	Operating	Finance
2023	\$ 7,691	\$ 3,728
2024	3,867	2,806
2025	727	2,287
2026	325	1,594
2027	110	1,281
Thereafter	—	2,159
Total Lease Payments	12,720	13,855
Less: Interest	(444)	(998)
Total	\$ 12,276	\$ 12,857

From a lessor perspective, the Partnership has entered into various throughput and materials handling arrangements with customers. These arrangements are accounted for as operating leases as determined by the use terms and rights outlined in the underlying agreements. The throughput contracts are agreements with refined products wholesalers that use the Partnership's terminal facilities for a fee. The materials handling contracts are arrangements involving rentals of dedicated tanks, pads, land and small office locations for the purposes of storage, parking and other related uses. For the years ended December 31, 2022 and December 31, 2021 income related to the operating leases with the Partnership as the lessor, as described above, totaled \$37.2 million and \$39.8 million, respectively.

The undiscounted cash flows to be received on an annual basis from operating leases as of December 31, 2022 are as follows:

	December 31, 2022
2023	\$ 35,127
2024	22,975
2025	19,690
2026	17,647
2027	15,148
Thereafter	32,927
Total Lease Receipts	\$ 143,514

4. Accumulated Other Comprehensive Loss, Net of Tax

Amounts included in accumulated other comprehensive loss, net of tax, consisted of the following:

	As of December 31,	
	2022	2021
Fair value of interest rate swaps, net of tax	\$ 26,181	\$ (4,954)
Cumulative foreign currency translation adjustment	(11,698)	(11,543)
Accumulated other comprehensive loss, net of tax	\$ 14,483	\$ (16,497)

5. Accounts Receivable, Net

	As of December 31,	
	2022	2021
Accounts receivable, trade	\$ 398,848	\$ 275,287
Less allowance for credit losses	(1,241)	(931)
Net accounts receivable, trade	397,607	274,356
Accounts receivable, other	7,543	6,051
Accounts receivable, net	\$ 405,150	\$ 280,407

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Unbilled accounts receivable, included in accounts receivable, trade at December 31, 2022 and 2021 were \$96.3 million and \$52.1 million, respectively. Unbilled receivables relate primarily to the delivery and sale of natural gas to customers in the current month for which the right to bill exists. Such amounts generally are invoiced to the customer the following month when actual usage data becomes available. Accounts receivable, other consists primarily of product tax receivables.

The Partnership records its allowance for expected credit losses using an estimated loss rate method that considers historical collection experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The estimated loss rates are applied to trade receivables with similar risk characteristics such as the length of time the balance has been outstanding and the location of the customer. In certain instances, the Partnership may identify individual trade receivable assets that do not share risk characteristics with other trade receivables, in which case the Partnership records its expected credit losses on an individual asset basis. To date, the Partnership has not experienced significant customer payment defaults, or identified other significant collectability concerns. In connection with assessing credit losses for individual trade receivable assets, the Partnership considers significant factors relevant to collectability including those specific to the customer such as bankruptcy, length of time an account is outstanding, and the liquidity and financial position of the customer.

A reconciliation of the beginning and ending allowance for credit losses is as follows:

	Balance at Beginning of Period	Charged to Expense	Charged (to) from Another Account	(Deductions)	Balance at End of Period
Years ended:					
December 31, 2022	\$ 1,211	\$ 330	\$ 24	\$ (25)	\$ 1,540
December 31, 2021	\$ 1,358	\$ 16	\$ —	\$ (163)	\$ 1,211

Notes receivable, net of allowance, are generally long-term arrangements and were fully reserved as of December 31, 2022 and 2021.

6. Inventories

	As of December 31,	
	2022	2021
Petroleum and related products	\$ 407,246	\$ 426,323
Coal	3,839	6,870
Natural gas	8,960	6,627
Inventories	<u>\$ 420,045</u>	<u>\$ 439,820</u>

Due to changing market conditions, the Partnership recorded a provision of \$16.6 million and \$3.7 million as of December 31, 2022 and 2021, respectively, to write-down petroleum and related products, and natural gas inventory to its net realizable value. These charges are included in cost of products sold.

7. Other Current Assets

	As of December 31,	
	2022	2021
Margin deposits with brokers	\$ 46,928	\$ 10,434
Prepaid software & fees	9,975	6,215
Other	9,222	5,417
Other current assets	<u>\$ 66,125</u>	<u>\$ 22,066</u>

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8. Property, Plant and Equipment, Net

	As of December 31,	
	2022	2021
Plant, machinery, furniture and fixtures	\$ 459,513	\$ 440,137
Building and leasehold improvements	20,550	20,278
Land and land improvements	86,933	86,389
Construction in progress	8,638	11,777
Property, plant and equipment, gross	575,634	558,581
Less: accumulated depreciation	(259,003)	(234,951)
Property, plant and equipment, net	\$ 316,631	\$ 323,630

Depreciation expense for the years ended December 31, 2022 and 2021 was \$26.0 million and \$26.2 million, respectively.

Property, plant and equipment include the following amounts under finance or capital leases:

	As of December 31,	
	2022	2021
Plant, machinery, furniture and fixtures	\$ 32,731	\$ 31,644
Building and leasehold improvements	962	962
Land and land improvements	251	251
Property, plant and equipment, gross	33,944	32,857
Less: accumulated amortization	(20,448)	(17,716)
Property, plant and equipment, net	\$ 13,496	\$ 15,141

Amortization expense on finance and capital leased assets is included in depreciation expense and for the years ended December 31, 2022 and 2021 was \$3.3 million and \$3.4 million, respectively.

On April 29, 2021, the Partnership sold the Oswego terminal to an unaffiliated buyer. In connection with the sale, the Partnership recorded a net gain on the sale of \$9.0 million during the quarter ended June 30, 2021 which is included within other operating income in the consolidated statements of operations for the twelve months ended December 31, 2022. The remaining \$0.7 million of other operating income for the year ended December 31, 2022 relates to a gain associated with a parcel of land sold at the Bronx terminal.

9. Intangibles, Net

	Remaining Useful Life (Years)	As of December 31, 2022		
		Gross	Accumulated Amortization	Net
Customer relationships	4 - 20	\$ 75,360	\$ 47,142	\$ 28,218
Intangible assets, net		\$ 75,360	\$ 47,142	\$ 28,218

	Remaining Useful Life (Years)	As of December 31, 2021		
		Gross	Accumulated Amortization	Net
Customer relationships	1-21	\$ 79,218	\$ 45,502	\$ 33,716
Non-compete agreements	0 - 1	9,491	9,218	273
Other	0 - 1	1,318	1,300	18
Intangible assets, net		\$ 90,027	\$ 56,020	\$ 34,007

The Partnership recorded amortization expense related to intangible assets of \$5.8 million and \$7.1 million during the years ended December 31, 2022 and 2021, respectively. The amortization of intangible assets is recorded in depreciation and

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amortization expense. Fully amortized intangible assets have been eliminated from both the gross and accumulated amortization amounts.

The estimated future annual amortization expense of intangible assets for the years ending December 31, 2023, 2024, 2025, 2026 and 2027 is \$4.8 million, \$4.2 million, \$3.6 million, \$3.0 million and \$2.5 million, respectively. As acquisitions and dispositions occur in the future, these amounts may vary.

10. Goodwill, Net

Starting January 1, 2022, the Partnership adopted the private company accounting alternative and began to amortize goodwill over a 10-year useful life.

	As of December 31, 2022			
	Remaining Useful Life (Years)	Gross	Accumulated Amortization	Net
Goodwill	9	\$ 115,037	\$ 11,504	\$ 103,533

	As of December 31, 2021			
	Remaining Useful Life (Years)	Gross	Accumulated Amortization	Net
Goodwill	10	\$ 115,037	\$ —	\$ 115,037

The Partnership recorded amortization expense related to goodwill of \$11.5 million during the years ended December 31, 2022. The amortization of goodwill is recorded in depreciation and amortization expense.

The estimated future annual amortization expense of goodwill for the years ending December 31, 2023, 2024, 2025, 2026 and 2027 and thereafter is \$11.5 million, \$11.5 million, \$11.5 million, \$11.5 million and \$57.5 million, respectively. As acquisitions and dispositions occur in the future, these amounts may vary.

11. Other Assets, Net

	As of December 31,	
	2022	2021
Deferred debt issuance costs, net	\$ 7,927	\$ 5,621
ROU Assets	12,299	18,868
Other	4,040	4,001
Other assets, net	<u>\$ 24,266</u>	<u>\$ 28,490</u>

Deferred Debt Issuance Costs

The Partnership recorded amortization expense related to deferred debt issuance costs of \$4.9 million and \$4.6 million during the years ended December 31, 2022 and 2021, respectively. Deferred debt issuance costs are amortized over the life of the related debt on a straight-line basis and recorded in interest expense.

12. Accrued Liabilities

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	As of December 31,	
	2022	2021
Accrued product taxes	\$ 14,164	\$ 14,866
Customer prepayments and deposits	9,359	9,809
Operating lease liabilities	7,599	7,740
Accrued product costs	5,313	3,714
Margin deposits from brokers	440	23,843
Other	27,782	16,695
Accrued liabilities	\$ 64,657	\$ 76,667

13. Credit Agreement

	As of December 31,	
	2022	2021
Working capital facilities	\$ 630,986	\$ 497,578
Acquisition facility	357,400	377,400
Total credit agreement	988,386	874,978
Less: current portion of working capital facilities	(630,986)	(497,578)
Total long-term portion	\$ 357,400	\$ 377,400

On September 2, 2022, Sprague Operating Resources LLC (the "U.S. Borrower") and Kildair Service ULC (the "Canadian Borrower" and, together with the U.S. Borrower, the "Borrowers"), wholly owned subsidiaries of the Partnership, entered into a third amendment (the "Third Amendment") to the second amended and restated credit agreement, dated as of May 19, 2020 (the "Original Credit Agreement," the Original Credit Agreement as amended by the first amendment on May 11, 2021 and the Second Amendment, (the "Credit Agreement"). Upon the effective date, the Third Amendment decreased the committed U.S. dollar revolving working capital facility from \$535.9 million to \$535.0 million, the uncommitted U.S. dollar revolving working capital facility increased from \$255.0 million to \$365.0 million, and the multicurrency revolving working capital facility increased from \$96.6 million to \$100.0 million. The Credit Agreement matures on September 2, 2024. The Partnership and certain of its subsidiaries (the "Subsidiary Guarantors") are guarantors of the obligations under the Credit Agreement. Obligations under the Credit Agreement are secured by substantially all of the assets of the Partnership, the Borrowers and the Subsidiary Guarantors (collectively, the "Loan Parties"). As a result of the amendment, the Partnership expensed \$0.4 million of debt issuance costs associated the lenders when exited the facility.

As of December 31, 2022, the revolving credit facilities under the Credit Agreement contained, among other items, the following:

- A committed U.S. dollar revolving working capital facility of up to \$535.0 million, subject to borrowing base limits, to be used for working capital loans and letters of credit;
- An uncommitted U.S. dollar revolving working capital facility of up to \$365.0 million, subject to borrowing base limits and the sole discretion of the lenders, to be used for working capital loans and letters of credit;
- A multicurrency revolving working capital facility of up to \$100.0 million, subject to borrowing base limits, to be used for working capital loans and letters of credit;
- A revolving acquisition facility of up to \$450.0 million, subject to covenants, to be used for loans and letters of credit to fund capital expenditures and acquisitions and other general corporate purposes; and
- Subject to certain conditions including the receipt of additional commitments from lenders, the ability to increase the U.S. dollar revolving working capital facility to up to \$1.2 billion and the multicurrency revolving working capital facility to up to \$320.0 million. Additionally, subject to certain conditions, the revolving acquisition facility may be increased to up to \$750.0 million.

At December 31, 2022, indebtedness under the Credit Agreement bore interest, at the Borrowers' option, at a rate per annum equal to either (i) the Eurocurrency Rate (which is the Term SOFR Rate for loans denominated in U.S. dollars and Term SOFR for loans denominated in Canadian dollars, in each case adjusted for certain regulatory costs, and in each case with a floor of 0.25%) for interest periods of one, two (solely with respect to Eurocurrency Rate loans denominated in Canadian dollars), three or six (solely with respect to Eurocurrency Rate loans denominated in U.S. dollars) months plus a specified margin or (ii) an alternate rate plus a specified margin.

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At December 31, 2022, loans denominated in U.S. dollars, the alternate rate was the Base Rate which is the highest of (a) the U.S. Prime Rate as in effect from time to time, (b) the greater of the Federal Funds Effective Rate and the Overnight Bank Funding Rate as in effect from time to time plus 0.50% and (c) the one-month Eurocurrency Rate for U.S. dollars as in effect from time to time plus 1.00%. For loans denominated in Canadian dollars, the alternate rate was the Prime Rate which is the higher of (a) the Canadian Prime Rate as in effect from time to time and (b) the one-month Eurocurrency Rate for U.S. dollars as in effect from time to time plus 1.00%.

At December 31, 2022, the specified margins for the revolving working capital facilities varied based on the utilization of the working capital facilities as a whole, measured on a quarterly basis. The specified margin for (x) the committed U.S. dollar revolving working capital facility ranged from 1.00% to 1.50% for loans bearing interest at the Base Rate and from 2.00% to 2.50% for loans bearing interest at the Eurocurrency Rate, (y) the uncommitted U.S. dollar revolving working capital facility ranged from 0.75% to 1.25% for loans bearing interest at the Base Rate and 1.75% to 2.25% for loans that bore interest at the Eurocurrency Rate and (z) the multicurrency revolving working capital facility ranged from 1.00% to 1.50% for loans that bore interest at the Base Rate and 2.00% to 2.50% for loans that bore interest at the Eurocurrency Rate.

At December 31, 2022, the specified margin for the revolving acquisition facility varies based on the consolidated total leverage of the Loan Parties. The specified margin for the revolving acquisition facility range from 1.25% to 2.25% for loans bearing interest at the Base Rate and from 2.25% to 3.25% for loans bearing interest at the Eurocurrency Rate.

In addition, the Borrowers will incur a commitment fee on the unused portion of (x) the committed U.S. dollar revolving working capital facility and multicurrency revolving working capital facility that ranged from 0.375% to 0.500% per annum and (y) the revolving acquisition facility at a rate that ranged from 0.375% to 0.500% per annum. Overdue amounts bore interest at the applicable rates described above plus an additional margin of 2%.

The working capital facilities are subject to borrowing base reporting and as of December 31, 2022 and December 31, 2021, had a borrowing base of \$1.0 billion and \$750.0 million, respectively. As of December 31, 2022 and December 31, 2021, outstanding letters of credit related to the working capital facilities were \$169.4 million and \$80.6 million, respectively. As of December 31, 2022 and December 31, 2021, outstanding letters of credit related to the acquisition facility were \$23.8 million and \$18.8 million, respectively. As of December 31, 2022, excess availability under the working capital facilities was \$199.6 million and excess availability under the acquisition facility was \$68.8 million.

The weighted average interest rate was 6.8% at December 31, 2022 and 3.2% at December 31, 2021. No amounts are due under the Credit Agreement until the maturity date. However, the current portion at December 31, 2022.

The Credit Agreement contains various covenants and restrictive provisions that, among other things, prohibit the Partnership from making distributions to Partners if any event of default occurs or would result from the distribution or if the Loan Parties would not be in pro forma compliance with the financial covenants after giving effect to the distribution. In addition, the Credit Agreement contains various covenants that are usual and customary for a financing of this type, size and purpose, including, but not limited to, covenants that require the Loan Parties to maintain: a minimum consolidated EBITDA-to-fixed-charge ratio, a minimum consolidated net working capital amount and a maximum consolidated total leverage-to-EBITDA ratio. The Credit Agreement also limits the Loan Parties ability to incur debt, grant liens, make certain investments or acquisitions, enter into affiliate transactions and dispose of assets. The Partnership was in compliance with the covenants under the Credit Agreement at December 31, 2022.

The Credit Agreement also contains events of default that are usual and customary for a financing of this type, size and purpose including, among others, non-payment of principal, interest or fees, violation of certain covenants, material inaccuracy of representations and warranties, bankruptcy and insolvency events, cross-payment default and cross-acceleration, material judgments and events constituting a change of control. If an event of default exists under the Credit Agreement, the lenders will be able to terminate the lending commitments, accelerate the maturity of the Credit Agreement and exercise other rights and remedies with respect to the collateral.

14. Related Party Transactions

The General Partner charges the Partnership for the reimbursements of employee costs and related employee benefits and other overhead costs supporting the Partnership's operations which amounted to \$103.9 million and \$97.2 million for the years ended December 31, 2022 and 2021, respectively. Through the General Partner, the Partnership participates in pension plans

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sponsored by Axel Johnson and an other post-retirement benefits plan, which was previously sponsored by Axel Johnson, but is now sponsored by the General Partner starting in June 2021. At December 31, 2022 and 2021, total amounts due to the General Partner with respect to these benefits and overhead costs were \$18.9 million and \$13.4 million, respectively. (see Note 16 - Retirement Plans).

During the year ended December 31, 2022, the Partnership purchased oil and natural gas product from Hartree totaling \$320.3 million and generated revenue from the sales of marine fuels and natural gas products to Hartree of \$5.3 million.

During the year ended December 31, 2021, the Partnership recorded tank use and storage fee revenue of \$0.7 million from lease agreements entered into with Hartree which expired in 2021 and were not renewed. In addition the Partnership made oil and natural gas product purchases from Hartree totaling \$147.9 million and generated sales of natural gas products to Hartree of \$3.3 million.

15. Other Obligations

	As of December 31,	
	2022	2021
Deferred consideration	\$ 11,304	\$ 14,207
Finance leases, long-term portion	5,641	6,530
Port Authority terminal obligations	3,856	4,471
Asset retirement obligation	2,298	3,760
Postretirement benefits	1,174	1,382
Other	734	1,314
Other obligations, long-term portion	\$ 25,007	\$ 31,664

Deferred Consideration - Carbo Terminals

In connection with the Carbo acquisition entered into during 2017, the Partnership is obligated to pay to Carbo a total of \$38.2 million in equal monthly installments of \$0.3 million payable over a ten year period. The obligation was recorded at an estimated fair value of \$27.3 million using a discount rate of 7.1%. The short-term portion of this obligation as of December 31, 2022 is \$2.9 million and is included in the current portion of other obligations.

Deferred consideration obligation maturities for each of the next five years and thereafter as of December 31, 2022 are as follow:

2023	\$ 3,818
2024	3,818
2025	3,818
2026	3,818
2027	1,274
Thereafter	—
Total	16,546
Less amount representing interest	(2,339)
Present value of payments	14,207
Less current portion	(2,903)
Deferred consideration, long-term portion	\$ 11,304

Port Authority Terminal Obligations

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The Port Authority terminal obligations represent long-term obligations of the Partnership to a third party that constructed dock facilities at the Partnership's Searsport, Maine terminal. These amounts will be repaid by future wharfage fees incurred by the Partnership for the use of these facilities. The short-term portion of these obligations of \$0.6 million at both December 31, 2022 and 2021 is included in accrued liabilities and represents an estimate of the expected future wharfage fees for the ensuing year. The Partnership has exclusive rights to the use of the dock facilities through a license and operating agreement ("License Agreement"), which expires in 2033. The License Agreement provides the Partnership the option to purchase the dock facilities at any time at an amount equal to the remaining license fees due. The related dock facilities assets are treated as a finance lease and are included in property, plant and equipment.

Asset Retirement Obligation

The Partnership has accrued an asset retirement obligation ("ARO") that relates to an environmental obligation associated with the purchase of a terminal in Bridgeport, Connecticut. The current portion of the ARO represents the estimated obligation retirements for the ensuing year and is recorded in accrued liabilities.

The changes in the ARO are as follows:

	Years Ended December 31,	
	2022	2021
ARO - beginning of period	\$ 5,760	\$ 5,946
Change in estimates	(780)	—
Accretion expense	9	140
Payments of ARO	(840)	(326)
ARO - end of period	4,149	5,760
Less current portion	(1,851)	(2,000)
ARO - long-term	\$ 2,298	\$ 3,760

The Partnership also accounts for asset retirement obligations associated with its railcar leases. As of December 31, 2022, the Partnership recorded \$0.9 million within accrued liabilities on the consolidated balance sheet for these obligations.

When the Partnership has a legal obligation to incur costs to retire an asset, it records a liability in the period in which the obligation was incurred provided a reasonable estimate of fair value can be made. If a reasonable estimate of fair value cannot be made at the time the obligation arises, the Partnership records the liability when sufficient information is available to estimate its fair value. The Partnership's practice is to keep its terminal assets in good operating condition through routine repair and maintenance of component parts in the ordinary course of business and by continuing to make improvements based on technological advancements. As a result, the Partnership determined that generally these assets have no expected retirement dates for the purposes of estimating asset retirement obligations since the dates or ranges of dates upon which it would retire these assets cannot be reasonably estimated at this time. The Partnership will recognize liabilities for these obligations in the period when sufficient information becomes available to estimate a date or range of potential retirements.

Post Retirement Benefits

Postretirement benefit obligations are comprised of actuarially determined postretirement healthcare, life insurance and other postretirement benefits. See Note 16 - Retirement Plans.

16. Income Taxes

The Partnership is generally not subject to U.S. federal and state income tax with the exception of the Partnership's subsidiary Sprague Energy Solutions, Inc. The Partnership's Canadian operations are subject to Canadian federal and provincial income taxes.

