UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

(MARK ONE)

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

For the quarterly period ended June 30, 2024

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

For the transition period from to .

Commission File No. 001-35779

USA Compression Partners, LP

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**75-2771546** (I.R.S. Employer Identification No.)
111 Congress Avenue, Suite 2400 **Austin, Texas** (Address of principal executive offices)	**78701** (Zip Code)

(512) 473-2662

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common units representing limited partner interests	USAC	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

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

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

As of August 1, 2024, there were 117,007,411 common units outstanding.

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GLOSSARY

The abbreviations, acronyms and industry terminology used in this Quarterly Report on Form 10-Q are defined as follows:

Credit Agreement	Seventh Amended and Restated Credit Agreement, dated as of December 8, 2021, by and among USA Compression Partners, LP, as borrower, the guarantors party thereto from time to time, the lenders party thereto from time to time, as may be amended from time to time, and any predecessor thereto if the context so dictates
CPI	Consumer Price Index for all Urban Consumers
DERs	distribution equivalent rights
DRIP	distribution reinvestment plan
Energy Transfer	Energy Transfer LP
Exchange Act	Securities Exchange Act of 1934, as amended
GAAP	generally accepted accounting principles of the United States of America
Preferred Units	Series A Preferred Units representing limited partner interests in USA Compression Partners, LP
SEC	United States Securities and Exchange Commission
Senior Notes 2026	$725.0 million aggregate principal amount of senior notes due on April 1, 2026
Senior Notes 2027	$750.0 million aggregate principal amount of senior notes due on September 1, 2027
Senior Notes 2029	$1.0 billion aggregate principal amount of senior notes due on March 15, 2029
SOFR	Secured Overnight Financing Rate
U.S.	United States of America

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

USA COMPRESSION PARTNERS, LP
Unaudited Condensed Consolidated Balance Sheets
(in thousands, except unit amounts)

	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 9	$ 11
Accounts receivable, net of allowances for credit losses of $2,260 and $2,260, respectively	106,045	95,421
Related-party receivables	140	—
Inventories	131,283	114,728
Derivative instrument	7,178	5,670
Prepaid expenses and other assets	11,120	10,617
Total current assets	255,775	226,447
Property and equipment, net	2,308,587	2,237,625
Lease right-of-use assets	16,252	17,290
Derivative instrument, long term	1,040	—
Identifiable intangible assets, net	230,962	245,652
Other assets	8,989	9,746
Total assets	$ 2,821,605	$ 2,736,760
Liabilities, Preferred Units, and Partners' Deficit		
Current liabilities:		
Accounts payable	$ 35,654	$ 39,781
Accrued liabilities	103,179	85,132
Deferred revenue	65,746	62,589
Total current liabilities	204,579	187,502
Long-term debt, net	2,484,053	2,336,088
Operating lease liabilities	13,401	14,731
Derivative instrument, long term	—	4,466
Other liabilities	11,931	10,924
Total liabilities	2,713,964	2,553,711
Commitments and contingencies		
Preferred Units	168,809	476,334
Partners' deficit:		
Common units, 117,007,411 and 100,986,011 units issued and outstanding, respectively	(61,168)	(293,285)
Total liabilities, Preferred Units, and partners' deficit	$ 2,821,605	$ 2,736,760

See accompanying notes to unaudited condensed consolidated financial statements.

USA COMPRESSION PARTNERS, LP
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except per unit amounts)