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The income tax provision (benefit) attributable to operations is summarized as follows:

	Years Ended December 31,	
	2022	2021
Current		
U.S. Federal income tax	\$ 31	\$ 2
State and local income tax	247	331
Foreign income taxes	(52)	4,620
Total current income tax provision	226	4,953
Deferred		
U.S. Federal income tax	84	71
State and local income tax	11	(1,212)
Foreign income taxes	(2,104)	(984)
Total deferred income tax benefit	(2,009)	(2,125)
Total income tax (benefit) provision	\$ (1,783)	\$ 2,828

U.S. and international components of income before income taxes were as follows:

	Years Ended December 31,	
	2022	2021
United States	\$ 43,555	\$ (79,789)
Foreign	(9,555)	13,701
Total income before income taxes	\$ 34,000	\$ (66,088)

Reconciliations of the statutory U.S. federal income tax to the effective income tax for operations are as follows:

	Years Ended December 31,	
	2022	2021
Statutory U.S. Federal income tax	\$ 7,140	\$ (13,879)
Partnership income not subject to tax	(9,044)	16,844
State and local income taxes, net of federal tax	271	(896)
Foreign earnings taxed at higher (lower) rates	(149)	759
Total income tax provision (benefit)	\$ (1,783)	\$ 2,828

The components of the deferred tax assets (liabilities) were as follows:

	As of December 31,	
	2022	2021
Deferred tax assets:		
Derivatives	\$ 249	\$ 348
Capital and non-capital losses	1,543	466
Other	2,625	1,844
Total deferred tax assets	4,417	2,658
Valuation allowance	(466)	(466)
Net deferred tax assets	3,951	2,192
Deferred tax liabilities:		
Fixed assets & intangibles	(15,281)	(15,367)
Other	(641)	(558)
Total deferred tax liabilities	(15,922)	(15,925)
Net deferred tax liabilities	\$ (11,971)	\$ (13,733)

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As of December 31, 2022, the Partnership has not provided deferred Canadian withholding taxes on accumulated Canadian earnings of \$108.8 million which are considered to be indefinitely reinvested outside the U.S. The unrecognized deferred withholding tax liability associated with these earnings is \$27.1 million as of December 31, 2022.

17. Retirement Plans

Pension Plans

Through the General Partner, the Partnership participates in a noncontributory defined benefit pension plan, the Axel Johnson Inc. Retirement Plan (the "Plan"), sponsored by Axel Johnson. Benefits under the Plan were frozen as of December 31, 2003, and are based on a participant's years of service and compensation through December 31, 2003. The Plan's assets are invested principally in equity and fixed income securities. The Plan sponsor's policy is to satisfy the minimum funding requirements of the Employee Retirement Income Security Act of 1974 ("ERISA").

Through the General Partner, the Partnership also participates in an unfunded pension plan, the Axel Johnson Inc. Retirement Restoration Plan, for employees whose benefits under the defined benefit pension plan were reduced due to limitations under U.S. federal tax laws. Benefits under this plan were frozen as of December 31, 2003.

Both the Plan and the Retirement Restoration Plan are administered by Axel Johnson. The costs of these benefits are based on the Partnership's portion of the projected benefit obligations under these plans. Charges related to these employee benefit plans were \$0.4 million and \$0.4 million during the years ended December 31, 2022 and 2021, respectively.

Eligible employees also receive a defined contribution retirement benefit generally equal to a defined percentage of their eligible compensation. This contribution by the Partnership to employee accounts in the thrift and defined contribution plan is in addition to any Partnership match on 401(k) contributions that employees currently choose to make. The Partnership made total contributions to these plans of \$4.8 million and \$4.7 million during the years ended December 31, 2022 and 2021, respectively.

Other Postretirement Benefits

Prior to May 28, 2021, the Sponsor (Axel Johnson) and some of its subsidiaries, which included the Partnership, had a number of health care and life insurance benefit plans covering eligible employees who reach retirement age while working for the Sponsor. Effective May 28, 2021, as a result of Axel Johnson's sale of their interest in the Partnership, the General Partner became the sole sponsor of the postretirement health and life welfare plan and all related liabilities were transferred to the General Partner. There were no material changes to the plan as a result of this Sponsor change. The plans are not funded. In general, employees hired after December 31, 1990, are not eligible for postretirement health care benefits. The Partnership has recorded postretirement expense of \$0.2 million and \$0.6 million during the years ended December 31, 2022 and 2021, respectively.

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17. Segment Reporting

The Partnership has four business segments that comprise the structure used by the chief operating decision makers (CEO and CFO) to make key operating decisions and assess performance. When establishing a reporting segment, the Partnership aggregates individual operating units that are in the same line of business and have similar economic characteristics. These business segments are refined products, natural gas, materials handling and other operations.

The Partnership's refined products segment purchases a variety of refined products, such as heating oil, diesel fuel, residual fuel oil, kerosene, jet fuel and gasoline (primarily from refining companies, trading organizations and producers), and sells them to its customers. The Partnership has wholesale customers who resell the refined products they purchase from the Partnership and commercial customers who consume the refined products they purchase. The Partnership's wholesale customers consist of home heating oil retailers and diesel fuel and gasoline resellers. The Partnership's commercial customers include federal and state agencies, municipalities, regional transit authorities, drill sites, large industrial companies, real estate management companies, hospitals, educational institutions and asphalt paving companies. In addition, as a result of the Partnership's acquisition of Coen Energy in 2017, its customers include businesses engaged in the development of natural gas resources in Pennsylvania and surrounding states. The refined products reportable segment consists of two operating segments.

The Partnership's natural gas segment purchases natural gas from natural gas producers and trading companies and sells and manages distribution of natural gas to commercial and industrial customer locations across 13 states in the Northeast and Mid-Atlantic United States and Canada. The natural gas reportable segment consists of one operating segment.

The Partnership's materials handling segment offloads, stores, and/or prepares for delivery a variety of customer-owned products, including asphalt, clay slurry, salt, gypsum, crude oil, residual fuel oil, coal, petroleum coke, caustic soda, tallow, pulp and heavy equipment. These services are generally conducted under multi-year agreements as either fee-based activities or as leasing arrangements when the right to use an identified asset (such as storage tanks or storage locations) has been conveyed in the agreement. The materials handling reportable segment consists of two operating segments.

The Partnership's other operations segment primarily consists of the purchase, sale and distribution of coal, and commercial trucking activities unrelated to its refined products segment. Other operations are not reported separately as they represent less than 10% of consolidated net sales and adjusted gross margin. The other operations reporting segment consists of two operating segments.

The Partnership evaluates segment performance based on adjusted gross margin, a non-GAAP measure, which is net sales less cost of products sold (exclusive of depreciation and amortization) increased by unrealized hedging losses and decreased by unrealized hedging gains, in each case with respect to refined products and natural gas inventory, and natural gas transportation contracts.

Based on the way the business is managed, it is not reasonably possible for the Partnership to allocate the components of operating costs and expenses among the operating segments. There were no significant intersegment sales for any of the years presented below.

The Partnership had no single customer that accounted for more than 10% of total net sales for the years ended December 31, 2022 and 2021, respectively. The Partnership's foreign sales, primarily sales of refined products and natural gas to its customers in Canada, were \$399.8 million and \$301.4 million for the years ended December 31, 2022 and 2021, respectively.

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Summarized financial information for the Partnership's business segments is presented in the table below:

	Years Ended December 31,	
	2022	2021
Net sales:		
Refined products	\$ 5,379,314	\$ 3,142,509
Natural gas	375,518	284,529
Materials handling	54,250	50,484
Other operations	20,476	20,638
Net sales	<u>\$ 5,829,558</u>	<u>\$ 3,498,160</u>
Adjusted gross margin (1):		
Refined products	\$ 174,273	\$ 150,419
Natural gas	77,381	65,801
Materials handling	54,013	50,327
Other operations	10,674	7,428
Adjusted gross margin	316,341	273,975
Reconciliation to operating (loss) income (2):		
Add(deduct):		
Change in unrealized (gain) loss on inventory (3)	(1,677)	13,437
Change in unrealized value on natural gas transportation contracts (4)	(8,971)	(132,554)
Operating costs and expenses not allocated to operating segments:		
Operating expenses	(93,671)	(80,673)
Selling, general and administrative	(92,321)	(82,700)
Depreciation and amortization	(43,292)	(33,335)
Other operating income	—	9,700
Operating (loss) income	76,409	(32,150)
Other income (expense)	(1)	—
Interest income	698	171
Interest expense	(43,129)	(34,109)
Income tax provision (benefit)	1,783	(2,828)
Net (loss) income	\$ 35,760	\$ (68,916)

- (1) The Partnership trades, purchases, stores and sells energy commodities that experience market value fluctuations. To manage the Partnership's underlying performance, including its physical and derivative positions, management utilizes adjusted gross margin, which is a non-GAAP financial measure. Adjusted gross margin is also used by external users of the Partnership's consolidated financial statements to assess the Partnership's economic results of operations and its commodity market value reporting to lenders. In determining adjusted gross margin, the Partnership adjusts its segment results for the impact of the changes in unrealized gains and losses with regard to refined products and natural gas inventory, and natural gas transportation contracts, which are not marked to market for the purpose of recording unrealized gains or losses in net income. These adjustments align the unrealized hedging gains and losses to the period in which the revenue from the sale of inventory, prepaid fixed forwards and the utilization of transportation contracts relating to those hedges is realized in net income. Adjusted gross margin has no impact on reported volumes or net sales.
- (2) Reconciliation of adjusted gross margin to operating income, the most directly comparable GAAP measure.
- (3) Inventory is valued at the lower of cost or net realizable value. The adjustment related to unrealized gain on inventory which is not included in net income (loss), represents the estimated difference between the inventory valued at lower of cost or net realizable value as compared to market values. The fair value of the derivatives the Partnership uses to economically hedge its inventory declines or appreciates in value as the value of the underlying inventory appreciates or declines, which creates unrealized hedging (gains) with respect to the derivatives that are included in net income (loss).
- (4) Represents the Partnership's estimate of the change in fair value of the natural gas transportation contracts which are not recorded in net income (loss) until the transportation is utilized in the future (i.e., when natural gas is delivered to the customer), as these contracts are executory contracts that do not qualify as derivatives. As the fair value of the natural

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gas transportation contracts decline or appreciate, the offsetting physical or financial derivative will also appreciate or decline creating unmatched unrealized hedging losses (gains) in net income (loss).

Segment Assets

Due to the commingled nature and uses of the Partnership's fixed assets, the Partnership does not track its fixed assets between its refined products and materials handling operating segments or its other activities. There are no significant fixed assets attributable to the natural gas reportable segment.

As of December 31, 2022, goodwill recorded for the refined products, natural gas, materials handling and other operations segments amounted to \$71.4 million, \$35.5 million, \$6.9 million and \$1.2 million, respectively.

Long-lived Assets

Long-lived assets (exclusive of intangible and other assets, net, and goodwill) classified by geographic location were as follows:

	As of December 31,	
	2022	2021
United States	\$ 255,824	\$ 257,976
Canada	60,806	65,654
Total	\$ 316,631	\$ 323,630

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19. Financial Instruments and Off-Balance Sheet Risk

As of December 31, 2022 and 2021, the carrying amounts of cash, cash equivalents, accounts receivable, accounts payable and accrued liabilities approximated fair value because of the short maturity of these instruments. As of December 31, 2022 and 2021, the carrying value of the Partnership's margin deposits with brokers approximates fair value and consists of initial margin with futures transaction brokers, along with variation margin, which is paid or received on a daily basis, and is included in other current assets or other current liabilities. As of December 31, 2022 and 2021, the carrying value of the Partnership's debt approximated fair value due to the variable interest nature of these instruments.

The following table presents all financial assets and financial liabilities of the Partnership measured at fair value on a recurring basis:

As of December 31, 2022				
	Fair Value Measurement	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Derivative assets:				
Commodity fixed forwards	\$ 87,008	\$ —	\$ 87,008	\$ —
Futures, swaps and options	162,358	162,358	—	—
Commodity derivatives	249,366	162,358	87,008	—
Interest rate swaps	26,387	—	26,387	—
Total derivative assets	\$ 275,753	\$ 162,358	\$ 113,395	\$ —
Derivative liabilities:				
Commodity fixed forwards	154,570	—	154,570	—
Futures, swaps and options	153,460	153,410	50	—
Commodity derivatives	308,030	153,410	154,620	—
Interest rate swaps	—	—	—	—
Total derivative liabilities	\$ 308,030	\$ 153,410	\$ 154,620	\$ —
As of December 31, 2021				
	Fair Value Measurement	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Derivative assets:				
Commodity fixed forwards	\$ 25,793	\$ —	\$ 25,793	\$ —
Futures, swaps and options	148,034	148,029	5	—
Commodity derivatives	173,827	148,029	25,798	—
Interest rate swaps	302	—	302	—
Total derivative assets	\$ 174,129	\$ 148,029	\$ 26,100	\$ —
Derivative liabilities:				
Commodity fixed forwards	176,602	—	176,602	—
Futures, swaps and options	78,026	77,948	78	—
Commodity derivatives	254,628	77,948	176,680	—
Interest rate swaps	5,295	—	5,295	—
Total derivative liabilities	\$ 259,923	\$ 77,948	\$ 181,975	\$ —

Derivative Instruments

The Partnership enters into derivative contracts with counterparties, some of which are subject to master netting arrangements, which allow net settlements under certain conditions. The maximum amount of loss due to credit risk that the

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Partnership would incur if its counterparties failed completely to perform according to the terms of the contracts, based on the net fair value of these financial instruments, was \$122.4 million at December 31, 2022.

Information related to these offsetting arrangements as of December 31, 2022 and 2021 is as follows:

	As of December 31, 2022			
	Gross Amount Not Offset in the Balance Sheet			
	Gross Amounts of Assets/Liabilities in Balance Sheet	Financial Instruments	Cash Collateral Posted	Net Amount
Commodity derivative assets	\$ 249,366	\$ (153,350)	\$ —	\$ 96,016
Interest rate swap derivative assets	26,387	—	—	\$ 26,387
Fair value of derivative assets	\$ 275,753	\$ (153,350)	\$ —	\$ 122,403
Commodity derivative liabilities	\$ (308,030)	\$ 153,350	\$ 939	\$ (153,741)
Interest rate swap derivative liabilities	—	—	—	—
Fair value of derivative liabilities	\$ (308,030)	\$ 153,350	\$ 939	\$ (153,741)

	As of December 31, 2021			
	Gross Amount Not Offset in the Balance Sheet			
	Gross Amounts of Assets/Liabilities in Balance Sheet	Financial Instruments	Cash Collateral Posted	Net Amount
Commodity derivative assets	\$ 173,827	\$ (77,927)	\$ (22,623)	\$ 73,277
Interest rate swap derivative assets	302	—	—	302
Fair value of derivative assets	\$ 174,129	\$ (77,927)	\$ (22,623)	\$ 73,579
Commodity derivative liabilities	\$ (254,628)	\$ 77,927	\$ 1,313	\$ (175,388)
Interest rate swap derivative liabilities	(5,295)	—	—	(5,295)
Fair value of derivative liabilities	\$ (259,923)	\$ 77,927	\$ 1,313	\$ (180,683)

As of December 31, 2022, the Partnership held \$0.9 million cash collateral and posted cash collateral of \$46.9 million. As of December 31, 2021, the Partnership held \$22.6 million cash collateral and posted cash collateral of \$10.4 million.

The following table presents total realized and unrealized gains (losses) on derivative instruments utilized for commodity risk management purposes included in cost of products sold:

	Years Ended December 31,	
	2022	2021
Refined products contracts	\$ (155,014)	\$ (33,611)
Natural gas contracts	(60,605)	(101,754)
Total	\$ (215,619)	\$ (135,365)

There were no discretionary trading activities included in realized and unrealized gains (losses) on derivatives instruments for the years ended December 31, 2022 and 2021.

The following table presents the gross volume of commodity derivative instruments outstanding for the periods indicated:

	As of December 31, 2022		As of December 31, 2021	
	Refined Products (Barrels)	Natural Gas (MMBTUs)	Refined Products (Barrels)	Natural Gas (MMBTUs)
Long contracts	37,987	177,435	10,034	167,709
Short contracts	(40,668)	(101,782)	(14,483)	(98,152)

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Interest Rate Derivatives

The Partnership has entered into interest rate swaps to manage its exposure to changes in interest rates on its Credit Agreement. The Partnership's interest rate swaps hedge actual and forecasted LIBOR/SOFR borrowings and have been designated as cash flow hedges. Counterparties to the Partnership's interest rate swaps are large multinational banks and the Partnership does not believe there is a material risk of counterparty non-performance. The Partnership expects to continue to utilize interest rate swaps to hedge cash flow risk and to manage the Partnership's exposure to LIBOR/SOFR interest rates or its replaced equivalent for the foreseeable future.

The Partnership's interest rate swap agreements outstanding as of December 31, 2022 were as follows:

Interest Rate Swap Agreements		
Beginning	Ending	Notional Amount *
January 2023	December 2023	\$400 million to \$475 million
January 2024	December 2024	\$575 million to \$600 million
January 2025	December 2025	\$550 million to \$575 million
January 2026	December 2026	\$550 million to \$575 million
January 2027	December 2027	\$25 million to \$575 million

*Notional amount varies during the year, range of the notional amounts are disclosed in the table above.

The Partnership records unrealized gains and losses on its interest rate swaps as a component of accumulated other comprehensive loss, net of tax, which is reclassified to earnings as interest expense when the payments are made. As of December 31, 2022, the amount of unrealized gains, net of tax, expected to be reclassified to earnings during the following twelve-month period was \$11.0 million.

20. Commitments and Contingencies

Legal, Environmental and Other Proceedings

On July 26, 2022, a purported unitholder of the Partnership filed a lawsuit, entitled *Mark Giddings vs. Sprague Resources LP, et al.*, in the United States District Court for the Southern District of New York. The plaintiff alleges that the preliminary information statement filed by the Partnership with the SEC on July 7, 2022, contains materially incomplete and misleading information and omits material information with respect to the Merger, rendering the preliminary information statement materially incomplete and misleading in violation of Sections 14(a) and 20(a) of the Exchange Act. The plaintiff has dismissed this action with prejudice.

The Partnership is subject to a tax on sales made in Quebec from product it imports into the province. During an audit by the Quebec Energy Board (QEB) of the annual filings, the Partnership initiated legal action seeking a declaration to limit the applicability of the tax to direct imports, as well as the periods subject to review. Since filing this legal action in June 2018, the Partnership has been assessed \$8.8 million of tax, including interest and penalties, for the period of 2007 to 2021. Similarly, since the filing, the Partnership has been assessed \$10.1 million, including a 15% penalty and interest, from the Ministry of the Environment, and the Fight Against Climate Change (known as MELCC) under separate regulation that was in effect for the period from 2007 through 2014. The Partnership is disputing this assessment on the same basis as set out in the QEB legal action described above. The Partnership has accrued an amount which it believes to be a reasonable estimate of the low end of a range of loss related to these matters and such amount is not material to the consolidated financial statements.

On September 14, 2020, a purported class action complaint was filed against Sprague Operating Resources, LLC ("SOR"), one of the Partnership's subsidiaries, in the U.S. District Court for the District of Rhode Island. The complaint, since amended, alleges causes of action for private nuisance, public nuisance, and negligence, each based on emission impacts to nearby occupants from the Partnership's oil and natural gas facility located in Providence, Rhode Island. The complaint also alleges that the amount in controversy exceeds \$5.0 million. The parties have agreed to settle this matter and are waiting approval from the U.S. District Court. The settlement amount has been accrued and it is not material to the consolidated financial statements.

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In May 2021, the New York City Department of Citywide Administrative Services (DCAS) initiated legal action against SOR, alleging that the SOR failed to pay the city \$8.5 million in biodiesel tax credits for product purchased for the period of 2017 through 2019. SOR is disputing the claim and the Partnership has accrued an amount which it believes to be a reasonable estimate of the low end of a range of loss related to this matter and such amount is not material to the consolidated financial statements. The Partnership has agreed to a settlement with the New York City DCAS and believes this matter will be finalized in the near future.

The Partnership is involved in other various lawsuits, other proceedings and environmental matters, all of which arose in the normal course of business. The Partnership believes, based upon its examination of currently available information, its experience to date, and advice from legal counsel, that the individual and aggregate liabilities resulting from the resolution of these contingent matters will not have a material adverse impact on the Partnership's consolidated results of operations.

21. Equity and Equity-Based Compensation

Annual Incentive Compensation Program

The board of directors of the General Partner has approved an annual bonus program which is provided to substantially all employees. Under this program bonuses for the majority of participants will be settled in cash with others receiving a combination of cash and common units. The Partnership records the expected bonus payment as a liability until a grant date has been established and awards finalized, which occurs in the first quarter of the year following the year for which the bonus is earned.

The General Partner adopted the Sprague Resources LP 2013 Long-Term Incentive Plan (the "LTIP"), for the benefit of employees, consultants and directors of the General Partner and its affiliates, who provide services to the General Partner or an affiliate. The LTIP initially limited the number of common units that may be delivered, pursuant to vested awards, to 800,000 common units. On January 1 of each calendar year occurring after the second anniversary of the effective date and prior to the expiration of the LTIP, the total number of common units reserved and available for issuance under the LTIP will increase by 200,000 common units.

Effective March 5, 2021, the board of directors used its discretion to terminate all phantom unit awards granted in 2018, 2019 and 2020. In consideration for this termination, the board of directors paid a higher 2020 cash bonus, issued 172,702 vested common units to each of the Partnership's Named Executive Officers and certain other employees and issued new long-term incentive awards payable in units or cash which vest over a three-year service period. The 2020 cash bonus amounts were expensed during the year ended December 31, 2020 and accrued for as of December 31, 2020. The Partnership accounted for the cancellation of the previously outstanding phantom unit awards and the issuance of the vested units and long-term incentive awards as a modification which resulted in immaterial incremental compensation expense.

22. Subsequent Events

Subsequent to the balance sheet date, on March 31, 2023, the Partnership completed the acquisition of a terminal located at 1040 East 149th Street, Bronx, NY from Buckeye Terminals, LLC. The total purchase price is \$73.5 million. Given that the acquisition closed on March 31, 2023, the Partnership determined it was impractical to provide all the disclosure required for a business combination, or assets acquisition, pursuant to ASC 805 as its analysis over the accounting for the transaction is still in process.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Sprague Resources GP and Unitholders of Sprague Resources LP

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sprague Resources LP (the Partnership) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive (loss) income, unitholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Partnership's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 3, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

DATE OF DEPOSIT

OCT 17 2023

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

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Description of the Matter

Goodwill Impairment Assessment - Sprague Refined Products Reporting Unit

At December 31, 2021, the Partnership's goodwill balance was \$115 million. As described in Note 1 to the consolidated financial statements, the Partnership tests goodwill for impairment at the reporting unit level on an as needed basis or at least annually, using either a qualitative assessment or a single step quantitative approach. In instances where a quantitative impairment test of goodwill allocated to a reporting unit is performed, the Partnership estimates the fair value of the reporting unit based on future net discounted cash flows.

Auditing management's annual quantitative goodwill impairment test was complex and highly judgmental for a certain reporting unit due to the significant estimation required to determine its fair value. In particular, the fair value of the reporting unit is sensitive to significant assumptions, such as forecasted operating results, discount rate and growth rates, which contemplate future business, market and overall economic conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the Partnership's processes to assess goodwill for impairment, including the controls over management's review of the significant assumptions described above.

To test the estimated fair value of the reporting unit, we performed audit procedures, with the support of our valuation specialists, that included, among others, assessing the valuation methodology selected by management and testing the significant assumptions discussed above and testing the completeness and accuracy of underlying data used by management in its analysis. We compared the growth rates, forecasted operating results, and other cash flow assumptions used by management to current industry and economic trends, the reporting unit's historical results, and results and projections of relevant peer companies in the industry. We evaluated the selection of the discount rate by developing a range of independent estimates and comparing those to the rate selected by management. We also assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the reporting unit that would result from changes in the assumptions.

/s/ Ernst & Young LLP

We have served as the Partnership's auditor since 2007.

Boston, Massachusetts

March 3, 2022

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Sprague Resources GP and Unitholders of Sprague Resources LP

Opinion on Internal Control over Financial Reporting

We have audited Sprague Resources LP's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Sprague Resources LP (the Partnership) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Partnership as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive (loss) income, unitholders' equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and our report dated March 3, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Partnership's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report Regarding Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Boston, Massachusetts

March 3, 2022

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Sprague Resources LP
Consolidated Balance Sheets
(in thousands except unit amounts)

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 669	\$ 3,771
Accounts receivable, net	280,407	193,015
Inventories	439,820	255,533
Fair value of derivative assets	141,018	145,957
Other current assets	22,066	67,406
Total current assets	883,980	665,682
Fair value of derivative assets long-term	33,111	20,021
Property, plant, and equipment, net	323,630	335,296
Intangibles, net	34,007	41,142
Other assets, net	28,490	22,252
Goodwill	115,037	115,037
Total assets	<u>\$ 1,418,255</u>	<u>\$ 1,199,430</u>
Liabilities and unitholders' equity		
Current liabilities:		
Accounts payable	\$ 193,843	\$ 97,280
Accrued liabilities	76,667	46,645
Fair value of derivative liabilities	195,508	154,105
Due to General Partner	11,077	10,915
Current portion of working capital facilities	497,578	358,685
Current portion of other obligations	8,594	6,968
Total current liabilities	983,267	674,598
Commitments and contingencies		
Acquisition facility	377,400	382,400
Fair value of derivative liabilities long-term	64,415	20,240
Other obligations, less current portion	31,664	39,309
Operating lease liabilities, less current portion	11,067	5,653
Due to General Partner	2,291	2,751
Deferred income taxes	13,733	15,784
Total liabilities	1,483,837	1,140,735
Unitholders' equity:		
Common unitholders - public (6,685,698 and 9,995,069 units issued and outstanding as of December 31, 2021 and 2020, respectively)	62,090	154,238
Common unitholders - affiliated (19,548,849 and 12,951,236 units issued and outstanding as of December 31, 2021 and 2020, respectively)	(111,175)	(69,561)
Accumulated other comprehensive loss, net of tax	(16,497)	(25,982)
Total unitholders' equity	(65,582)	58,695
Total liabilities and unitholders' equity	<u>\$ 1,418,255</u>	<u>\$ 1,199,430</u>

The accompanying notes are an integral part of these financial statements.

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Sprague Resources LP
Consolidated Statements of Operations
(in thousands, except unit and per unit amounts)

	Years Ended December 31,		
	2021	2020	2019
Net sales	\$ 3,498,160	\$ 2,335,983	\$ 3,502,410
Cost of products sold (exclusive of depreciation and amortization)	3,343,302	2,071,805	3,228,003
Operating expenses	80,673	77,070	84,924
Selling, general and administrative	82,700	81,514	78,135
Depreciation and amortization	33,335	34,066	34,015
Total operating costs and expenses	3,540,010	2,264,455	3,425,077
Other operating income	9,700	8,094	—
Operating (loss) income	(32,150)	79,622	77,333
Other income (expense)	—	1,948	(378)
Interest income	171	299	555
Interest expense	(34,109)	(40,669)	(42,944)
(Loss) income before income taxes	(66,088)	41,200	34,566
Income tax provision	(2,828)	(7,389)	(3,310)
Net (loss) income	(68,916)	33,811	31,256
Incentive distributions declared	—	(8,292)	(6,163)
Limited partners' interest in net (loss) income	\$ (68,916)	\$ 25,519	\$ 25,093
Net (loss) income per limited partner unit:			
Common—basic	\$ (2.69)	\$ 1.11	\$ 1.10
Common—diluted	\$ (2.69)	\$ 1.11	\$ 1.10
Weighted average units used to compute net (loss) income per limited partner unit:			
Common—basic	25,652,890	22,901,140	22,736,916
Common—diluted	25,652,890	22,905,113	22,770,883
Distribution declared per unit	\$ 2.20	\$ 2.67	\$ 2.67

The accompanying notes are an integral part of these financial statements.

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Sprague Resources LP
Consolidated Statements of Comprehensive (Loss) Income
(in thousands)

	Years Ended December 31,		
	2021	2020	2019
Net (loss) income	\$ (68,916)	\$ 33,811	\$ 31,256
Other comprehensive income (loss), net of tax:			
Unrealized income (loss) on interest rate swaps			
Net income (loss) arising in the period	3,729	(11,562)	(8,302)
Reclassification adjustment related to loss (gains) realized in income	5,838	5,217	(90)
Net change in unrealized loss on interest rate swaps	9,567	(6,345)	(8,392)
Tax effect	(76)	49	65
	9,491	(6,296)	(8,327)
Foreign currency translation adjustment	(6)	2	161
Other comprehensive income (loss)	9,485	(6,294)	(8,166)
Comprehensive (loss) income	\$ (59,431)	\$ 27,517	\$ 23,090

The accompanying notes are an integral part of these financial statements.

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Sprague Resources LP
Consolidated Statements of Unitholders' Equity
(in thousands)

	Common- Public	Common- Affiliated	Incentive Distribution Rights	Accumulated Other Comprehensive Loss	Total
Balance as of December 31, 2018	\$ 196,680	\$ (48,182)	\$ —	\$ (11,522)	\$ 136,976
Net income	11,732	13,359	6,165	—	31,256
Other comprehensive loss	—	—	—	(8,166)	(8,166)
Unit-based compensation	275	315	—	—	590
Distributions paid in cash	(28,385)	(32,324)	(6,165)	—	(66,874)
Balance as of December 31, 2019	180,302	(66,832)	—	(19,688)	93,782
Net income	11,456	14,084	8,271	—	33,811
Other comprehensive loss	—	—	—	(6,294)	(6,294)
Unit-based compensation	1,871	2,299	—	—	4,170
Distributions paid cash	(27,564)	(33,533)	(6,218)	—	(67,315)
Distributions paid in units	—	2,053	(2,053)	—	—
Units purchased by Sprague Holdings in Private Transaction	(12,086)	12,086	—	—	—
Common units issued in connection with annual bonus	423	484	—	—	907
Units withheld for employee tax obligations	(164)	(202)	—	—	(366)
Balance as of December 31, 2020	154,238	(69,561)	—	(25,982)	58,695
Net income	(29,352)	(41,638)	2,074	—	(68,916)
Other comprehensive loss	—	—	—	9,485	9,485
Unit-based compensation	152	234	—	—	386
Distributions paid in cash	(22,330)	(39,379)	(2,074)	—	(63,783)
Increase in affiliated units as a result of change in beneficial ownership of Hartree Bulk Storage LLC	(9,332)	9,332	—	—	—
Increase in affiliated units as a result of acquisition by Hartree Partners, LP	(30,921)	30,921	—	—	—
Units withheld for employee tax obligations	(365)	(1,084)	—	—	(1,449)
Balance as of December 31, 2021	\$ 62,090	\$ (111,175)	\$ —	\$ (16,497)	\$ (65,582)

The accompanying notes are an integral part of these financial statements.

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DATE OF DEPOSIT

OCT 17 2023

Sprague Resources LP
Consolidated Statements of Cash Flows
(in thousands)

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU
Years Ended December 31,

	2021	2020	2019
Cash flows from operating activities			
Net (loss) income	\$ (68,916)	\$ 33,811	\$ 31,256
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization (includes amortization of deferred debt issue costs)	37,928	39,094	37,605
(Gain) loss on sale of assets and insurance recoveries	(9,806)	(9,997)	340
Changes in fair value of contingent consideration	—	410	1,188
Provision for doubtful accounts	16	425	323
Non-cash unit-based compensation	386	4,170	590
Other	—	—	(146)
Deferred income taxes	(2,125)	(368)	(1,499)
Changes in assets and liabilities:			
Accounts receivable	(87,407)	88,087	(11,942)
Inventories	(184,288)	37,691	(33,655)
Other assets	52,694	(750)	(50,171)
Fair value of commodity derivative instruments	86,993	9,107	48,140
Due to/from General Partner and affiliates	(298)	5,567	(1,683)
Accounts payable, accrued liabilities and other	118,045	(52,781)	(85,711)
Net cash (used in) provided by operating activities	(56,778)	154,466	(65,365)
Cash flows from investing activities			
Purchases of property, plant and equipment	(13,888)	(12,198)	(14,292)
Proceeds from property insurance settlements and sale of assets	11,113	12,712	406
Net cash (used in) provided by investing activities	(2,775)	514	(13,886)
Cash flows from financing activities			
Net borrowings (payments) under credit agreements	133,627	(70,607)	150,380
Payments on finance/capital leases, term debt, and other obligations	(7,449)	(12,215)	(6,438)
Payment of debt issue costs	(4,465)	(6,049)	—
Distributions to unitholders	(63,783)	(67,315)	(66,874)
Repurchased units withheld for employee tax obligations	(1,450)	(366)	—
Net cash provided by (used in) financing activities	56,480	(156,552)	77,068
Effect of exchange rate changes on cash balances held in foreign currencies	(29)	(43)	39
Net change in cash and cash equivalents	(3,102)	(1,615)	(2,144)
Cash and cash equivalents, beginning of period	3,771	5,386	7,530
Cash and cash equivalents, end of period	<u>\$ 669</u>	<u>\$ 3,771</u>	<u>\$ 5,386</u>
Supplemental disclosure of cash flow information			
Cash paid for interest	\$ 28,638	\$ 36,412	\$ 38,771
Cash paid for taxes	\$ 6,930	\$ 5,672	\$ 8,057
Assets acquired under finance lease obligations	\$ 1,831	\$ 3,100	\$ 5,589
Non-cash asset retirement obligation and related asset	\$ —	\$ —	\$ 2,718
Cash paid for operating leases	\$ 7,444	\$ 6,872	\$ 6,279
Distribution paid in units	\$ —	\$ 2,053	\$ —
ROU assets obtained in exchange for new lease liabilities	\$ 13,718	\$ —	\$ 4,057

The accompanying notes are an integral part of these financial statements.

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Sprague Resources LP **Notes to Consolidated Financial Statements** *(in thousands unless otherwise stated)*

1. Description of Business and Summary of Significant Accounting Policies

Partnership Businesses

Sprague Resources LP (the "Partnership") is a Delaware limited partnership formed on June 23, 2011 by Sprague Holdings and its General Partner and engages in the purchase, storage, distribution and sale of refined products and natural gas, and provides storage and handling services for a broad range of materials.

On April 20, 2021, the Partnership and Hartree Partners, LP ("Hartree") announced that Sprague Holdings entered into an agreement to sell to Sprague HP Holdings, LLC (a wholly owned subsidiary of Hartree) the interest of Sprague Holdings in the General Partner, the incentive distribution rights and all the common units representing limited partner interest that Sprague Holdings owned in the Partnership (the "Transaction"). The Transaction was completed and effective on May 28, 2021 and the aggregate purchase price was \$290.0 million, consisting of approximately \$265.0 million attributable to the purchase of 16,058,484 common units and approximately \$25.0 million attributable to the general partner interest and incentive distribution rights. The Partnership elected to not to apply push-down accounting in its consolidated financial statements upon the change in control on May 28, 2021.

Unless the context otherwise requires, prior to May 28, 2021, references referring to "Sprague Resources," and the "Partnership," refer to Sprague Resources LP and its subsidiaries; references to the "General Partner" refer to Sprague Resources GP LLC; references to "Axel Johnson" or the "Sponsor" refer to Axel Johnson Inc. and its controlled affiliates, collectively, other than Sprague Resources, its subsidiaries and its General Partner; references to "Sprague Holdings" refer to Sprague Resources Holdings LLC, a wholly owned subsidiary of Axel Johnson and the owner of the General Partner.

Unless the context otherwise requires, effective May 28, 2021, references referring to Sprague Resources, and the Partnership, refer to Sprague Resources LP and its subsidiaries; references to the General Partner refer to Sprague Resources GP LLC; references to "Hartree" or the Sponsor refer to Hartree Partners, LP, and its controlled affiliates, collectively, other than Sprague Resources, its subsidiaries and its General Partner; references to "Sprague Holdings" refer to Sprague HP Holdings LLC, a wholly owned subsidiary of Hartree and the owner of the General Partner.

The Partnership owns, operates and/or controls a network of refined products and materials handling terminals and storage facilities predominantly located in the Northeast United States from New York to Maine and in Quebec, Canada. The Partnership also utilizes third-party terminals in the Northeast United States through which it sells or distributes refined products pursuant to rack, exchange and throughput agreements. The Partnership has four reportable segments: refined products, natural gas, materials handling and other operations.

- The refined products segment purchases a variety of refined products, such as heating oil, diesel fuel, residual fuel oil, kerosene, jet fuel, and gasoline - primarily from refining companies, trading organizations and producers - and sells them to wholesale and commercial customers.
- The natural gas segment purchases natural gas from natural gas producers and trading companies and sells and distributes natural gas to commercial and industrial customers.
- The materials handling segment offloads, stores and prepares for delivery a variety of customer-owned products, including asphalt, clay slurry, salt, gypsum, crude oil, residual fuel oil, coal, petroleum coke, caustic soda, tallow, pulp and heavy equipment.
- The other operations segment primarily includes the marketing and distribution of coal and certain commercial trucking activities.

See Note 2 - Revenue for a description of the Partnership's revenue activities within these business segments.

As of December 31, 2021, the Sponsor, through its ownership of Sprague Holdings, owned 19,548,849 common units representing 74.5% of the limited partner interest in the Partnership. On October 31, 2021, Hartree Bulk Storage, LLC ("Bulk Storage") ceased to be managed by HP Bulk Storage Manager, LLC and became managed by HBS Acquisition Co., LLC a

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wholly owned subsidiary of the Sponsor, Hartree. As a result of this change, the Sponsor was deemed to beneficially own the 1,375,000 common units held by Bulk Storage in addition to the 18,173,849 units held by Sprague Holdings, for a total of 19,548,849 common units representing 74.5% of the limited partner interests in the Partnership. Subsequent to this change, on December 3, 2021, the 1,375,000 common units held by Bulk Storage were transferred to Sprague Holdings in a transfer between two wholly owned subsidiaries of the Sponsor. As a result of this transfer, Sprague Holdings directly owns 19,548,849 common units, which consists of all of the common units beneficially owned by Hartree. Sprague Holdings also owns the General Partner, which in turn owns a non-economic interest in the Partnership. Sprague Holdings currently holds incentive distribution rights ("IDRs") that entitle it to receive increasing percentages of the cash the Partnership distributes from distributable cash flow in excess of \$0.7676 per unit per quarter, up to a maximum of 50.0%. The maximum distribution of 50% does not include any distributions that Sprague Holdings may receive on any limited partner units that it owns.

Services Agreement

The Partnership, the General Partner and Sprague Holdings operate under a services agreement (the "Services Agreement") pursuant to which the General Partner provides certain general and administrative and operational services to the Partnership and Sprague Holdings, and the Partnership and Sprague Holdings reimburse the General Partner for all costs and expenses incurred in connection with providing such services to the Partnership and Sprague Holdings. The Services Agreement does not limit the amount that may be reimbursed or paid by the Partnership to the General Partner. The initial term of the Services Agreement expired on October 30, 2018 and automatically renewed at the end of the initial term for successive one-year terms until terminated in accordance with the terms thereof. The Services Agreement does not limit the ability of the officers and employees of the General Partner to provide services to other affiliates of Sprague Holdings or unaffiliated third parties. See Note 13 - Related Party Transactions.

As of December 31, 2021, the General Partner employed approximately 654 full-time employees who support the Partnership's operations, 75 of whom were covered by five collective bargaining agreements. One of these agreements, covering 9 employees, is up for renewal in May 31, 2022. As of December 31, 2021, the Partnership's Canadian subsidiary had 103 employees, 40 of whom were covered by one collective bargaining agreement which expires on March 18, 2024.

Basis of Presentation

The Consolidated Financial Statements include the accounts of the Partnership and its wholly owned subsidiaries. Intercompany transactions between the Partnership and its subsidiaries have been eliminated.

COVID-19

The global outbreak of the novel coronavirus ("COVID-19") was declared a pandemic by the World Health Organization and a national emergency by the U.S. Government in March 2020 and has negatively affected the U.S. and global economy, disrupted global supply chains, resulted in significant travel and transport restrictions, including mandated closures and orders to "shelter-in-place," and created significant disruption of the financial markets.

Beginning in the quarterly period ended March 31, 2020, a wide array of sectors including but not limited to the energy, transportation, manufacturing and commercial, along with global economic conditions generally, were significantly disrupted by the pandemic. A number of the Partnership's customers in these industries also experienced substantial reductions in their operations due to travel restrictions as well as the extended shutdown of various businesses in affected regions. Furthermore, government measures initially led to a precipitous decline in fuel prices in response to concerns about demand for fuel. Through December 31, 2020, the pandemic and associated impacts on economic activity had an adverse effect on the Partnership's operating results, specifically, the Partnership had seen a decline in demand and related sales volume as large sectors of the global economy were adversely impacted by the crisis.

However, the easing of restrictions, health advancements and other ongoing measures to alleviate the pandemic, have led to a subsequent recovery of demand and fuel prices are at higher levels than pre-pandemic. In order to continue to mitigate the effects of the pandemic, even as market conditions have improved, the Partnership continues to focus on the safety of employees and other stakeholders as well as a number of initiatives relating to cost reduction, liquidity and operating efficiencies.

The Partnership makes estimates and assumptions that affect the reported amounts on these consolidated financial statements and accompanying notes as of the date of the financial statements. The Partnership assessed accounting estimates that require consideration of forecasted financial information, including, but not limited to, the allowance for credit losses, the carrying value of goodwill, intangible assets, and other long-lived assets. This assessment was conducted in the context of information reasonably available to the Partnership, as well as consideration of the future potential impacts of COVID-19 on

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the Partnership's business as of December 31, 2021. While market conditions for our products and services have improved when compared to a year ago, the pandemic remains fluid, indicating that the full impact may not have been realized across our business and operations. The economics and operational landscape has been altered, and it is difficult to determine whether such changes are temporary or permanent, with challenges related to staffing, supply chain, and transportation globally. The Partnership continues to monitor the evolving impacts of COVID-19 and variants closely and respond to changing conditions.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet and the reported net sales and expenses in the income statement. Actual results could differ from those estimates. Among the estimates made by management are the fair value of derivative assets and liabilities, valuation of contingent consideration, allowance for credit losses, valuation of reporting units within the goodwill impairment assessment, and if necessary long-lived asset impairments and environmental and legal obligations.

Revenue Recognition and Cost of Products Sold

Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied. The majority of the Partnership's revenue is generated from refined products and natural gas contracts that have a single performance obligation which is the delivery of the related energy product. Accordingly, the Partnership recognizes revenue for refined products and natural gas when title and control have been transferred to the customer which is generally at the time of shipment or delivery of products. Revenue for the Partnership's materials handling segment is recorded on a straight-line basis under leasing arrangements or as services are performed.