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Revenues:				
Contract operations	$ 223,643	$ 196,982	$ 441,747	$ 385,521
Parts and service	5,827	4,102	11,287	7,980
Related party	5,843	5,836	11,555	10,543
Total revenues	235,313	206,920	464,589	404,044
Costs and expenses:				
Cost of operations, exclusive of depreciation and amortization	78,162	69,922	153,234	136,587
Depreciation and amortization	65,313	60,039	128,564	119,525
Selling, general, and administrative	14,173	14,950	37,000	34,051
Loss (gain) on disposition of assets	(18)	309	1,236	(67)
Impairment of compression equipment	311	10,273	311	11,464
Total costs and expenses	157,941	155,493	320,345	301,560
Operating income	77,372	51,427	144,244	102,484
Other income (expense):				
Interest expense, net	(48,828)	(42,045)	(95,494)	(81,835)
Loss on extinguishment of debt	—	—	(4,966)	—
Gain on derivative instrument	3,131	14,550	11,902	14,550
Other	26	57	60	81
Total other expense	(45,671)	(27,438)	(88,498)	(67,204)
Net income before income tax expense	31,701	23,989	55,746	35,280
Income tax expense	463	405	935	755
Net income	31,238	23,584	54,811	34,525
Less: distributions on Preferred Units	(4,387)	(12,188)	(8,775)	(24,375)
Net income attributable to common unitholders' interests	$ 26,851	$ 11,396	$ 46,036	$ 10,150
Weighted-average common units outstanding – basic	116,849	98,271	109,692	98,259
Weighted-average common units outstanding – diluted	117,972	99,694	110,789	99,738
Basic net income per common unit	$ 0.23	$ 0.12	$ 0.42	$ 0.10
Diluted net income per common unit	$ 0.23	$ 0.11	$ 0.42	$ 0.10
Distributions declared per common unit for respective periods	$ 0.525	$ 0.525	$ 1.05	$ 1.05

See accompanying notes to unaudited condensed consolidated financial statements.

USA COMPRESSION PARTNERS, LP
Unaudited Condensed Consolidated Statements of Changes in Partners' Capital (Deficit)
(in thousands, except per unit amounts)

	Common units
Partners' deficit ending balance, December 31, 2023	$ (293,285)
Distributions and DERs, $0.525 per unit	(54,098)
Issuance of common units under the DRIP	440
Unit-based compensation for equity-classified awards	78
Exercise and conversion of Preferred Units into common units	38,108
Net income attributable to common unitholders' interests	19,185
Partners' deficit ending balance, March 31, 2024	(289,572)
Distributions and DERs, $0.525 per unit	(61,453)
Issuance of common units under the DRIP	331
Unit-based compensation for equity-classified awards	83
Exercise and conversion of Preferred Units into common units	262,592
Net income attributable to common unitholders' interests	26,851
Partners' deficit ending balance, June 30, 2024	$ (61,168)

	Common units	Warrants	Total
Partners' capital (deficit) ending balance, December 31, 2022	$ (125,111)	$ 8,812	$ (116,299)
Distributions and DERs, $0.525 per unit	(51,602)	—	(51,602)
Issuance of common units under the DRIP	617	—	617
Unit-based compensation for equity-classified awards	69	—	69
Net loss attributable to common unitholders' interests	(1,246)	—	(1,246)
Partners' capital (deficit) ending balance, March 31, 2023	(177,273)	8,812	(168,461)
Distributions and DERs, $0.525 per unit	(51,617)	—	(51,617)
Issuance of common units under the DRIP	423	—	423
Unit-based compensation for equity-classified awards	69	—	69
Net income attributable to common unitholders' interests	11,396	—	11,396
Partners' capital (deficit) ending balance, June 30, 2023	$ (217,002)	$ 8,812	$ (208,190)

See accompanying notes to unaudited condensed consolidated financial statements.

USA COMPRESSION PARTNERS, LP
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net income	$ 54,811	$ 34,525
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	128,564	119,525
Amortization of debt issuance costs	4,252	3,641
Unit-based compensation expense	8,331	9,628
Deferred income tax expense	97	19
Loss (gain) on disposition of assets	1,236	(67)
Loss on extinguishment of debt	4,966	—
Change in fair value of derivative instrument	(7,014)	(13,334)
Impairment of compression equipment	311	11,464
Changes in assets and liabilities:		
Accounts receivable and related-party receivables, net	(10,764)	(5,811)
Inventories	(59,941)	(31,818)
Prepaid expenses and other current assets	(503)	(1,364)
Other assets	1,503	2,148
Accounts payable	557	583
Accrued liabilities and deferred revenue	35,022	1,070
Other liabilities	1,230	—
Net cash provided by operating activities	162,658	130,209
Cash flows from investing activities:		
Capital expenditures, net	(147,150)	(106,402)
Proceeds from disposition of property and equipment	435	1,093
Net cash used in investing activities	(146,715)	(105,309)
Cash flows from financing activities:		
Proceeds from long-term borrowings	582,530	511,766
Proceeds from issuance of senior notes	1,000,000	—
Repayments of long-term borrowings	(698,102)	(407,283)
Investments in government securities in connection with legal defeasance of the Senior Notes 2026	(748,764)	—
Cash distributions on common units	(116,748)	(104,407)
Cash distributions on Preferred Units	(15,600)	(24,375)
Deferred financing costs	(18,579)	(379)
Other	(682)	(226)
Net cash used in financing activities	(15,945)	(24,904)
Decrease in cash and cash equivalents	(2)	(4)
Cash and cash equivalents, beginning of period	11	35
Cash and cash equivalents, end of period	$ 9	$ 31

See accompanying notes to unaudited condensed consolidated financial statements.