Revenue is measured as the amount of consideration the Partnership expects to receive in exchange for transferring products or providing services and is generally based upon a negotiated index, formula, list or fixed price. An allowance for doubtful accounts is recorded to reflect an estimate of the ultimate realization of the Partnership's accounts receivable and includes an assessment of the customers' creditworthiness and the probability of collection. The provision for the allowance for doubtful accounts is included in cost of products sold (exclusive of depreciation and amortization). Estimated discounts are included in the transaction price of the contracts with customers as a reduction to net sales. Cash discounts were \$5.9 million, \$4.1 million and \$7.5 million for the years ended December 31, 2021, 2020 and 2019, respectively. The Partnership sells its products or provides its services directly to commercial customers and wholesale distributors generally under agreements with payment terms typically less than 30 days.

The Partnership has elected to account for shipping and handling as activities to fulfill the promise to transfer the good. As such, shipping and handling fees billed to customers in a sales transaction are recorded in net sales and shipping and handling costs incurred are recorded in cost of products sold (exclusive of depreciation and amortization). The Partnership has elected to exclude from net sales any value add, sales and other taxes which it collects concurrently with revenue-producing activities.

The majority of the Partnership's revenue is derived from contracts (i) with an original expected length of one year or less and (ii) contracts for which it recognizes revenue at the amount in which it has the right to invoice the customer as product is delivered. The Partnership has elected the practical expedient not to disclose the value of remaining performance obligations associated with these types of contracts.

Commodity Derivatives

The Partnership utilizes derivative instruments consisting of futures contracts, forward contracts, swaps, options and other derivatives individually or in combination, to mitigate its exposure to fluctuations in prices of refined petroleum products and natural gas. The use of these derivative instruments within the Partnership's risk management policy may, on a limited basis, generate gains or losses from changes in market prices. The Partnership enters into futures and over-the-counter ("OTC") transactions either on regulated exchanges or in the OTC market. Futures contracts are exchange-traded contractual commitments to either receive or deliver a standard amount or value of a commodity at a specified future date and price, with some futures contracts based on cash settlement rather than a delivery requirement. Futures exchanges typically require margin deposits as security. OTC contracts, which may or may not require margin deposits as security, involve parties that have agreed either to exchange cash payments or deliver or receive the underlying commodity at a specified future date and price. The Partnership posts initial margin with futures transaction brokers, along with variation margin, which is paid or received on a daily basis, and is included in other current assets and other current liabilities. In addition, the Partnership may either pay or receive margin based upon exposure with counterparties. Payments made by the Partnership are included in other current assets.

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whereas payments received by the Partnership are included in accrued liabilities. Substantially all of the Partnership's commodity derivative contracts outstanding as of December 31, 2021 will settle prior to June 30, 2023.

The Partnership enters into some master netting arrangements to mitigate credit risk with significant counterparties. Master netting arrangements are standardized contracts that govern all specified transactions with the same counterparty and allow the Partnership to terminate all contracts upon occurrence of certain events, such as a counterparty's default. The Partnership has elected not to offset the fair value of its derivatives, even where these arrangements provide the right to do so.

The Partnership's derivative instruments are recorded at fair value, with changes in fair value recognized in net income (loss) each period. The Partnership's fair value measurements are determined using the market approach and includes non-performance risk and time value of money considerations. Counterparty credit is considered for receivable balances, and the Partnership's credit is considered for payable balances.

The Partnership does not offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against the fair value of derivative instruments executed with the same counterparty under the same master netting arrangement. The Partnership had no right to reclaim or obligation to return cash collateral as of December 31, 2021 or 2020.

Interest Rate Derivatives

The Partnership manages its exposure to variable LIBOR borrowings by using interest rate swaps to convert a portion of its variable rate debt to fixed rates. These interest rate swaps are designated as cash flow hedges and the changes in fair value of the swaps are included as a component of comprehensive (loss) income and accumulated other comprehensive loss, net of tax.

To designate a derivative as a cash flow hedge, the Partnership documents at inception the assessment that the derivative will be highly effective in offsetting expected changes in cash flows from the item hedged. The assessment, updated at least quarterly, is based on the most recent relevant historical correlation between the derivative and the item hedged. If during the term of the derivative, the hedge is found to be less than highly effective, hedge accounting is prospectively discontinued and the remaining gains and losses are reclassified to income in the current period.

Market and Credit Risk

The Partnership manages the risk of fluctuations in the price and transportation costs of its commodities through the use of derivative instruments. The volatility of prices for energy commodities can be significantly influenced by market supply and demand, changes in seasonal demand, weather conditions, transportation availability, and federal and state regulations. The Partnership monitors and manages its exposure to market risk on a daily basis in accordance with approved policies.

The Partnership has a number of financial instruments that are potentially at risk including cash and cash equivalents, receivables and derivative contracts. The Partnership's primary exposure is credit risk related to its receivables and counterparty performance risk related to its derivative assets, which is the loss that may result from a customer's or counterparty's non-performance. The Partnership uses credit policies to control credit risk, including utilizing an established credit approval process, monitoring customer and counterparty limits, employing credit mitigation measures such as analyzing customer financial statements, and accepting personal guarantees and various forms of collateral.

The Partnership believes that the counterparties to its derivative contracts will be able to satisfy their contractual obligations. Credit risk is limited by the large number of customers and counterparties comprising the Partnership's business and their dispersion across different industries.

The Partnership's cash is in demand deposits placed with federally insured financial institutions. Such deposit accounts at times may exceed federally insured limits. The Partnership has not experienced any losses on such accounts.

Fair Value Measurements

The Partnership determines fair value based on a hierarchy for the inputs used to measure the fair value of financial assets and liabilities based on the source of the input, which generally range from quoted prices for identical instruments in a principal trading market (Level 1) to estimates determined using significant unobservable inputs (Level 3). Multiple inputs may be used to measure fair value; however, the level of fair value is based on the lowest significant input level within this fair value hierarchy.

Details on the methods and assumptions used to determine the fair values are as follows:

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Fair value measurements based on Level 1 inputs: Measurements that are most observable and are based on quoted prices of identical instruments obtained from the principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to assure liquidity.

Fair value measurements based on Level 2 inputs: Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid are considered Level 2. Measurements based on Level 2 inputs include OTC derivative instruments that are priced on an exchange traded curve, but have contractual terms that are not identical to exchange traded contracts. The Partnership utilizes fair value measurements based on Level 2 inputs for its fixed forward contracts, over-the-counter commodity price swaps, interest rate swaps and forward currency contracts.

Fair value measurements based on Level 3 inputs: Measurements that are least observable are estimated from significant unobservable inputs determined from sources with little or no market activity for comparable contracts or for positions with longer durations.

Long-Term Incentive Plan

The General Partner has the Sprague Resources LP 2013 Long-Term Incentive Plan (the "LTIP"), for the benefit of employees, consultants and directors of the General Partner and its affiliates, who provide services to the General Partner or an affiliate. The LTIP provides the Partnership with the flexibility to grant unit options, restricted units, phantom units, unit appreciation rights, cash awards, distribution equivalent rights, substitute awards and other unit-based awards or any combination of the foregoing. The LTIP will expire upon the earlier of (i) its termination by the board of directors of the General Partner, (ii) the date common units are no longer available under the LTIP for grants or (iii) the tenth anniversary of the date the LTIP was approved by the General Partner.

Prior to March 5, 2021, the board of directors of the General Partner granted performance-based phantom unit awards to key employees that vest over a period of time (usually three years). Upon vesting, a holder of performance-based phantom units is entitled to receive a number of common units of the Partnership equal to a percentage (between 0 and 200%) of the phantom units granted, based on the Partnership's achieving predetermined performance criteria. The Partnership uses authorized but unissued units to satisfy its unit-based obligations. Phantom unit awards granted since 2015 included a performance criteria that considered Sprague Holdings operating cash flow, as defined therein ("OCF"), over a three year performance period. The number of common units that may be received in settlement of each phantom unit award can range between 0 and 200% of the number of phantom units granted based on the level of OCF achieved during the vesting period. These awards were equity awards with performance and service conditions which result in compensation cost being recognized over the requisite service period once payment is determined to be probable. Compensation expense related to the OCF based awards was estimated each reporting period by multiplying the number of common units underlying such awards that, based on the Partnership's estimate of OCF, are probable to vest, by the grant-date fair value of the award and was recognized over the requisite service period using the straight-line method. The fair value of the OCF based phantom units was the grant date closing price listed on the New York Stock Exchange. The number of units that the Partnership estimated were probable to vest could change over the vesting period. Any such change in estimate was recognized as a cumulative adjustment calculated as if the new estimate had been in effect from the grant date. The Partnership's performance-based phantom unit awards included tandem distribution equivalent rights ("DERs") which entitled the participant to a cash payment only upon vesting that is equal to any cash distribution paid on a common unit between the grant date and the date the phantom units were settled. Payments made in connection with DERs were recorded as a distribution in unitholders' equity.

Effective March 5, 2021, the board of directors used its discretion to terminate all phantom unit awards granted in 2018, 2019 and 2020. In consideration for this termination, the board of directors paid a higher 2020 cash bonus, issued 172,702 vested common units to each of the Partnership's Named Executive Officers and certain other employees and issued new long-term incentive awards payable in units or cash which vest over a three-year service period. The 2020 cash bonus amounts were expensed during the year ended December 31, 2020 and accrued for as of December 31, 2020. The Partnership accounted for the cancellation of the previously outstanding phantom unit awards and the issuance of the vested units and long-term incentive awards as a modification which resulted in immaterial incremental compensation expense.

Earnings Per Unit

The Partnership computes (loss) income per unit using the two-class method. The Partnership has identified the IDRs as participating securities and uses the two-class method when calculating the net income per unit applicable to limited partners. Earnings per unit applicable to limited partners is computed by dividing limited partners' interest in net income, after deducting any incentive distributions, by the weighted-average number of outstanding common units. The Partnership's net (loss) income is allocated to the limited partners in accordance with their respective ownership percentages, after giving effect to priority

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income allocations for incentive distributions that have been or will be distributed to the incentive distribution right holder, which are declared and paid following the close of each quarter. Earnings in excess of distributions are allocated to the limited partners based on their respective ownership interests.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments which are readily convertible into cash and have maturities of three months or less when purchased.

Inventories

The Partnership's inventories are valued at the lower of cost or net realizable value. Cost is primarily determined using the first-in, first-out method, except for the Partnership's Canadian subsidiary, which used the weighted average method. Inventory consists of petroleum products, natural gas and coal. The Partnership uses derivative instruments, primarily futures, forwards and swaps, to economically hedge substantially all of its inventory.

Property, Plant and Equipment, Net

Property, plant and equipment, net are recorded at historical cost. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Furniture and Fixtures	5 to 10 years
Plant and Machinery	5 to 30 years
Building and Leasehold Improvements	10 to 25 years

Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvement, whichever is shorter. Maintenance and repairs are charged to expense as incurred. Costs and related accumulated depreciation of properties sold or otherwise disposed of are removed from the respective accounts, and any resulting gains or losses are recorded at that time.

Long-lived Asset Impairment

The Partnership evaluates the carrying value of its property, plant and equipment and finite lived intangible assets for impairment when events or changes in circumstances indicate the carrying amount of an individual asset or asset group may not be recoverable based on estimated future undiscounted cash flows. Future cash flow projections include assumptions of future sales levels, the impact of controllable cost reduction programs, and the level of working capital needed to support each business. To the extent the carrying amount of the asset group is not recoverable based on undiscounted cash flows, the amount of impairment is measured by the difference between the carrying value and the fair value of the individual assets or asset group.

Goodwill

Goodwill is defined as the excess of cost over the fair value of assets acquired and liabilities assumed in a business combination. The Partnership tests goodwill at the reporting unit level annually as of October 31 or on an as needed basis, for indicators of impairment at each reporting unit that has recorded goodwill. In performing the test, the Partnership either uses a qualitative assessment or a single step quantitative approach. Under the qualitative approach the Partnership considers a number of factors, including the amount by which the previous quantitative test's fair value exceeded the carrying value of the reporting unit, actual performance as compared to internal forecasts used in the previous quantitative test, an evaluation of discount rates, and an evaluation of current economic factors for both the worldwide economy and specifically the oil and gas industry, and any significant changes in customer and supplier relationships. The Partnership weighs these factors to determine if it is more likely than not that the fair value of the reporting unit exceeds its carrying value. If after performing a qualitative assessment, indicators are present, or the Partnership identifies factors that cause it to believe it is appropriate to perform a more precise calculation of fair value, the Partnership would move beyond the qualitative assessment and perform a quantitative impairment test.

Under the quantitative impairment test, the Partnership performs a comparison of the reporting unit's carrying value to its fair value.

The Partnership estimates the fair value of a reporting unit based upon future net discounted cash flows (Level 3 measurement). In calculating these estimates, the Partnership develops a discounted cash flow model based on forecasted operating results, discount rates, and growth rates, which contemplate business, market and overall economic conditions.

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Further, the discount rates used require estimates of the cost of equity and debt financing. The estimates of fair value of these reporting units could change if actual operating results or discount rates vary from these estimates. The Partnership performed sensitivity analyses on the fair values resulting from the discounted cash flows valuation utilizing more conservative assumptions that reflect reasonably likely future changes in the discount rates and perpetual growth rate in each of the reporting units. Based upon the Partnership's 2021 annual impairment testing analyses, including the consideration of reasonably likely adverse changes in assumptions described above, the Partnership determined that all of its reporting units had fair value exceeding their carrying values. As of December 31, 2021, there was \$35.5 million of goodwill allocated to the natural gas reporting unit which had a negative carrying value with respect to the annual goodwill test performed.

Intangibles, Net

Intangibles, net consist of intangible assets with finite lives, primarily customer relationships and non-compete agreements. Intangibles and other assets are amortized over their respective estimated useful lives. The Partnership believes the sum-of-the-years'-digits method of amortization properly reflects the timing of the recognition of the economic benefits realized from its intangible assets.

Income Taxes

The Partnership is organized as a pass-through entity for U.S. federal income tax purposes. As a result, the partners are responsible for U.S. federal income taxes based on their respective share of taxable income. Net income for financial statement purposes may differ significantly from taxable income reportable to unitholders as a result of differences between the tax bases and financial reporting bases of assets and liabilities and the taxable income allocation requirements under the partnership agreement. The Partnership, however, is subject to a statutory requirement that non-qualifying income cannot exceed 10% of total gross income, determined on a calendar year basis under the applicable income tax provisions. If the amount of non-qualifying income exceeds this statutory limit, the Partnership would be taxed as a corporation. Accordingly, certain activities that generate non-qualifying income are conducted through Sprague Energy Solutions, Inc., a taxable corporate subsidiary. Sprague Energy Solutions, Inc. is subject to U.S. federal and state income tax and pays any income taxes related to the results of its operations. For the year ended December 31, 2021, the Partnership's non-qualifying income did not exceed the statutory limit. The Partnership is subject to income tax and franchise tax in certain domestic state and local as well as foreign jurisdictions.

Income taxes (e.g., deferred tax assets, deferred tax liabilities, taxes currently payable and tax expense) are recorded based on amounts refundable or payable in the current year and include the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. Deferred taxes are measured by applying currently enacted tax rates. The Partnership establishes a valuation allowance for deferred tax assets when it is more likely than not that these assets will not be realized.

The Partnership's Canadian operations are conducted within entities that are treated as corporations for Canadian tax purposes and are subject to Canadian federal and provincial taxes. Additionally, payments of dividends from the Partnership's Canadian entities to other Sprague entities are subject to Canadian withholding tax that is treated as income tax expense. The partnership's foreign subsidiaries record investment tax credits under the deferral method.

The Partnership recognizes the financial statement effect of an uncertain tax position only when management believes that it is more likely than not, that based on the technical merits, the position will be sustained upon examination. The Partnership classifies interest and penalties associated with uncertain tax positions as income tax expense. During the years ended December 31, 2021, 2020 and 2019, the uncertain tax positions and related interest and penalties recognized by the Partnership were immaterial. The Partnership and its subsidiaries tax returns are subject to examination by the Internal Revenue Service and by the Canada Revenue Agency for the years ended December 31, 2020, 2019, 2018 and 2017.

Foreign Currency

The Partnership's reporting currency is the U.S. dollar. The Partnership's most significant foreign operations are conducted by Kildair Service ULC, a Canadian subsidiary ("Kildair"). The functional currency of Kildair is the U.S. dollar. Kildair has an operating subsidiary whose functional currency is the Canadian dollar.

Kildair converts receivables and payables denominated in other than their functional currency at the exchange rate as of the balance sheet date. Kildair utilizes forward currency contracts to manage its exposure to currency fluctuations of certain of its transactions that are denominated in Canadian dollars. These forward currency exchange contracts are recorded at fair value at the balance sheet date and changes in fair value are recognized in net income (loss) as these forward currency contracts have not been designated as hedges. For the years ended December 31, 2021, 2020 and 2019, transaction exchange gains or losses

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net of the impact of the forward currency exchange contracts, amounted to a gain of less than \$0.1 million, gain of \$0.1 million and loss of \$0.1 million, respectively, which is recorded in cost of products sold (exclusive of depreciation and amortization).

Recent Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848)* which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform, if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Partnership has not currently adopted the optional expedients and exceptions provided in this guidance but continues to monitor and evaluate the impact of reference rate reform on relevant transactions.

In May 2021, the FASB issued ASU No. 2021-05, *Leases (Topic 842), Lessors - Certain Leases with Variable Lease Payments*. This ASU addresses an issue related to a lessor's accounting for certain leases with variable lease payments. The amendments in this Update affect lessors with lease contracts that (1) have variable lease payments that do not depend on a reference index or a rate and (2) would have resulted in the recognition of a selling loss at lease commencement if classified as a sales-type lease or a direct financing lease. For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. The Partnership is currently evaluating the impact of the adoption of ASU 2021-05 on its consolidated financial position and results of operations.

2. Revenue

Disaggregated Revenue

In general, the Partnership's business segmentation is aligned according to the nature and economic characteristics of its products and customer relationships which provides meaningful disaggregation of each business segment's results of operations. The Partnership operates its businesses in the Northeast and Mid-Atlantic United States and Eastern Canada.

The refined products segment purchases a variety of refined products, such as heating oil, diesel fuel, residual fuel oil, kerosene, jet fuel and gasoline (primarily from refining companies, trading organizations and producers), and sells them to wholesale and commercial customers. Refined products revenue-producing activities are direct sales to customers, including throughput transactions. Revenue is recognized when the product is delivered. Revenue is not recognized on exchange agreements, which are entered into primarily to acquire refined products by taking delivery of products closer to the Partnership's end markets. Rather, net differentials or fees for exchange agreements are recorded within cost of products sold (exclusive of depreciation and amortization).

The natural gas segment purchases natural gas from natural gas producers and trading companies and sells and distributes natural gas to commercial and industrial customers. Natural gas revenue-producing activities are sales to customers at various points on natural gas pipelines or at local distribution companies (i.e., utilities). Natural gas sales not billed by month-end are accrued based upon gas volumes delivered.

The materials handling segment offloads, stores and prepares for delivery a variety of customer-owned products. A majority of the materials handling segment revenue is generated under leasing arrangements with revenue recorded over the lease term generally on a straight-line basis. Contingent rentals are recorded as revenue only when billable under the arrangement. For materials handling contracts that are not leases, the Partnership recognizes revenue either at a point in time after services are performed or over a period of time if the services are performed in a continuous fashion over the period of the contract as these methods represent a faithful depiction of the transfer of goods and services.

The other operations segment primarily includes the marketing and distribution of coal and certain commercial trucking activities. Revenue from other operations is recognized when the product is delivered or the services are rendered.

Further disaggregation of net sales by business segment and geographic destination is as follows:

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	Years Ended December 31		
	2021	2020	2019
Net sales:			
Refined products			
Distillates	\$ 2,332,857	\$ 1,571,096	\$ 2,514,010
Gasoline	560,492	247,926	298,633
Heavy fuel oil and asphalt	249,160	179,175	300,281
Total refined products	\$ 3,142,509	\$ 1,998,197	\$ 3,112,924
Natural gas	284,529	261,358	307,952
Materials handling	50,484	56,347	56,655
Other operations	20,638	20,081	24,879
Net sales	\$ 3,498,160	\$ 2,335,983	\$ 3,502,410
Net sales by country:			
United States	\$ 3,196,743	\$ 2,150,853	\$ 3,246,951
Canada	301,417	185,130	255,459
Net sales	\$ 3,498,160	\$ 2,335,983	\$ 3,502,410

Contract Balances

Contract liabilities primarily relate to advances or deposits received from the Partnership's customers before revenue is recognized. These amounts are included in accrued liabilities and amounted to \$9.8 million and \$9.4 million as of December 31, 2021 and 2020, respectively. A substantial portion of the contract liabilities as of December 31, 2020 remains outstanding as of December 31, 2021 as they are primarily deposits. The Partnership does not have any material contract assets as of December 31, 2021 or 2020.

3. Leases

The Partnership determines if an arrangement is a lease at inception. The Partnership's right-of-use ("ROU") assets are included in property, plant and equipment, net and noncurrent other assets for finance leases and operating leases, respectively. Lease liabilities are included in accrued liabilities, current and noncurrent other obligations and operating lease liabilities, less current portion in the Consolidated Balance Sheets. Operating lease expense is included in operating expenses and cost of products sold while amortization expense associated with ROU assets for finance leases is included in depreciation and amortization expense.

The Partnership uses the practical expedient not to apply the recognition requirements in the lease standard to short-term leases (a lease that at commencement date has a lease term of 12 months or less and does not contain a purchase option that it is reasonably certain to exercise) and the practical expedient that permits lessees to make an accounting policy election (by class of underlying asset) to account for each separate lease component of a contract and its associated non-lease components as a single lease component.

ROU assets represent the Partnership's right to use an underlying asset for the lease term and lease liabilities represent the Partnership's obligations to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Partnership uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Partnership's lease terms may include options to extend lease terms ranging from 1 to 10 years while others include options to terminate at the Partnership's discretion.

The Partnership's operating and finance leases are primarily for time charters, facilities, railcars and equipment. The terms and conditions for these leases vary by the type of underlying asset. For the years ended December 31, 2021, December 31, 2020, and December 31, 2019 total operating lease expense was \$13.5 million, \$16.2 million, and \$17.8 million respectively, of which \$6.1 million, \$9.3 million, and \$11.6 million was related to short-term leases, respectively. For the years

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ended December 31, 2021, December 31, 2020, and December 31, 2019 total finance lease expense was \$3.9 million, \$3.3 million, and \$2.7 million respectively.

Operating and finance leases were as follows:

	As of December 31,			
	2021		2020	
	Operating	Finance	Operating	Finance
ROU Assets:				
Other Assets, Net	\$ 18,868	\$ —	\$ 12,207	\$ —
Property, Plant and Equipment, Net	—	15,142	—	16,453
Total ROU Assets	\$ 18,868	\$ 15,142	\$ 12,207	\$ 16,453
Lease Liabilities:				
Accrued Liabilities	\$ 7,740	\$ —	\$ 6,866	\$ —
Current Portion of Other Obligation	—	3,623	—	3,395
Other Obligations, Less Current Portion	—	11,001	—	13,100
Operating Lease Liabilities, Less Current Portion	11,067	—	5,653	—
Total Lease Liabilities	\$ 18,807	\$ 14,624	\$ 12,519	\$ 16,495
Weighted Average Remaining Lease Term (Years)	3	4	2	5
Weighted Average Discount Rate	6.13 %	4.99 %	6.09 %	4.92 %

Maturities of operating and finance lease liabilities as of December 31, 2021 are as follows:

	Operating	Finance
2022	\$ 7,823	\$ 4,028
2023	7,402	3,292
2024	3,579	2,355
2025	439	1,817
2026	181	1,083
Thereafter	110	3,175
Total Lease Payments	19,534	15,750
Less: Interest	(727)	(1,126)
Total	\$ 18,807	\$ 14,624

From a lessor perspective, the Partnership has entered into various throughput and materials handling arrangements with customers. These arrangements are accounted for as operating leases as determined by the use terms and rights outlined in the underlying agreements. The throughput contracts are agreements with refined products wholesalers that use the Partnership's terminal facilities for a fee. The materials handling contracts are arrangements involving rentals of dedicated tanks, pads, land and small office locations for the purposes of storage, parking and other related uses. For the years ended December 31, 2021, December 31, 2020, and December 31, 2019 income related to the operating leases with the Partnership as the lessor, as described above, totaled \$39.8 million, \$44.2 million, and \$40.1 million respectively.

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The undiscounted cash flows to be received on an annual basis from operating leases as of December 31, 2021 are as follows:

	December 31, 2021
2022	\$ 34,624
2023	20,684
2024	17,357
2025	15,539
2026	13,737
Thereafter	41,695
Total Lease Receipts	\$ 143,636

4. Accumulated Other Comprehensive Loss, Net of Tax

Amounts included in accumulated other comprehensive loss, net of tax, consisted of the following:

	As of December 31,	
	2021	2020
Fair value of interest rate swaps, net of tax	\$ (4,954)	\$ (14,446)
Cumulative foreign currency translation adjustment	(11,543)	(11,536)
Accumulated other comprehensive loss, net of tax	\$ (16,497)	\$ (25,982)

5. Accounts Receivable, Net

	As of December 31,	
	2021	2020
Accounts receivable, trade	\$ 275,287	\$ 186,854
Less allowance for credit losses	(931)	(1,066)
Net accounts receivable, trade	274,356	185,788
Accounts receivable, other	6,051	7,227
Accounts receivable, net	\$ 280,407	\$ 193,015

Unbilled accounts receivable, included in accounts receivable, trade at December 31, 2021 and 2020 were \$52.1 million and \$43.1 million, respectively. Unbilled receivables relate primarily to the delivery and sale of natural gas to customers in the current month for which the right to bill exists. Such amounts generally are invoiced to the customer the following month when actual usage data becomes available. Accounts receivable, other consists primarily of product tax receivables.

The Partnership records its allowance for expected credit losses using an estimated loss rate method that considers historical collection experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The estimated loss rates are applied to trade receivables with similar risk characteristics such as the length of time the balance has been outstanding and the location of the customer. In certain instances, the Partnership may identify individual trade receivable assets that do not share risk characteristics with other trade receivables, in which case the Partnership records its expected credit losses on an individual asset basis. To date, the Partnership has not experienced significant customer payment defaults, or identified other significant collectability concerns as a result of the COVID-19 pandemic. In connection with assessing credit losses for individual trade receivable assets, the Partnership considers significant factors relevant to collectability including those specific to the customer such as bankruptcy, length of time an account is outstanding, and the liquidity and financial position of the customer.

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A reconciliation of the beginning and ending allowance for credit losses is as follows:

Years ended:	Balance at Beginning of Period	Charged to Expense	Charged (to) from Another Account	(Deductions)	Balance at End of Period
December 31, 2021	\$ 1,358	\$ 15	\$ —	\$ (162)	\$ 1,211
December 31, 2020	\$ 1,771	\$ 425	\$ (3)	\$ (835)	\$ 1,358
December 31, 2019	\$ 2,374	\$ 323	\$ (67)	\$ (859)	\$ 1,771

Notes receivable, net of allowance, are generally long-term arrangements and were fully reserved as of December 31, 2021 and 2020.

6. Inventories

	As of December 31,	
	2021	2020
Petroleum and related products	\$ 426,323	\$ 248,977
Coal	6,870	3,240
Natural gas	6,627	3,316
Inventories	<u>\$ 439,820</u>	<u>\$ 255,533</u>

Due to changing market conditions, the Partnership recorded a provision of \$3.7 million, \$2.0 million and \$1.4 million as of December 31, 2021, 2020 and 2019, respectively, to write-down petroleum and related products, and natural gas inventory to its net realizable value. These charges are included in cost of products sold (exclusive of depreciation and amortization).

7. Other Current Assets

	As of December 31,	
	2021	2020
Margin deposits with brokers	\$ 10,434	\$ 58,738
Prepaid software & fees	6,215	5,259
Other	5,417	3,409
Other current assets	<u>\$ 22,066</u>	<u>\$ 67,406</u>

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8. Property, Plant and Equipment, Net

	As of December 31,	
	2021	2020
Plant, machinery, furniture and fixtures	\$ 440,137	\$ 432,291
Building and leasehold improvements	20,278	20,214
Land and land improvements	86,389	86,428
Construction in progress	11,777	9,422
Property, plant and equipment, gross	558,581	548,355
Less: accumulated depreciation	(234,951)	(213,059)
Property, plant and equipment, net	\$ 323,630	\$ 335,296

Depreciation expense for the years ended December 31, 2021, 2020 and 2019 was \$26.2 million, \$25.4 million and \$23.8 million, respectively.

Property, plant and equipment include the following amounts under finance or capital leases:

	As of December 31,	
	2021	2020
Plant, machinery, furniture and fixtures	\$ 31,644	\$ 29,607
Building and leasehold improvements	962	962
Land and land improvements	251	251
Property, plant and equipment, gross	32,857	30,820
Less: accumulated amortization	(17,716)	(14,367)
Property, plant and equipment, net	\$ 15,141	\$ 16,453

Amortization expense on finance and capital leased assets is included in depreciation expense and for the years ended December 31, 2021, 2020 and 2019 was \$3.4 million, \$2.9 million and \$2.2 million, respectively.

On November 1, 2019, a fire occurred at the Kildair Tracy Terminal which impacted certain buildings and equipment at the facility. The resulting damage was covered by insurance coverage in place at the time of the incident, net of applicable deductibles. In connection with the insurance reimbursement for the asset losses from the fire, the Partnership recorded \$1.9 million in gains on involuntary nonmonetary asset conversions for the year ended December 31, 2020, representing the insurance proceeds in excess of the remaining book value of impacted property, plant and equipment. This gain was included within other income in the consolidated statements of operations.

On December 23, 2020, the Partnership sold Mt. Vernon terminal to an unaffiliated buyer. In connection with the sale, the Partnership recorded a net gain on the sale of \$8.1 million for the year ended December 31, 2020, which is included within other operating income in the consolidated statements of operations. Pursuant to a post-closing escrow and access agreement, the Partnership has deposited \$1.2 million in an escrow account to secure the Partnership's fulfillment of various environmental remediation regulatory obligations.

On April 29, 2021, the Partnership sold the Oswego terminal to an unaffiliated buyer. In connection with the sale, the Partnership recorded a net gain on the sale of \$9.0 million during the quarter ended June 30, 2021 which is included within other operating income in the consolidated statements of operations for the twelve months ended December 31, 2021. The remaining \$0.7 million of other operating income for the twelve months ended December 31, 2021 relates to a gain associated with a parcel of land sold at the Bronx terminal during the quarter ended June 30, 2021.

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9. Intangibles, Net

	Remaining Useful Life (Years)	As of December 31, 2021		
		Gross	Accumulated Amortization	Net
Customer relationships	1 - 21	\$ 79,218	\$ 45,502	\$ 33,716
Non-compete agreements	0 - 1	9,491	9,218	273
Other	0 - 1	1,318	1,300	18
Intangible assets, net		<u>\$ 90,027</u>	<u>\$ 56,020</u>	<u>\$ 34,007</u>

	Remaining Useful Life (Years)	As of December 31, 2020		
		Gross	Accumulated Amortization	Net
Customer relationships	2 - 22	\$ 79,218	\$ 39,319	\$ 39,899
Non-compete agreements	0 - 2	10,191	9,009	1,182
Other	0 - 2	2,094	2,033	61
Intangible assets, net		<u>\$ 91,503</u>	<u>\$ 50,361</u>	<u>\$ 41,142</u>

The Partnership recorded amortization expense related to intangible assets of \$7.1 million, \$8.6 million and \$10.2 million during the years ended December 31, 2021, 2020 and 2019, respectively. The amortization of intangible assets is recorded in depreciation and amortization expense. Fully amortized intangible assets have been eliminated from both the gross and accumulated amortization amounts.

The estimated future annual amortization expense of intangible assets for the years ending December 31, 2022, 2023, 2024, 2025 and 2026 is \$5.8 million, \$4.8 million, \$4.2 million, \$3.6 million and \$3.0 million, respectively. As acquisitions and dispositions occur in the future, these amounts may vary.

10. Other Assets, Net

	As of December 31,	
	2021	2020
Deferred debt issuance costs, net	\$ 5,621	\$ 5,766
ROU Assets	18,868	12,207
Other	4,001	4,279
Other assets, net	<u>\$ 28,490</u>	<u>\$ 22,252</u>

Deferred Debt Issuance Costs

The Partnership recorded amortization expense related to deferred debt issuance costs of \$4.6 million, \$5.0 million and \$3.6 million during the years ended December 31, 2021, 2020 and 2019, respectively. Deferred debt issuance costs are amortized over the life of the related debt on a straight-line basis and recorded in interest expense.

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11. Accrued Liabilities

	As of December 31,	
	2021	2020
Accrued product taxes	\$ 14,866	\$ 10,384
Customer prepayments and deposits	9,809	9,413
Operating lease liabilities	7,740	6,866
Accrued product costs	3,714	6,311
Margin deposits from brokers	23,843	—
Other	16,695	13,671
Accrued liabilities	\$ 76,667	\$ 46,645

12. Credit Agreement

	As of December 31,	
	2021	2020
Working capital facilities	\$ 497,578	\$ 358,685
Acquisition facility	377,400	382,400
Total credit agreement	874,978	741,085
Less: current portion of working capital facilities	(497,578)	(358,685)
Total long-term portion	\$ 377,400	\$ 382,400

On May 11, 2021, Sprague Operating Resources LLC (the "U.S. Borrower") and Kildair Service ULC (the "Canadian Borrower" and, together with the U.S. Borrower, the "Borrowers"), wholly owned subsidiaries of the Partnership, entered into a first amendment (the "First Amendment") to the second amended and restated credit agreement dated as of May 19, 2020 (the "Original Credit Agreement," the Original Credit Agreement as amended by the First Amendment, the "Credit Agreement"). Upon the effective date, the First Amendment increased the acquisition facility from \$430 million to \$450 million and was accounted for as a modification of a syndicated loan arrangement with partial extinguishment to the extent there was a decrease in the borrowing capacity on a creditor by creditor basis. The Credit Agreement matures on May 19, 2023. The Partnership and certain of its subsidiaries (the "Subsidiary Guarantors") are guarantors of the obligations under the Credit Agreement. Obligations under the Credit Agreement are secured by substantially all of the assets of the Partnership, the Borrowers and the Subsidiary Guarantors (collectively, the "Loan Parties").

As of December 31, 2021, the revolving credit facilities under the Credit Agreement contained, among other items, the following:

- A committed U.S. dollar revolving working capital facility of up to \$465.0 million, subject to borrowing base limits, to be used for working capital loans and letters of credit;
- An uncommitted U.S. dollar revolving working capital facility of up to \$200.0 million, subject to borrowing base limits and the sole discretion of the lenders, to be used for working capital loans and letters of credit;
- A multicurrency revolving working capital facility of up to \$85.0 million, subject to borrowing base limits, to be used for working capital loans and letters of credit;
- A revolving acquisition facility of up to \$450.0 million, subject to covenants, to be used for loans and letters of credit to fund capital expenditures and acquisitions and other general corporate purposes; and
- Subject to certain conditions including the receipt of additional commitments from lenders, the ability to increase the U.S. dollar revolving working capital facility to up to \$1.2 billion and the multicurrency revolving working capital facility to up to \$320.0 million. Additionally, subject to certain conditions, the revolving acquisition facility may be increased to up to \$750.0 million.

Indebtedness under the Credit Agreement bears interest, at the Borrowers' option, at a rate per annum equal to either (i) the Eurocurrency Rate (which is the LIBOR Rate for loans denominated in U.S. dollars and CDOR for loans denominated in Canadian dollars, in each case adjusted for certain regulatory costs, and in each case with a floor of 0.25%) for interest periods of one, two, three or six months plus a specified margin or (ii) an alternate rate plus a specified margin.

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For loans denominated in U.S. dollars, the alternate rate is the Base Rate which is the highest of (a) the U.S. Prime Rate as in effect from time to time, (b) the greater of the Federal Funds Effective Rate and the Overnight Bank Funding Rate as in effect from time to time plus 0.50% and (c) the one-month Eurocurrency Rate for U.S. dollars as in effect from time to time plus 1.00%.

For loans denominated in Canadian dollars, the alternate rate is the Prime Rate which is the higher of (a) the Canadian Prime Rate as in effect from time to time and (b) the one-month Eurocurrency Rate for U.S. dollars as in effect from time to time plus 1.00%.

The specified margins for the working capital revolving facilities vary based on the utilization of the working capital facilities as a whole, measured on a quarterly basis. The specified margin for (x) the committed U.S. dollar revolving working capital facility ranged from 1.00% to 1.50% for loans bearing interest at the Base Rate and from 2.00% to 2.50% for loans bearing interest at the Eurocurrency Rate, (y) the uncommitted U.S. dollar revolving working capital facility ranged from 0.75% to 1.25% for loans bearing interest at the Base Rate and 1.75% to 2.25% for loans bearing interest at the Eurocurrency Rate and (z) the multicurrency revolving working capital facility ranged from 1.00% to 1.50% for loans bearing interest at the Base Rate and 2.00% to 2.50% for loans bearing interest at the Eurocurrency Rate.

The specified margin for the revolving acquisition facility varies based on the consolidated total leverage of the Loan Parties. The specified margin for the revolving acquisition facility will range from 1.25% to 2.25% for loans bearing interest at the Base Rate and from 2.25% to 3.25% for loans bearing interest at the Eurocurrency Rate.

In addition, the Borrowers will incur a commitment fee on the unused portion of (x) the committed U.S. dollar revolving working capital facility and multicurrency revolving working capital facility ranging from 0.375% to 0.500% per annum and (y) the revolving acquisition facility at a rate ranging from 0.35% to 0.50% per annum. Overdue amounts bear interest at the applicable rates described above plus an additional margin of 2%.

The working capital facilities are subject to borrowing base reporting and as of December 31, 2021 and 2020, had a borrowing base of \$750.0 million and \$540.0 million, respectively. As of December 31, 2021 and 2020, outstanding letters of credit related to the working capital facilities were \$80.6 million under the Credit Agreement and \$77.3 million, respectively. As of December 31, 2021, and December 31, 2020 outstanding letters of credit related to the acquisition facility were \$18.8 million, and \$15.4 million respectively. As of December 31, 2021, excess availability under the working capital facilities was \$171.8 million and excess availability under the acquisition facility was \$53.8 million.

The weighted average interest rate was 3.0% at December 31, 2021 and 2020. No amounts are due under the Credit Agreement until the maturity date. However, the current portion at December 31, 2021 and at December 31, 2020 represents the amounts of the working capital facility.

The Credit Agreement contains various covenants and restrictive provisions that, among other things, prohibit the Partnership from making distributions to unitholders if any event of default occurs or would result from the distribution or if the Loan Parties would not be in pro forma compliance with the financial covenants after giving effect to the distribution. In addition, the Credit Agreement contains various covenants that are usual and customary for a financing of this type, size and purpose, including, but not limited to, covenants that require the Loan Parties to maintain: a minimum consolidated EBITDA-to-fixed-charge ratio, a minimum consolidated net working capital amount and a maximum consolidated total leverage-to-EBITDA ratio. The Credit Agreement also limits the Loan Parties ability to incur debt, grant liens, make certain investments or acquisitions, enter into affiliate transactions and dispose of assets. The Partnership was in compliance with the covenants under the Credit Agreement at December 31, 2021.

The Credit Agreement also contains events of default that are usual and customary for a financing of this type, size and purpose including, among others, non-payment of principal, interest or fees, violation of certain covenants, material inaccuracy of representations and warranties, bankruptcy and insolvency events, cross-payment default and cross-acceleration, material judgments and events constituting a change of control. If an event of default exists under the Credit Agreement, the lenders will be able to terminate the lending commitments, accelerate the maturity of the Credit Agreement and exercise other rights and remedies with respect to the collateral.

13. Related Party Transactions

The General Partner charges the Partnership for the reimbursements of employee costs and related employee benefits and other overhead costs supporting the Partnership's operations which amounted to \$97.2 million, \$92.5 million and \$99.6 million

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for the years ended December 31, 2021, 2020 and 2019, respectively. Through the General Partner, the Partnership participates in pension plans sponsored by Axel Johnson and an other post-retirement benefits plan, which was previously sponsored by Axel Johnson, but is now sponsored by the General Partner starting in June 2021. At December 31, 2021 and 2020, total amounts due to the General Partner with respect to these benefits and overhead costs were \$13.4 million and \$13.7 million, respectively. (see Note 16 - Retirement Plans).

During the year ended December 31, 2021, the Partnership recorded tank use and storage fee revenue of \$0.7 million from lease agreements entered into with Hartree which expired in 2021 and were not renewed. In addition the Partnership made oil and natural gas product purchases from Hartree totaling \$147.9 million and generated sales of natural gas products to Hartree of \$3.3 million.

During the year ended December 31, 2020, the Partnership recorded tank use and storage fee revenue of \$1.4 million from lease agreements entered into with Hartree. In connection with these agreements, the Partnership made net inventory purchases from Hartree Partners LP totaling \$71.2 million.

14. Other Obligations

	As of December 31,	
	2021	2020
Deferred consideration	\$ 14,207	\$ 16,909
Finance leases, long-term portion	6,530	8,009
Port Authority terminal obligations	4,471	5,091
Asset retirement obligation	3,760	5,187
Postretirement benefits	1,382	1,620
Other	1,314	2,493
Other obligations, long-term portion	\$ 31,664	\$ 39,309

Deferred Consideration - Carbo Terminals

In connection with the Carbo acquisition entered into during 2017, the Partnership is obligated to pay to Carbo a total of \$38.2 million in equal monthly installments of \$0.3 million payable over a ten year period. The obligation was recorded at an estimated fair value of \$27.3 million using a discount rate of 7.1%. The short-term portion of this obligation as of December 31, 2021 is \$2.7 million and is included in the current portion of other obligations.

Deferred consideration obligation maturities for each of the next five years and thereafter as of December 31, 2021 are as follow:

2022	\$ 3,818
2023	3,818
2024	3,818
2025	3,818
2026	3,818
Thereafter	1,274
Total	20,364
Less amount representing interest	(3,453)
Present value of payments	16,911
Less current portion	(2,704)
Deferred consideration, long-term portion	\$ 14,207

Contingent Consideration - Coen Energy

As a result of the Coen Energy acquisition in 2017, the Partnership was obligated to pay contingent consideration of up to \$12.0 million if certain earnings objectives during the first three years following the acquisition were met. As of December 31, 2020, the outstanding liability associated with the contingent consideration payment calculation was zero as the earnings objective period had ended and the final payment of \$8.0 million was made in October 2020. See Note 18 - Financial

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Instruments and Off-Balance Sheet Risk for additional information regarding the Partnership's contingent consideration obligation.

Port Authority Terminal Obligations

The Port Authority terminal obligations represent long-term obligations of the Partnership to a third party that constructed dock facilities at the Partnership's Searsport, Maine terminal. These amounts will be repaid by future wharfage fees incurred by the Partnership for the use of these facilities. The short-term portion of these obligations of \$0.6 million at both December 31, 2021 and 2020 is included in accrued liabilities and represents an estimate of the expected future wharfage fees for the ensuing year. The Partnership has exclusive rights to the use of the dock facilities through a license and operating agreement ("License Agreement"), which expires in 2033. The License Agreement provides the Partnership the option to purchase the dock facilities at any time at an amount equal to the remaining license fees due. The related dock facilities assets are treated as a finance lease and are included in property, plant and equipment.

Asset Retirement Obligation

The Partnership has accrued an asset retirement obligation ("ARO") that relates to an environmental obligation associated with the purchase of a terminal in Bridgeport, Connecticut. The current portion of the ARO represents the estimated obligation retirements for the ensuing year and is recorded in accrued liabilities.

The changes in the ARO are as follows:

	Years Ended December 31,	
	2021	2020
ARO - beginning of period	\$ 5,946	\$ 6,059
Change in estimates	—	—
Accretion expense	140	154
Payments of ARO	(326)	(267)
ARO - end of period	5,760	5,946
Less current portion	(2,000)	(759)
ARO - long-term	\$ 3,760	\$ 5,187

Post Retirement Benefits

Postretirement benefit obligations are comprised of actuarially determined postretirement healthcare, life insurance and other postretirement benefits. See Note 16 - Retirement Plans.

15. Income Taxes

The Partnership is generally not subject to U.S. federal and state income tax with the exception of the Partnership's subsidiary Sprague Energy Solutions, Inc. The Partnership's Canadian operations are subject to Canadian federal and provincial income taxes.

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The income tax provision (benefit) attributable to operations is summarized as follows:

	Years Ended December 31,		
	2021	2020	2019
Current			
U.S. Federal income tax	\$ 2	\$ 49	\$ (14)
State and local income tax	331	317	45
Foreign income taxes	4,620	7,390	4,778
Total current income tax provision	4,953	7,756	4,809
Deferred			
U.S. Federal income tax	71	62	35
State and local income tax	(1,212)	(178)	963
Foreign income taxes	(984)	(251)	(2,497)
Total deferred income tax provision	(2,125)	(367)	(1,499)
Total income tax provision	\$ 2,828	\$ 7,389	\$ 3,310

U.S. and international components of income before income taxes were as follows:

	Years Ended December 31,		
	2021	2020	2019
United States	\$ (79,789)	\$ 14,534	\$ 25,646
Foreign	13,701	26,666	8,920
Total income before income taxes	\$ (66,088)	\$ 41,200	\$ 34,566

Reconciliations of the statutory U.S. federal income tax to the effective income tax for operations are as follows:

	Years Ended December 31,		
	2021	2020	2019
Statutory U.S. Federal income tax	\$ (13,879)	\$ 8,652	\$ 7,255
Partnership income not subject to tax	16,844	(2,934)	(5,348)
State and local income taxes, net of federal tax	(896)	132	995
Foreign earnings taxed at higher (lower) rates	759	1,539	408
Total income tax provision	\$ 2,828	\$ 7,389	\$ 3,310

The components of the deferred tax assets (liabilities) were as follows:

	As of December 31,	
	2021	2020
Deferred tax assets:		
Derivatives	\$ 348	\$ 610
Capital losses	466	466
Other	1,844	474
Total deferred tax assets	2,658	1,550
Valuation allowance	(466)	(466)
Net deferred tax assets	2,192	1,084
Deferred tax liabilities:		
Fixed assets	(15,367)	(16,560)
Other	(558)	(308)
Total deferred tax liabilities	(15,925)	(16,868)
Net deferred tax liabilities	\$ (13,733)	\$ (15,784)

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As of December 31, 2021, the Partnership has not provided deferred Canadian withholding taxes on accumulated Canadian earnings of \$116.0 million which are considered to be indefinitely reinvested outside the U.S. The unrecognized deferred withholding tax liability associated with these earnings is \$29.0 million as of December 31, 2021.

16. Retirement Plans

Pension Plans

Through the General Partner, the Partnership participates in a noncontributory defined benefit pension plan, the Axel Johnson Inc. Retirement Plan (the "Plan"), sponsored by Axel Johnson. Benefits under the Plan were frozen as of December 31, 2003, and are based on a participant's years of service and compensation through December 31, 2003. The Plan's assets are invested principally in equity and fixed income securities. The Plan sponsor's policy is to satisfy the minimum funding requirements of the Employee Retirement Income Security Act of 1974 ("ERISA").

Through the General Partner, the Partnership also participates in an unfunded pension plan, the Axel Johnson Inc. Retirement Restoration Plan, for employees whose benefits under the defined benefit pension plan were reduced due to limitations under U.S. federal tax laws. Benefits under this plan were frozen as of December 31, 2003.

Both the Plan and the Retirement Restoration Plan are administered by Axel Johnson. The costs of these benefits are based on the Partnership's portion of the projected benefit obligations under these plans. Charges related to these employee benefit plans were \$0.4 million, \$0.5 million and \$0.4 million during the years ended December 31, 2021, 2020 and 2019, respectively.

Eligible employees also receive a defined contribution retirement benefit generally equal to a defined percentage of their eligible compensation. This contribution by the Partnership to employee accounts in the thrift and defined contribution plan is in addition to any Partnership match on 401(k) contributions that employees currently choose to make. The Partnership made total contributions to these plans of \$4.7 million, \$4.5 million and \$4.6 million during the years ended December 31, 2021, 2020 and 2019, respectively.

Other Postretirement Benefits

Prior to May 28, 2021, the Sponsor (Axel Johnson) and some of its subsidiaries, which included the Partnership, had a number of health care and life insurance benefit plans covering eligible employees who reach retirement age while working for the Sponsor. Effective May 28, 2021, as a result of Axel Johnson's sale of their interest in the Partnership, the General Partner became the sole sponsor of the postretirement health and life welfare plan and all related liabilities were transferred to the General Partner. There were no material changes to the plan as a result of this Sponsor change. The plans are not funded. In general, employees hired after December 31, 1990, are not eligible for postretirement health care benefits. The Partnership has recorded postretirement expense of \$0.6 million, \$0.2 million and \$0.3 million during the years ended December 31, 2021, 2020 and 2019, respectively.

17. Segment Reporting

The Partnership has four reportable segments that comprise the structure used by the chief operating decision makers (CEO and CFO) to make key operating decisions and assess performance. When establishing a reporting segment, the Partnership aggregates individual operating units that are in the same line of business and have similar economic characteristics. These reportable segments are refined products, natural gas, materials handling and other operations.

The Partnership's refined products segment purchases a variety of refined products, such as heating oil, diesel fuel, residual fuel oil, kerosene, jet fuel and gasoline (primarily from refining companies, trading organizations and producers), and sells them to its customers. The Partnership has wholesale customers who resell the refined products they purchase from the Partnership and commercial customers who consume the refined products they purchase. The Partnership's wholesale customers consist of home heating oil retailers and diesel fuel and gasoline resellers. The Partnership's commercial customers include federal and state agencies, municipalities, regional transit authorities, drill sites, large industrial companies, real estate management companies, hospitals, educational institutions and asphalt paving companies. In addition, as a result of the Partnership's acquisition of Coen Energy in 2017, its customers include businesses engaged in the development of natural gas resources in Pennsylvania and surrounding states. The refined products reportable segment consists of two operating segments.

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The Partnership's natural gas segment purchases natural gas from natural gas producers and trading companies and sells and manages distribution of natural gas to commercial and industrial customer locations across 13 states in the Northeast and Mid-Atlantic United States and Canada. The natural gas reportable segment consists of one operating segment.

The Partnership's materials handling segment offloads, stores, and/or prepares for delivery a variety of customer-owned products, including asphalt, clay slurry, salt, gypsum, crude oil, residual fuel oil, coal, petroleum coke, caustic soda, tallow, pulp and heavy equipment. These services are generally conducted under multi-year agreements as either fee-based activities or as leasing arrangements when the right to use an identified asset (such as storage tanks or storage locations) has been conveyed in the agreement. The materials handling reportable segment consists of two operating segments.

The Partnership's other operations segment primarily consists of the purchase, sale and distribution of coal, and commercial trucking activities unrelated to its refined products segment. Other operations are not reported separately as they represent less than 10% of consolidated net sales and adjusted gross margin. The other operations reporting segment consists of two operating segments.

The Partnership evaluates segment performance based on adjusted gross margin, a non-GAAP measure, which is net sales less cost of products sold (exclusive of depreciation and amortization) increased by unrealized hedging losses and decreased by unrealized hedging gains, in each case with respect to refined products and natural gas inventory, and natural gas transportation contracts.

Based on the way the business is managed, it is not reasonably possible for the Partnership to allocate the components of operating costs and expenses among the operating segments. There were no significant intersegment sales for any of the years presented below.

The Partnership had no single customer that accounted for more than 10% of total net sales for the years ended December 31, 2021, 2020 and 2019, respectively. The Partnership's foreign sales, primarily sales of refined products and natural gas to its customers in Canada, were \$301.4 million, \$185.1 million and \$255.5 million for the years ended December 31, 2021, 2020 and 2019, respectively.

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Summarized financial information for the Partnership's reportable segments is presented in the table below:

	Years Ended December 31,		
	2021	2020	2019
Net sales:			
Refined products	\$ 3,142,509	\$ 1,998,197	\$ 3,112,924
Natural gas	284,529	261,358	307,952
Materials handling	50,484	56,347	56,655
Other operations	20,638	20,081	24,879
Net sales	\$ 3,498,160	\$ 2,335,983	\$ 3,502,410
Adjusted gross margin (1):			
Refined products	\$ 150,419	\$ 171,626	\$ 150,124
Natural gas	65,801	40,741	54,288
Materials handling	50,327	56,185	56,616
Other operations	7,428	6,209	6,904
Adjusted gross margin	273,975	274,761	267,932
Reconciliation to operating (loss) income (2):			
Add(deduct):			
Change in unrealized (gain) loss on inventory (3)	13,437	(20,148)	(12,814)
Change in unrealized value on natural gas transportation contracts (4)	(132,554)	9,565	19,289
Operating costs and expenses not allocated to operating segments:			
Operating expenses	(80,673)	(77,070)	(84,924)
Selling, general and administrative	(82,700)	(81,514)	(78,135)
Depreciation and amortization	(33,335)	(34,066)	(34,015)
Other operating income	9,700	8,094	—
Operating (loss) income	(32,150)	79,622	77,333
Other income (expense)	—	1,948	(378)
Interest income	171	299	555
Interest expense	(34,109)	(40,669)	(42,944)
Income tax provision	(2,828)	(7,389)	(3,310)
Net (loss) income	\$ (68,916)	\$ 33,811	\$ 31,256

- (1) The Partnership trades, purchases, stores and sells energy commodities that experience market value fluctuations. To manage the Partnership's underlying performance, including its physical and derivative positions, management utilizes adjusted gross margin, which is a non-GAAP financial measure. Adjusted gross margin is also used by external users of the Partnership's consolidated financial statements to assess the Partnership's economic results of operations and its commodity market value reporting to lenders. In determining adjusted gross margin, the Partnership adjusts its segment results for the impact of the changes in unrealized gains and losses with regard to refined products and natural gas inventory, and natural gas transportation contracts, which are not marked to market for the purpose of recording unrealized gains or losses in net income. These adjustments align the unrealized hedging gains and losses to the period in which the revenue from the sale of inventory, prepaid fixed forwards and the utilization of transportation contracts relating to those hedges is realized in net income. Adjusted gross margin has no impact on reported volumes or net sales.
- (2) Reconciliation of adjusted gross margin to operating income, the most directly comparable GAAP measure.
- (3) Inventory is valued at the lower of cost or net realizable value. The adjustment related to unrealized gain on inventory which is not included in net income (loss), represents the estimated difference between the inventory valued at lower of cost or net realizable value as compared to market values. The fair value of the derivatives the Partnership uses to economically hedge its inventory declines or appreciates in value as the value of the underlying inventory appreciates or declines, which creates unrealized hedging (gains) with respect to the derivatives that are included in net income (loss).
- (4) Represents the Partnership's estimate of the change in fair value of the natural gas transportation contracts which are not recorded in net income (loss) until the transportation is utilized in the future (i.e., when natural gas is delivered to the customer), as these contracts are executory contracts that do not qualify as derivatives. As the fair value of the natural

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gas transportation contracts decline or appreciate, the offsetting physical or financial derivative will also appreciate or decline creating unmatched unrealized hedging losses (gains) in net income (loss).

Segment Assets

Due to the commingled nature and uses of the Partnership's fixed assets, the Partnership does not track its fixed assets between its refined products and materials handling operating segments or its other activities. There are no significant fixed assets attributable to the natural gas reportable segment.

As of December 31, 2021, goodwill recorded for the refined products, natural gas, materials handling and other operations segments amounted to \$71.4 million, \$35.5 million, \$6.9 million and \$1.2 million, respectively.

Long-lived Assets

Long-lived assets (exclusive of intangible and other assets, net, and goodwill) classified by geographic location were as follows:

	As of December 31,	
	2021	2020
United States	\$ 257,976	\$ 266,469
Canada	65,654	68,827
Total	\$ 323,630	\$ 335,296

18. Financial Instruments and Off-Balance Sheet Risk

As of December 31, 2021 and 2020, the carrying amounts of cash, cash equivalents, accounts receivable, accounts payable and accrued liabilities approximated fair value because of the short maturity of these instruments. As of December 31, 2021 and 2020, the carrying value of the Partnership's margin deposits with brokers approximates fair value and consists of initial margin with futures transaction brokers, along with variation margin, which is paid or received on a daily basis, and is included in other current assets or other current liabilities. As of December 31, 2021 and 2020, the carrying value of the Partnership's debt approximated fair value due to the variable interest nature of these instruments.

The following table presents all financial assets and financial liabilities of the Partnership measured at fair value on a recurring basis:

	As of December 31, 2021			
	Fair Value Measurement	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Derivative assets:				
Commodity fixed forwards	\$ 25,793	\$ —	\$ 25,793	\$ —
Futures, swaps and options	148,034	148,029	5	—
Commodity derivatives	173,827	148,029	25,798	—
Interest rate swaps	302	—	302	—
Total derivative assets	\$ 174,129	\$ 148,029	\$ 26,100	\$ —
Derivative liabilities:				
Commodity fixed forwards	176,602	—	176,602	—
Futures, swaps and options	78,026	77,948	78	—
Commodity derivatives	254,628	77,948	176,680	—
Interest rate swaps	5,295	—	5,295	—
Total derivative liabilities	\$ 259,923	\$ 77,948	\$ 181,975	\$ —

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As of December 31, 2020

	Fair Value Measurement	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Derivative assets:				
Commodity fixed forwards	\$ 64,514	\$ —	\$ 64,514	\$ —
Futures, swaps and options	101,464	101,464	—	—
Commodity derivatives	165,978	101,464	64,514	—
Total derivative assets	\$ 165,978	\$ 101,464	\$ 64,514	\$ —
Derivative liabilities:				
Commodity fixed forwards	25,973	—	25,973	—
Futures, swaps and options	133,809	133,743	66	—
Commodity derivatives	159,782	133,743	26,039	—
Interest rate swaps	14,559	—	14,559	—
Currency swaps	4	—	4	—
Total derivative liabilities	\$ 174,345	\$ 133,743	\$ 40,602	\$ —

Derivative Instruments

The Partnership enters into derivative contracts with counterparties, some of which are subject to master netting arrangements, which allow net settlements under certain conditions. The maximum amount of loss due to credit risk that the Partnership would incur if its counterparties failed completely to perform according to the terms of the contracts, based on the net fair value of these financial instruments, was \$96.2 million at December 31, 2021.

Information related to these offsetting arrangements as of December 31, 2021 and 2020 is as follows:

	As of December 31, 2021			
	Gross Amounts of Assets/ Liabilities in Balance Sheet	Financial Instruments	Cash Collateral Posted	Net Amount
Commodity derivative assets	\$ 173,827	\$ (77,927)	\$ (22,623)	\$ 73,277
Interest rate swap derivative assets	302	—	—	\$ 302
Fair value of derivative assets	<u>\$ 174,129</u>	<u>\$ (77,927)</u>	<u>\$ (22,623)</u>	<u>\$ 73,579</u>
Commodity derivative liabilities	\$ (254,628)	\$ 77,927	\$ 1,313	\$ (175,388)
Interest rate swap derivative liabilities	(5,295)	—	—	(5,295)
Currency swap derivative liabilities	—	—	—	—
Fair value of derivative liabilities	<u>\$ (259,923)</u>	<u>\$ 77,927</u>	<u>\$ 1,313</u>	<u>\$ (180,683)</u>

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	As of December 31, 2020			
	Gross Amount Not Offset in the Balance Sheet			
	Gross Amounts of Assets/ Liabilities in Balance Sheet	Financial Instruments	Cash Collateral Posted	Net Amount
Commodity derivative assets	\$ 165,978	\$ (102,736)	\$ —	\$ 63,242
Fair value of derivative assets	\$ 165,978	\$ (102,736)	\$ —	\$ 63,242
Commodity derivative liabilities	\$ (159,782)	\$ 102,736	\$ 32,488	\$ (24,558)
Interest rate swap derivative liabilities	(14,559)	—	—	(14,559)
Currency swap derivative liabilities	(4)	—	—	(4)
Fair value of derivative liabilities	\$ (174,345)	\$ 102,736	\$ 32,488	\$ (39,121)

As of December 31, 2021, the Partnership held \$22.6 million cash collateral and posted cash collateral of \$10.4 million. As of December 31, 2020, the Partnership held no cash collateral and posted cash collateral of \$58.7 million.

The following table presents total realized and unrealized gains (losses) on derivative instruments utilized for commodity risk management purposes included in cost of products sold (exclusive of depreciation and amortization):

	Years Ended December 31,		
	2021	2020	2019
Refined products contracts	\$ (33,611)	\$ 15,434	\$ (26,194)
Natural gas contracts	(101,754)	46,024	38,513
Total	\$ (135,365)	\$ 61,458	\$ 12,319

There were no discretionary trading activities included in realized and unrealized gains (losses) on derivatives instruments for the years ended December 31, 2021, 2020 and 2019.

The following table presents the gross volume of commodity derivative instruments outstanding for the periods indicated:

	As of December 31, 2021		As of December 31, 2020	
	Refined Products (Barrels)	Natural Gas (MMBTUs)	Refined Products (Barrels)	Natural Gas (MMBTUs)
Long contracts	10,034	167,709	12,736	172,274
Short contracts	(14,483)	(98,152)	(16,825)	(86,913)

Interest Rate Derivatives

The Partnership has entered into interest rate swaps to manage its exposure to changes in interest rates on its Credit Agreement. The Partnership's interest rate swaps hedge actual and forecasted LIBOR borrowings and have been designated as cash flow hedges. Counterparties to the Partnership's interest rate swaps are large multinational banks and the Partnership does not believe there is a material risk of counterparty non-performance. The Partnership expects to continue to utilize interest rate swaps to hedge cash flow risk and to manage the Partnership's exposure to LIBOR interest rates or its replaced equivalent for the foreseeable future.

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The Partnership's interest rate swap agreements outstanding as of December 31, 2021 were as follows:

Interest Rate Swap Agreements		
Beginning	Ending	Notional Amount
January 2021	January 2022	\$ 300,000
April 2021	April 2022	\$ 25,000
January 2022	January 2023	\$ 250,000
April 2022	April 2023	\$ 25,000
January 2023	January 2024	\$ 250,000
January 2024	January 2025	\$ 50,000

The Partnership records unrealized gains and losses on its interest rate swaps as a component of accumulated other comprehensive loss, net of tax, which is reclassified to earnings as interest expense when the payments are made. As of December 31, 2021, the amount of unrealized losses, net of tax, expected to be reclassified to earnings during the following twelve-month period was \$4.0 million.

Contingent Consideration

As a result of the Coen Energy acquisition in 2017, the Partnership was obligated to pay contingent consideration of up to \$12.0 million if certain earnings objectives during the first three years following the acquisition were met. As of December 31, 2020, the outstanding liability associated with the contingent consideration payment calculation was zero as the earnings objective period had ended and the final payment of \$8.0 million was made in October 2020. Prior to September 30, 2020, the estimated fair value of the contingent consideration arrangement was classified within Level 3 and was determined using an income approach based on probability-weighted discounted cash flows. Under this method, a set of discrete potential future earnings was determined using internal estimates based on various revenue growth rate assumptions for each scenario. A probability was assigned to each discrete potential future earnings estimate. The resulting probability-weighted contingent consideration amounts were discounted using a weighted average discount rate of 7.0%.

The Partnership recorded changes in the estimated fair value of the contingent consideration within selling, general and administrative expenses in the consolidated statements of operations. Changes in the contingent consideration liability were measured at fair value on a recurring basis using unobservable inputs (Level 3) are as follows:

	Year Ended December 31,
	2020
Contingent consideration - beginning of year	\$ 7,590
Payments	(8,000)
Change in estimated fair value	410
Contingent consideration - end of year	\$ —

19. Commitments and Contingencies

Legal, Environmental and Other Proceedings

The Partnership is subject to a tax on sales made in Quebec from product it imports into the province. During a recent audit by the Quebec Energy Board ("QEB") of the annual filings, the Partnership initiated legal action seeking a declaration to limit the applicability of the tax to direct imports, as well as the periods subject to review. Since filing this legal action in June 2018, the Partnership has been assessed \$8.3 million of tax, including interest and penalties, for the period of 2007 to 2020. Similarly, since the filing, the Partnership has been assessed \$10.2 million, including a 15% penalty and interest, from the Ministry of the Environment, and the Fight Against Climate Change (known as MELCC) under separate regulation that was in effect for the period from 2007 through 2014. The Partnership is disputing this assessment on the same basis as set out in the QEB legal action described above. The Partnership has accrued an amount which it believes to be a reasonable estimate of the low end of a range of loss related to these matters and such amount is not material to the consolidated financial statements.

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On September 14, 2020, a purported class action complaint was filed against Sprague Operating Resources, LLC ("SOR"), one of the Partnership's subsidiaries, in the U.S. District Court for the District of Rhode Island. The complaint, since amended, alleges causes of action for private nuisance, public nuisance, and negligence, each based on emission impacts to nearby occupants from the Partnership's oil and natural gas facility located in Providence, Rhode Island. The complaint also alleges that the amount in controversy exceeds \$5.0 million. At this early stage in the litigation, the Partnership cannot predict whether the plaintiff will succeed in getting the court to certify a class. Based upon the information currently available to it, the Partnership believes that the complaint is without merit and intends to vigorously defend against it.

On May 29, 2020, the Partnership entered into a consent decree with the U.S. EPA and the Massachusetts Department of Environmental Protection ("MassDEP") in regards to alleged violations of the Clean Air Act and related State Implementation Plans at facilities in Massachusetts, Maine, New Hampshire, and Rhode Island. The alleged violations related to historical volatile organic compound ("VOC") emissions that purportedly emanated from heated tanks storing #6 oil and asphalt. Pursuant to the terms of the consent decree, the Partnership was required to pay a total of \$350,000 in civil penalties, and was further obligated to conduct injunctive relief that included applying for state permits and amending its existing permits to further restrict VOC emissions. Other injunctive relief under the consent decree included throughput limitations at the relevant facilities and removing certain tanks from service. The Partnership has paid the monetary sanction in full. Moreover, the Partnership has completed performance of its obligations under the consent decree other than those at South Portland, Maine that were delayed due to delays in issuance of permits from the City but are expected to be completed in the Spring of 2022. The Partnership believes that the conditions of the consent decree do not impose material curtailments on throughputs and have not resulted in significant impacts to operations at the applicable terminals.

In May 2021, the New York City Department of Citywide Administrative Services ("DCAS") initiated legal action against SOR, alleging that SOR failed to pay the city \$8.5 million in biodiesel tax credits for product purchased for the period of 2017 through 2019. SOR is disputing the claim and the Partnership has accrued an amount which it believes to be a reasonable estimate of the low end of a range of loss related to this matter and such amount is not material to the consolidated financial statements.

The Partnership is involved in other various lawsuits, other proceedings and environmental matters, all of which arose in the normal course of business. The Partnership believes, based upon its examination of currently available information, its experience to date, and advice from legal counsel, that the individual and aggregate liabilities resulting from the resolution of these contingent matters will not have a material adverse impact on the Partnership's consolidated results of operations, financial position or cash flows.

20. Equity and Equity-Based Compensation

Annual Incentive Compensation Program

The board of directors of the General Partner has approved an annual bonus program which is provided to substantially all employees. Under this program bonuses for the majority of participants will be settled in cash with others receiving a combination of cash and common units. The Partnership records the expected bonus payment as a liability until a grant date has been established and awards finalized, which occurs in the first quarter of the year following the year for which the bonus is earned.

The General Partner adopted the Sprague Resources LP 2013 Long-Term Incentive Plan (the "LTIP"), for the benefit of employees, consultants and directors of the General Partner and its affiliates, who provide services to the General Partner or an affiliate. The LTIP initially limited the number of common units that may be delivered, pursuant to vested awards, to 800,000 common units. On January 1 of each calendar year occurring after the second anniversary of the effective date and prior to the expiration of the LTIP, the total number of common units reserved and available for issuance under the LTIP will increase by 200,000 common units. As of December 31, 2021, there were no common units reserved for issuance and 975,605 available for issuance.

Effective March 5, 2021, the board of directors used its discretion to terminate all phantom unit awards granted in 2018, 2019 and 2020. In consideration for this termination, the board of directors paid a higher 2020 cash bonus, issued 172,702 vested common units to each of the Partnership's Named Executive Officers and certain other employees and issued new long-term incentive awards payable in units or cash which vest over a three-year service period. The 2020 cash bonus amounts were expensed during the year ended December 31, 2020 and accrued for as of December 31, 2020. The Partnership accounted for the cancellation of the previously outstanding phantom unit awards and the issuance of the vested units and long-term incentive awards as a modification which resulted in immaterial incremental compensation expense.

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The following table presents the status of the Partnership's phantom unit awards:

	2020 Awards		2019 Awards		2018 Awards	
	Units	Weighted Average Grant Date Fair Value (per unit)	Units	Weighted Average Grant Date Fair Value (per unit)	Units	Weighted Average Grant Date Fair Value (per unit)
Nonvested at December 31, 2020	173,250	\$ 15.16	155,337	15.04	107,450	23.30
Granted	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—
Cancelled	(173,250)	(15.16)	(155,337)	(15.04)	(107,450)	(23.30)
Vested (end of performance period)	—	—	—	—	—	—
Nonvested at December 31, 2021	—	\$ —	—	\$ —	—	\$ —

Unit-based compensation expense for the year ended December 31, 2021 was \$0.4 million as compared to \$4.2 million and \$0.6 million, for the years ended December 31, 2020 and December 31, 2019, respectively. Unit-based compensation is included in selling, general and administrative expenses. Units issued under the Partnership's 2013 LTIP are newly issued.

Equity Awards - Director Compensation

During the years ended December 31, 2021, 2020, and 2019 the board of directors of the General Partner issued 8,292, 15,464, and 13,932, vested units as compensation to certain of its directors, respectively, with estimated total grant date fair values of \$0.2 million for each period.

Equity - Changes in Partnership's Units

The following table provides information with respect to changes in the Partnership's unit:

	Common Units	
	Public	Sprague Holdings
Balance as of December 31, 2018	10,627,629	12,106,348
Director vested awards	13,932	—
Balance as of December 31, 2019	10,641,561	12,106,348
Units issued in connection with employee bonus	61,782	—
Distribution paid in units	—	121,150
Director vested awards	15,464	—
Units purchased in Private Placement	(723,738)	723,738
Balance as of December 31, 2020	9,995,069	12,951,236
Units issued in connection with employee bonus	172,702	—
Director vested awards	8,292	—
Units issued in conjunction with IDR Reset Election	—	3,107,248
Increase in affiliated units as a result of acquisition of Hartree Partners, LP	(2,115,365)	2,115,365
Increase in affiliated units as a result of change in beneficial ownership of Hartree Bulk Storage LLC	(1,375,000)	1,375,000
Balance as of December 31, 2021	6,685,698	19,548,849

21. Earnings Per Unit

The Partnership has identified the IDRs as participating securities and uses the two-class method when calculating the net income per unit applicable to limited partners. Earnings per unit applicable to limited partners is computed by dividing limited partners' interest in net income, after deducting any incentive distributions, by the weighted-average number of outstanding common units. The Partnership's net income is allocated to the limited partners in accordance with their respective ownership percentages, after giving effect to priority income allocations for incentive distributions, which are declared and paid following

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the close of each quarter. Earnings in excess of distributions are allocated to the limited partners based on their respective ownership interests. Diluted earnings per unit includes the effects of potentially dilutive units on the Partnership's common units, consisting of unvested phantom units. Payments made to the Partnership's unitholders are determined in relation to actual distributions declared and are not based on the net income allocations used in the calculation of earnings per unit.

The table below shows the weighted average common units outstanding used to compute net (loss) income per common unit for the periods indicated.

	Years Ended December 31,		
	2021	2020	2019
Weighted average limited partner common units - basic	25,652,890	22,901,140	22,736,916
Dilutive effect of unvested phantom units	—	3,973	33,967
Weighted average limited partner common units - dilutive	25,652,890	22,905,113	22,770,883

22. Partnership Distributions

The Partnership's partnership agreement sets forth the calculation to be used to determine the amount and priority of cash distributions that the common unitholders will receive. Payments made in connection with DERs are recorded as a distribution. Cash distributions for the periods indicated were as follows:

For the Quarter Ended	Distribution Date	Per Unit	Cash Distributed		
			Common	IDR	Total
December 31, 2019	February 10, 2020	\$0.6675	\$ 15,184	\$ 2,053 (1)	\$ 17,237
March 31, 2020	May 11, 2020	\$0.6675	\$ 15,301	\$ 2,072	\$ 17,373
June 30, 2020	August 10, 2020	\$0.6675	\$ 15,301	\$ 2,072	\$ 17,373
September 30, 2020	November 12, 2020	\$0.6675	\$ 15,311	\$ 2,074	\$ 17,385
December 31, 2020	February 10, 2021	\$0.6675	\$ 15,317	\$ 2,074	\$ 17,391
March 31, 2021	May 10, 2021	\$0.6675	\$ 17,506	\$ —	\$ 17,506
June 30, 2021	August 9, 2021	\$0.6675	\$ 17,506	\$ —	\$ 17,506
September 30, 2021	November 10, 2021	\$0.4338	\$ 11,380	\$ —	\$ 11,380

- (1) On February 10, 2020, the Sponsor received 121,150 common units, in lieu of cash, in respect of the incentive distribution rights payable in connection with the distribution for the fourth quarter of 2019.

In addition, on January 24, 2022, the Partnership declared a cash distribution for the three months ended December 31, 2021, of \$0.4338 per unit, totaling \$11.4 million. Such distributions were paid on February 9, 2022, to unitholders of record on February 4, 2022.

23. Subsequent Events

On January 11, 2022, the Partnership received an unsolicited non-binding proposal from Hartree, pursuant to which Hartree would acquire all of the outstanding common units of the Partnership that Hartree and its affiliates do not already own in exchange for \$16.50 in cash for each such common unit. The board of directors of the General Partner has delegated authority to evaluate and negotiate the proposal to its conflicts committee. The conflicts committee's evaluation process is currently ongoing.

Exhibit I (Section 7.b.)

Exhibit H provides audited financial statements for Sprague Resources LP for the years 2022 and 2021. Sprague Operating Resources LLC does not have stand-alone financials; however, Sprague Operating Resources LLC, as shown in **Exhibit D**, is a wholly owned subsidiary of Sprague Resources LP. Sprague Operating Resources LLC comprises a majority of Sprague Resources LP's financials. Specifically, for the fiscal year ended December 31, 2022, Sprague Resources LP's net sales were \$5.8 billion. Sprague Operating Resources LLC's net sales were \$5.2 billion, which is approximately 90 percent of Sprague Resources LP's net sales (\$5.2b vs. \$5.8b). The remaining 10 percent of Sprague Resources LP net sales (\$0.6b) were generated through entities that are wholly owned by Sprague Operating Resources LLC. Accordingly, Sprague Resources LP's consolidated (and audited) financials represents the financial position of Sprague Operating Resources LLC.

DATE OF DEPOSIT

OCT 17 2023

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

Exhibit J (Section 8.a.)



Our Energy Makes the Difference

DATE OF DEPOSIT

OCT 17 2023

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

Sprague Operating Resources LLC is not currently an active electricity aggregator/broker in any state or jurisdiction¹, however its wholly owned subsidiary, Sprague Energy Solutions Inc., is a licensed electricity aggregator/broker and operates as such in the following jurisdictions as of October 1, 2023:

Sprague Energy Solutions Inc

Jurisdiction	Requirement	License
Connecticut	Electric aggregator certificate	PURA Docket No. 23-04-28
Delaware	Electric supplier certificate	PSC Docket No. 14-0563
District of Columbia	Electricity supplier license	Case No. EA 2014-30
Illinois	Electric ABC license	ICC Order No. 14-0745
Maine	Competitive electricity provider (aggregator/broker)	PUC Docket No. 2014-00368
Maryland	Electricity supplier/broker services	PSC Lic. No. IR-3443
Massachusetts	Electricity broker	EB-306
Michigan	None	-
New Hampshire	Electric aggregator license	DM 14-372
New Jersey	Energy agent, private aggregator, and energy consultant	EA-0333, PA-0170, and EC-0110
New York	None	-
Ohio	CRES aggregator; power broker	15-936E
Pennsylvania	EGS broker/marketer	A-2015-2469110
Rhode Island	Nonregulated power producer	D-96-6 (G5)
Texas	Electricity broker registration	BR190017
Virginia	Electricity aggregator	PUE-2015-00024 License No. A-41

¹ Sprague Operating Resources LLC is currently seeking electricity aggregator/broker licensure/registration in numerous jurisdictions and those applications are in various stages of the approval process. At the time of this filing, Sprague Operating Resources LLC has received approval of its applications to operate as an aggregator/broker in Maine, New Hampshire, Ohio, Rhode Island, and Texas.

Exhibit K (Section 8.a.)

DATE OF DEPOSIT

OCT 17 2023

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2023-00174

August 8, 2023

SPRAGUE OPERATING
RESOURCES
Application for License to Operate
As A Competitive Electricity Provider

ORDER GRANTING LICENSE

BARTLETT, Chairman; SCULLY and GILBERT, Commissioners

I. SUMMARY

Through this Order, Sprague Operating Resources LLC (Sprague or the Company) is issued a license to operate as a competitive electricity provider furnishing aggregator/broker services to the non-residential customer classes throughout Maine's service territories pursuant to Chapter 305 of the Commission's Rules.

II. APPLICATION AND DECISION

On July 11, 2023, Sprague applied to the Commission to operate in Maine as a competitive electricity provider pursuant to Chapter 305. The Company proposes to provide aggregator/broker service to the non-residential customer classes throughout Maine's service territories and has met all the Chapter 305 filing requirements.

As a licensed competitive electricity provider, the Company is required to comply with all applicable requirements and regulations, including all conditions of licensing, assignments, customer protection rules, and the filing of annual reports. To the extent that a licensed competitive electricity provider uses third-parties to assist in obtaining customers during the course of its business, Chapter 305 § 4(C) of the Commission's rules places the responsibility on the competitive electricity provider for violations of the provisions of this section by representatives or agents acting on the competitive electricity provider's behalf. Chapter 305 § 2(C)(3) also requires a competitive electricity provider to use reasonable efforts to avoid conducting business with any entity acting as a competitive electricity provider in Maine without a license from the Commission. Therefore, if the Company uses a third party to market its services, it is responsible to ensure that the third party has met any licensing requirements of the Commission.

Pursuant to a Delegation Order dated April 23, 2008 in Docket No. 2008-185, *PUBLIC UTILITIES COMMISSION, Delegation of Authority to License Competitive Electricity Providers*, the Commission delegated to the Director of Technical Analysis the authority under 35-A M.R.S. §§ 3203 (1) & (2) and Chapter 305, §2 to license competitive electricity providers. The Commission no longer has a Director of Technical Analysis and all existing delegation orders that delegate Commission authority to the Director of Technical Analysis is now delegated to the Director of Electric and Gas Utility Industries.

Accordingly, it is

ORDERED

1. That Sprague Operating Resources LLC is hereby issued a license to operate as a competitive electricity provider pursuant to Chapter 305 of the Commission's Rules, to provide aggregator/broker services to the non-residential customer classes throughout Maine's service territories pursuant to Chapter 305 of the Commission's Rules; and
2. That this license is effective on the date of this Order and valid until revoked or suspended by the Commission pursuant to section 3(A)(4) of Chapter 305, or abandoned by the licensee pursuant to sections 2(D)(10) and 2(D)(11) of Chapter 305 of the Commission's Rules.

Dated at Hallowell, Maine, this Eighth Day of August, 2023.

BY ORDER OF THE DIRECTOR OF ELECTRIC AND GAS UTILITY INDUSTRIES



Sally Zeh

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought. Any petition not granted within 20 days from the date of filing is denied.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 21 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.

COMMISSIONER
Jared S. Chicoine

STATE OF NEW HAMPSHIRE



DEPUTY COMMISSIONER
Christopher J. Ellms, Jr.

DEPARTMENT OF ENERGY
21 S. Fruit St., Suite 10
Concord, N.H. 03301-2429

TDD Access: Relay NH
1-800-735-2964

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Website:
www.energy.nh.gov

August 1, 2023

Sprague Operating Resources, LLC
David Glendon, President & CEO
185 International Drive
Portsmouth, NH 03801

Re: **REG 2023-062** - Sprague Operating Resources, LLC
Initial Registration as Provider of Electric Aggregation Service

Dear Mr. Glendon:

On July 12, 2023, Sprague Operating Resources, LLC submitted an application to the Department of Energy (Department) to register as a provider of electric aggregation service.

Review of the application determined it is complete and meets the requirements for approval under Puc 2003, Registration and Assessment Requirements, and Puc 2006.02, Information Required for Initial and Renewal Registration of Aggregators.

Under RSA 374-F:7, as amended effective July 1, 2021, the Department is now responsible for registration and regulation of electric aggregators and competitive electric power suppliers and for the adoption of related rules. The Department therefore is authorized to enforce the relevant provisions of the Puc 2000 rules, including those related to aggregator registration. *See* RSA 12-P:14.¹

Sprague Operating Resources' application for registration is hereby approved, effective as of August 7, 2023, under Puc 2003.05(g)(1). The registration is for a term of two years and expires at the close of business on August 7, 2025. Pursuant to Puc 2003.06(a), you must submit your next renewal application at least 60 days prior to the expiration of the approved registration term, on or before July 8, 2025.

¹ On July 1, 2021, the Department came into existence and many functions previously performed by the Public Utilities Commission (PUC) were transferred to the Department. Under RSA 12-P:14, "[e]xisting rules, orders, and approvals of the [PUC] which are associated with any functions, powers, and duties, transferred to the [Department] pursuant to RSA 12-P:11 or any other statutory provision, shall continue in effect and be enforced by the commissioner of the [Department] until they expire or are repealed or amended in accordance with applicable law." *See* 2021 N.H. Laws Chapter 91 (House Bill 2-FN-A-Local).

Please be aware that registered providers of electric aggregation service are subject to specific requirements contained in N.H. Code Admin. Rules Puc 2000 – Competitive Electric Power Supplier and Aggregator Rules. These rules are available at:
<http://www.puc.nh.gov/Regulatory/Rules/PUC2000.pdf>.

Sincerely,

A handwritten signature in black ink, appearing to read "Jared S. Chicoine", with a long horizontal flourish extending to the right.

Jared S. Chicoine
Commissioner



**Public Utilities
Commission**

Jenifer French, Chair

Commissioners

Daniel R. Conway
Dennis P. Deters
Lawrence K. Friedeman
John D. Williams

Competitive Retail Electric Service Provider Certificate

Certified Entity:

Sprague Operating Resources LLC

185 International Dr.
Portsmouth, NH 03801

Certificate Number: **23-123580E**

Effective Date: August 13, 2023

Expiration Date: August 13, 2025

Issued Pursuant to Case Number(s):

23-0752-EL-AGG

The above referenced entity is hereby certified to provide competitive retail electric **Aggregator; Power Broker** services within the State of Ohio.

The certification of competitive retail electric service providers is governed by Chapters 4901:1-24 and 4901:1-21 of the Ohio Administrative Code, and Section 4928.08 of the Ohio Revised Code. This Certificate is revocable if all of the conditions set forth in the aforementioned case(s) are not met.

The certified entity is subject to all rules and regulations of the Public Utilities Commission of Ohio now existing or hereafter promulgated.

Witness the seal of the Commission affixed at Columbus, Ohio.

Dated: **13 day of August, 2023.**



By Order of
The Public Utilities Commission of Ohio

Tanowa M. Troupe, Secretary
Michelle Green, Acting Secretary
Gail Young, Acting Secretary
Susan Patterson, Acting Secretary



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS
89 Jefferson Boulevard
Warwick, Rhode Island 02888
(401) 941-4500

July 31, 2023

Brittany Willette
Regulatory Compliance
& Corporate Governance
Sprague Operating Resources LLC
185 International Drive
Portsmouth, NH 03801

Re: Sprague Operating Resources LLC's Application for Registration
as a Non-Regulated Power Producer pursuant to R.I.G.L. 39-1-27.1(c).
Division Docket D-96-6.(B10)

Dear Ms. Willette:

The Division of Public Utilities has reviewed Sprague Operating Resources LLC's application for registration as a Non-Regulated Power Producer, pursuant to R.I.G.L. 39-1-27.1(c) and the Division's Rules Applicable to Non-Regulated Power Producers. The application is complete as to the statutory requirements of 39-1-27.1(c), itemized in statute at (i) through (ix) and the Division's rules.

The Division accepts the registration application of Sprague Operating Resources LLC as a Non-Regulated Power Producer. In conformance with the law, please note that the registration must be updated within ten days of any change to the information included in your application.

Very truly yours,

John Bell
Chief Accountant

cc: Luly Massaro, Commission Clerk

Public Utility Commission of Texas

Broker Report

SPRAGUE OPERATING RESOURCES LLC

BR230196

Type: Limited Liability Company, L.L.C

Date Registered: 6/15/2023

DBA Names:

No DBA Records

Company Information

Customer Types:

Customer Details:

Contact Information

Company / Physical (Mailing Address)

SPRAGUE OPERATING RESOURCES LLC
185 INTERNATIONAL DRIVE
PORTSMOUTH, NH 03801
Email: bwillette@spragueenergy.com
Phone: 603-431-1000

Authorized Rep

SPRAGUE OPERATING RESOURCES LLC
BRITTANY WILLETTE
REGULATORY COMPLIANCE
185 INTERNATIONAL DRIVE
PORTSMOUTH, NH 03801
Email: bwillette@spragueenergy.com
Phone: 603-430-5318

Contact (Complaint)

SPRAGUE OPERATING RESOURCES LLC
JONAH PEREZ
MANAGER - CUSTOMER CARE
185 INTERNATIONAL DRIVE
PORTSMOUTH, NH 03801
Email:

customer-care-team@spragueenergy.com
Phone: 866-477-7248

Docket/Project/Control Numbers

49779-3490

Type: PROJECT

Open Date: 6/8/2023

Close Date: 6/15/2023

Filings: New

Note: INITIAL BROKER REGISTRATION
APPLICATION

End Report

OCT 17 2023

Exhibit L (Section 8.a.)

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Operations

Sprague has been a leading energy supplier since it was founded in Boston, MA in 1870. Today, we are headquartered in Portsmouth, NH and are a leading provider of refined fuels, natural gas, electricity, materials handling and related products and services to wholesale, commercial and industrial customers. We currently employ over 650 individuals throughout our service territory in the U.S. Sprague supplies natural gas and brokers natural gas and electricity to commercial and industrial customers located primarily in the U.S. Northeast and that team is comprised of over 100 experienced professionals.

Please note that Sprague Operating Resources LLC is a licensed natural gas supplier (License No. A-125055) in good standing in the Commonwealth of Pennsylvania and has been for over 20 years. In addition, its wholly owned subsidiary Sprague Energy Solutions Inc. is a licensed electricity aggregator/broker in numerous jurisdictions including the Commonwealth of Pennsylvania (License No. A-2015-2469003). As Sprague Energy Solutions Inc. is a wholly owned subsidiary of Sprague Operating Resources LLC, it possesses all the same technical capability.

Sprague's sales team holds an annual multi-day meeting to provide updates and training on its business activities. That meeting includes a regulatory update to inform the sales team of various regulatory activities in the jurisdictions in which Sprague operates. Between its annual meetings, to keep its sales team informed of regulatory developments in the jurisdictions in which it operates, the Company issues an internal monthly newsletter.

Biographies of Sprague Operating Resources LLC Technical Expertise

While not officers of Sprague Operating Resources LLC, the following are key personnel in the operation of Sprague's electricity aggregator/marketer activity:

Mark A. Roberts – Mr. Roberts has been with Sprague since the creation of their natural gas department in 1999. He has extensive experience in all aspects of natural gas, oil and electricity marketing, sales and supply operations in the Northeastern United States as well as a strong proven record of senior and sales organizational management, staff development, acquisition planning and integration, growth and strategic initiative planning and implementation.

Marilyn Sweeney – Ms. Sweeney has been with Sprague since it acquired Metromedia Energy in 2015. She was part of the original team at Metromedia and played a significant role in the development

and management of their Power Pricing Desk. She has continued and expanded that role at Sprague. Ms. Sweeney is very well versed in all aspects of the Desk's functions and responsibilities and oversees day-to-day operations and staff management.

Officers of Sprague Operating Resources LLC

David C. Glendon - Mr. Glendon was named President and Chief Executive Officer (CEO) in July 2011, a position he has held since January 15, 2008. Mr. Glendon was hired on June 30, 2003, as the Senior Vice President of Oil and Materials Handling, focusing on driving the execution of a customer-centric approach across all elements of the business. Prior to joining Sprague, Mr. Glendon was a partner and global account manager at Monitor Group. He was also a founder and managing director of Monitor Equity Advisors, which worked with leading private capital providers in evaluating transactions and enhancing the strategic positions of their portfolio investments. Mr. Glendon received a Bachelor's degree, cum laude, in Psychology from Williams College and a Master's degree in Business Administration from the Stanford Graduate School of Business. As a result of his professional background, Mr. Glendon brings executive-level strategic and financial skills along with significant operational experience that, when combined with his 15 years of consulting experience in a variety of industries and a deep knowledge of our business, make Mr. Glendon well-suited to serve on the board of directors of our General Partner.

David C. Long - Mr. Long joined Sprague in December 2018 and assumed the role of Chief Financial Officer in January 2019. From June 2013 until December 2018, Mr. Long served as Senior Vice President with Kinetico Incorporated, a subsidiary of Axel Johnson, Inc., during which he was responsible for marketing, sales, and business development activity in North America. From February 2008 through June 2013, Mr. Long served as Senior Vice President and Chief Financial Officer of Kinetico Incorporated where he led the finance and accounting organization. From 1998 through 2008, Mr. Long held a variety of roles with Axel Johnson, Inc., most recently as Managing Director of Sales, Refined Products. Mr. Long holds a Bachelor's degree from the University of Maine and a Master of Finance degree from Boston College.

Sener E. Pasalic - Ms. Pasalic has been an integral part of Sprague Energy since 1999, where she held a variety of roles in business development and natural gas. Her extensive experience encompasses trading, supply management, financial analysis, M&A, sales and marketing operations management. Throughout her career, Ms. Pasalic has consistently demonstrated her expertise in staff development, acquisition planning, integration, and strategic initiative planning and implementation. Before assuming her current role in Business Development in 2022, Ms. Pasalic spent four years leading the Natural Gas and Power

Sales Team and nine years as the Managing Director of Natural Gas Supply, Trading, and Scheduling. In addition, she held Director and Manager positions in Pricing and Financial Analysis for ten years. In these roles, her responsibilities included supply planning, trading, procurement, scheduling, financial reporting, internal systems management development, margin analysis, sales support, and training. Ms. Pasalic holds a Master of Business Administration from the University of Southern Maine. Her commitment to professional development extends to her completion of the High Impact Leadership program at the University of Virginia, Darden School of Business.

Steven D. Scammon - Mr. Scammon was appointed Vice President, Chief Risk Officer in February 2014 with duties that include overseeing risk management and related control processes, including all middle office activities and insurance groups. Previously, Mr. Scammon was appointed to the position of Vice President, Trading and Pricing of our General Partner in July 2011, a position he held with Sprague since January 28, 2008. In that role, Mr. Scammon was responsible for refined products trading and pricing. Mr. Scammon also managed customer service until February 2013 at which time he was moved into marketing. Mr. Scammon joined Sprague as Vice President, Clean Products on December 26, 2000, and has been continuously employed by Sprague since then. Prior to joining Sprague, Mr. Scammon served as Senior Vice President with the Consolidated Natural Gas Energy Services Co. Prior to that, Mr. Scammon served in several positions with Louis Dreyfus Corporation including as Global Position Manager and Manager - National Accounts. Mr. Scammon received his Bachelor's degree in Economics from Denison University.

Joseph S. Smith - Mr. Smith was appointed Vice President, Corporate Development in February 2019. In this role he has oversight responsibility for Kildair, Coen Energy, and Information Technology, as well as leading Sprague's acquisition sourcing and integration efforts. Prior to this appointment, Mr. Smith served as Vice President, Business Development from February 2014 to January 2019. Mr. Smith also served as Vice President, Chief Risk Officer and Strategic Planning from July 2011 to January 2014, a position he held since July 2006. In such role, Mr. Smith was tasked with oversight responsibility for risk management and related control processes. Mr. Smith has been an employee of Sprague since April 2001 when he joined as Vice President, Corporate Planning and Development and was subsequently promoted to Vice President, Pricing and Performance Management. Prior to joining Sprague, Mr. Smith was a Principal with Arthur D. Little, Inc.'s international energy consulting practice. He also worked in various positions for Mobil Oil Corporation, including in the areas of sales and supply and research and development. Mr. Smith received his Bachelor's degree in Chemical Engineering from the University of Maine. He received a Master's degree

in Chemical Engineering from Pennsylvania State University and a Master's degree in Business Administration in Finance from Drexel University.

Paul A. Scoff - Mr. Scoff was appointed Vice President, General Counsel, Chief Compliance Officer, and Secretary in June 2011. Mr. Scoff has been employed with Sprague since December 1999, serving as Vice President, General Counsel and Secretary during such time. Prior to joining Sprague, Mr. Scoff was the Vice President and General Counsel of Genesis Energy L.P., a publicly traded master limited partnership. Prior to Genesis, Mr. Scoff served as Senior Counsel with Basis Petroleum (formerly known as Phibro Energy U.S.A. Inc., a division of Salomon Inc.). He also served as Senior Counsel with The Coastal Corporation prior to joining Basis Petroleum. He received his Juris Doctor from the University of Houston Law Center and his Bachelor's degree, cum laude, in Political Science and English from Washington and Jefferson College.

James A. Therriault - Mr. Therriault was appointed Vice President, Materials Handling of our General Partner in July 2011, a position he has held since October 2003. As Vice President, Materials Handling, Mr. Therriault is responsible for the sales and business development efforts of our materials handling business unit. Mr. Therriault has held a variety of business and financial positions since joining Sprague in 1984. Mr. Therriault graduated from The University of New Hampshire with a Bachelor of Arts degree in Economics and from the University of Southern New Hampshire with a Master's degree in Business Administration.

Brian W. Weego - Mr. Weego was appointed Vice President, Natural Gas in June 2010. As Vice President, Natural Gas, Mr. Weego is responsible for all elements of the natural gas business unit. Mr. Weego has been employed by Sprague since December 1998, having served as Manager, Natural Gas Supply Operations; Director, Natural Gas Marketing; and Managing Director, Natural Gas Marketing. Prior to joining Sprague, Mr. Weego spent 11 years in various segments in the natural gas industry and has worked for the Coastal Corporation (wholesale natural gas origination and sales), O&R Energy (natural gas supply and trading) and Commonwealth Gas Company (natural gas utility supply planning and acquisition). Mr. Weego received a Bachelor of Science degree in Management from Lesley University and a Master's degree in Business Administration from the University of New Hampshire Whittemore School of Business and Economics.

Timothy C. Winters – Mr. Winters was appointed Vice President, Operations in July of 2023 with duties that include overseeing Sprague's Terminal Network, Transportation, Service and Delivery Integrity

operations. Previously, Mr. Winters had been appointed to the role of Managing Director, Terminal Operations overseeing a portion of Sprague's network of terminals in 2012. In that role Mr. Winters was responsible for the safe and efficient operations of these terminals, ensuring that operations supported Sprague's refined products, coal, heavy fuel, and material handling sales. Mr. Winters joined Sprague in 2010 as the Manager of Operational Safety and Integrity. Prior to this Mr. Winters held various positions with Irving Oil and Arco Marine. Mr. Winters has a Bachelor's degree in Nautical Science from Maine Maritime Academy and a Master's degree in Management from New England College.

Todd Tinelli Mr. Tinelli was appointed Chief Financial Officer (CFO) in April 2023, prior to this position he served as the Treasurer and Managing Director of Finance. Mr. Tinelli has been employed with Sprague since June 2007, holding various senior management positions in accounting, finance, and treasury. Prior to joining Sprague, Mr. Tinelli held Senior Operations positions at Sempra Energy Trading, a subsidiary of Sempra Energy Corporation, a publicly traded entity. Prior to Sempra Energy Trading, Mr. Tinelli held various credit positions at Premcor Refining, a publicly traded entity. He received his MBA from Western Connecticut University and his Bachelor's degree in Finance and minor in Accounting from Sacred Heart University.

Derek Hintz - Mr. Hintz was appointed Assistant Treasurer in April 2021. Mr. Hintz has been employed by Sprague since November 2008, serving as Financial Analyst, Credit Manager, Treasury Manager, and finally Assistant Treasurer during such time. Prior to joining our Sprague, Mr. Hintz worked in FP&A and collections in the insurance industry. He received his MBA from the University of New Hampshire and his Bachelor's degree, in Business Administration, also from The University of New Hampshire.

Vanda J. Moore is Senior Compliance Officer & Assistant Secretary at Sprague. Ms. Moore is a member of Sprague's Innovation Team and the Women's Network Committee. Ms. Moore joined Sprague in 2017. Ms. Moore serves as a company officer and fiduciary for all Sprague entities. Prior to Sprague, Ms. Moore was Vice President of Compliance and Operations at JPMorgan/Chase Corporate & Investment Bank. During that time Ms. Moore's expertise served both compliance and operations, from managing a team providing services to clients, internal business, and systems management, to direct exposure and experience with regulators (SEC, OCC), internal/external audit, and internal risk & controls management.

DATE OF DEPOSIT

OCT 17 2023

Appendix A

APPLICATION AFFIDAVIT

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

State of New Hampshire:

ss.

County of Rockingham:

Paul Scoff, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

He is the VP, General Counsel, Chief Compliance Officer and Secretary of Sprague Operating Resources LLC;

That he is authorized to and does make this affidavit for said Applicant;

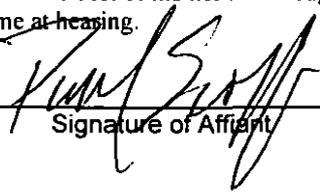
That the Applicant herein Sprague Operating Resources LLC has the burden of producing information and supporting documentation demonstrating its technical and financial fitness to be licensed as an electric generation supplier pursuant to 66 Pa. C.S. § 2809 (B).

That the Applicant herein Sprague Operating Resources LLC has answered the questions on the application correctly, truthfully, and completely and provided supporting documentation as required.

That the Applicant herein Sprague Operating Resources LLC acknowledges that it is under a duty to update information provided in answer to questions on this application and contained in supporting documents.

That the Applicant herein Sprague Operating Resources LLC acknowledges that it is under a duty to supplement information provided in answer to questions on this application and contained in supporting documents as requested by the Commission.

That the facts above set forth are true and correct to the best of his/her knowledge, information, and belief, and that he/she expects said Applicant to be able to prove the same at hearing.



Signature of Affiant

Sworn and subscribed before me this 17th day of OCTOBER, 2023.



Signature of official administering oath

My commission expires 12/18/2025



Appendix B

DATE OF DEPOSIT

OPERATIONS AFFIDAVIT

OCT 17 2023

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

State of New Hampshire:

SS.

County of Rockingham

Paul Scoff, Affiant, being duly [sworn/affirmed] according to law deposes and says that:

He is the VP, General Counsel, Chief Compliance Officer and Secretary of Sprague Operating Resources LLC;

That he is authorized to and does make this affidavit for said Applicant;

That Sprague Operating Resources LLC, the Applicant herein, acknowledges that Sprague Operating Resources LLC may have obligations pursuant to this Application consistent with the Public Utility Code of the Commonwealth of Pennsylvania, Title 66 of the Pennsylvania Consolidated Statutes; or with other applicable statutes or regulations including Emergency Orders which may be issued verbally or in writing during any emergency situations that may unexpectedly develop from time to time in the course of doing business in Pennsylvania.

That Sprague Operating Resources LLC, the Applicant herein, asserts that it possesses the requisite technical, managerial, and financial fitness to render electric service within the Commonwealth of Pennsylvania and that the Applicant will abide by all applicable federal and state laws and regulations and by the decisions of the Pennsylvania Public Utility Commission.

That Sprague Operating Resources LLC, the Applicant herein, certifies to the Commission that it is subject to , will pay, and in the past has paid, the full amount of taxes imposed by Articles II and XI of the Act of March 4, 1971 (P.L. 6, No. 2), known as the Tax Reform Act of 1971 and any tax imposed by Chapter 28 of Title 66. The Applicant acknowledges that failure to pay such taxes or otherwise comply with the taxation requirements of Chapter 28, shall be cause for the Commission to revoke the license of the Applicant. The Applicant acknowledges that it shall report to the Commission its jurisdictional Gross Receipts and power sales for ultimate consumption, for the previous year or as otherwise required by the Commission. The Applicant also acknowledges that it is subject to 66 Pa. C.S. §506 (relating to the inspection of facilities and records).

As provided by 66 Pa. C.S. §2810 (C)(6)(iv), Applicant, by filing of this application waives confidentiality with respect to its state tax information in the possession of the Department of Revenue, regardless of the source of the information, and shall consent to the Department of Revenue providing that information to the Pennsylvania Public Utility Commission.

Appendix B (Continued)

That Sprague Operating Resources LLC, the Applicant herein, acknowledges that it has a statutory obligation to conform with 66 Pa. C.S. §506, §2807 (C), §2807(D)(2), §2809(B) and the standards and billing practices of 52 PA. Code Chapter 56.

That the Applicant agrees to provide all consumer education materials and information in a timely manner as requested by the Bureau of Public Liaison or other Commission bureaus. Materials and information requested may be analyzed by the Commission to meet obligations under applicable sections of the law.

That the facts above set forth are true and correct/true and correct to the best of his/her knowledge, information, and belief.



Signature of Affiant

Sworn and subscribed before me this 17th day of OCTOBER, 2023.



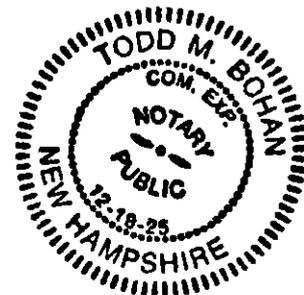
Signature of official administering oath

My commission expires 12/18/2025.

DATE OF DEPOSIT

OCT 17 2023

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU



Appendix C

DATE OF DEPOSIT

CERTIFICATE OF SERVICE

OCT 17 2023

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

On this the 17th day of OCTOBER 2023, I certify that a true and correct copy of the foregoing application form for licensing within the Commonwealth of Pennsylvania as an Electric Generation Supplier and all **NON-CONFIDENTIAL** attachments have been served, as either a hardcopy or a searchable PDF version on a cd-rom or a USB flash drive, upon the following:

Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2 West
Harrisburg, PA 17120

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17120

Department of Revenue
Bureau of Compliance
PO Box 281230
Harrisburg, PA 17128-1230

Small Business Advocate
Commerce Building, Suite 202
300 North Second Street
Harrisburg, PA 17101

Vice President – Energy Supply
Corning Natural Gas Holding Corporation
330 West William Street
Corning, NY 14830

Legal Department
West Penn Power d/b/a Allegheny Power
800 Cabin Hill Drive
Greensburg, PA 15601-1689

Manager Energy Acquisition
PECO Energy Company
2301 Market Street
Philadelphia, PA 19101-8699

Regulatory Affairs
Duquesne Light Company
411 Seventh Street, MD 16-4
Pittsburgh, PA 15219

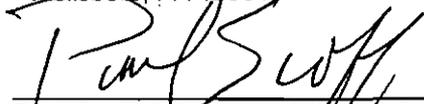
Office of General Counsel
Attn: Kimberly A. Klock
PPL
Two North Ninth Street (GENTW3)
Allentown, PA 18101-1179

Legal Department
First Energy
2800 Pottsville Pike
Reading PA, 19612

UGI Utilities, Inc.
Attn: Rates Dept. – Choice Coordinator
1 UGI Drive
Denver, PA 17517

Citizens' Electric Company
Attn: EGS Coordination
1775 Industrial Boulevard
Lewisburg, PA 17837

Wellsboro Electric Company
Attn: EGS Coordination
33 Austin Street
P. O. Box 138
Wellsboro, PA 16901


Paul Scoff, VP, General Counsel, Chief
Compliance Officer and Secretary

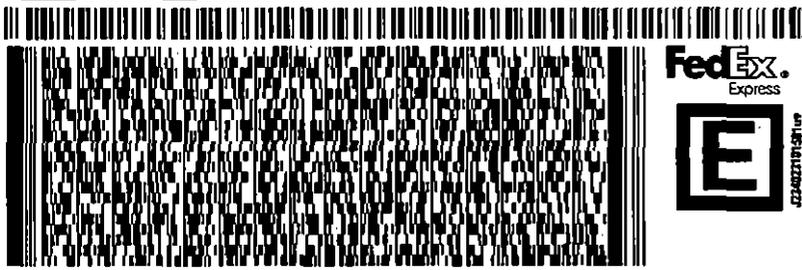
ORIGIN ID:GGGA (603) 430-5318
BRITTANY WILLETTE
185 INTERNATIONAL DRIVE
PORTSMOUTH, NH 03801
UNITED STATES US

SHIP DATE: 17OCT23
ACTWGT: 3.00 LB
CAD: 250019964/NET4660
BILL SENDER

TO SECRETARY'S BUREAU
PA PUBLIC UTILITY COMMISSION
400 NORTH STREET, KEYSTONE BLDG.

583J16C8B9AEE3

HARRISBURG PA 17120
(603) 430-5318 REF:
INV. DEPT:
PO.

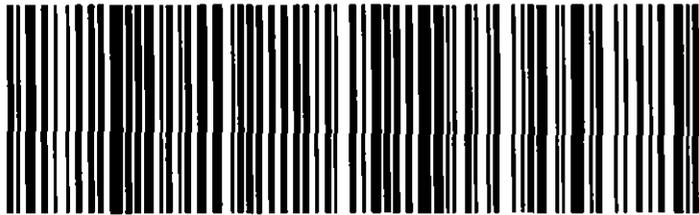


WED - 18 OCT 5:00P
STANDARD OVERNIGHT

TRK# 7737 7042 8070
Q201

XS MDTA

17120
PA-US MDT



RECEIVED

OCT 18 2023

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

After printing this label:

1. Use the 'Print' button on this page to print your label to your laser or inkjet printer.
2. Fold the printed page along the horizontal line.
3. Place label in shipping pouch and affix it to your shipment so that the barcode portion of the label can be read and scanned.

Warning: Use only the printed original label for shipping. Using a photocopy of this label for shipping purposes is fraudulent and could result in additional billing charges, along with the cancellation of your FedEx account number. Use of this system constitutes your agreement to the service conditions in the current FedEx Service Guide, available on fedex.com. FedEx will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, document your actual loss and file a timely claim. Limitations found in the current FedEx Service Guide apply. Your right to recover from FedEx for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential, or special is limited to the greater of \$100 or the authorized declared value. Recovery cannot exceed actual documented loss. Maximum for items of extraordinary value is \$1,000, e.g. jewelry, precious metals, negotiable instruments and other items listed in our Service Guide. Written claims must be filed within strict time limits, see current FedEx Service Guide.