USA COMPRESSION PARTNERS, LP

Unaudited Condensed Consolidated Statements of Cash Flows (continued)

(in thousands)

Supplemental cash flow information:				
Cash paid for interest, net of capitalized amounts	$	60,860	$	78,181
Cash paid for income taxes		1,152		887
Supplemental non-cash transactions:				
Non-cash distributions to certain common unitholders (DRIP)	$	771	$	1,040
Transfers from inventories to property and equipment, net		43,012		24,053
Changes in capital expenditures included in accounts payable and accrued liabilities		(4,189)		1,125
Changes in financing costs included in accounts payable and accrued liabilities		(96)		6
Exercise and conversion of Preferred Units into common units		300,700		—
Government securities transferred in connection with the legal defeasance of the Senior Notes 2026		748,764		—
Legal defeasance of Senior Notes 2026		725,000		—

See accompanying notes to unaudited condensed consolidated financial statements.

USA COMPRESSION PARTNERS, LP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Organization and Description of Business

Unless otherwise indicated, the terms "our," "we," "us," "the Partnership," and similar language refer to USA Compression Partners, LP, collectively with its consolidated subsidiaries.

We are a Delaware limited partnership. Through our operating subsidiaries, we provide natural gas compression services to customers under fixed-term contracts in the natural gas and crude oil industries, using compression packages that we design, engineer, own, operate, and maintain. We also own and operate a fleet of equipment used to provide natural gas treating services, such as carbon dioxide and hydrogen sulfide removal, cooling, and dehydration. We provide compression services in shale plays throughout the U.S., including the Utica, Marcellus, Permian Basin, Delaware Basin, Eagle Ford, Mississippi Lime, Granite Wash, Woodford, Barnett, Haynesville, Niobrara, and Fayetteville shales.

USA Compression GP, LLC, a Delaware limited liability company, serves as our general partner and is referred to herein as the "General Partner." The General Partner is wholly owned by Energy Transfer.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Partnership and its subsidiaries, all of which are wholly owned by us.

(2) Basis of Presentation and Significant Accounting Policies

Basis of Presentation

Our accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP and pursuant to SEC rules and regulations.

In the opinion of our management, financial information presented herein reflects all normal recurring adjustments necessary for the fair presentation of these interim unaudited condensed consolidated financial statements in accordance with GAAP. Operating results for the three and six months ended June 30, 2024, are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with SEC rules and regulations. Therefore, these interim unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements contained in our annual report on Form 10-K for the year ended December 31, 2023, filed on February 13, 2024 (our "2023 Annual Report").

Use of Estimates

Our unaudited condensed consolidated financial statements have been prepared in conformity with GAAP, which includes the use of estimates and assumptions by management that affect the reported amounts of assets, liabilities, revenues, expenses, and disclosure of contingent assets and liabilities that existed as of the date of the unaudited condensed consolidated financial statements. Although these estimates were based on management's available knowledge of current and expected future events, actual results could differ from these estimates.

Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist of all cash balances. We consider investments in highly liquid financial instruments purchased with an original maturity of 90 days or less to be cash equivalents.

Trade Accounts Receivable

Trade accounts receivable are recorded at their invoiced amounts.

Allowance for Credit Losses

We evaluate allowance for credit losses with reference to our trade accounts receivable balances, which are measured at amortized cost. Due to the short-term nature of our trade accounts receivable, we consider the amortized cost of trade accounts receivable to equal the receivable's carrying amounts, excluding the allowance for credit losses.

Our determination of the allowance for credit losses requires us to make estimates and judgments regarding our customers' ability to pay amounts due. We continuously evaluate the financial strength of our customers and the overall business climate in which our customers operate, and make adjustments to the allowance for credit losses as necessary. We evaluate the financial strength of our customers by reviewing the aging of their receivables owed to us, our collection experiences with the customer, correspondence, financial information, and third-party credit ratings. We evaluate the business climate in which our customers operate by reviewing various publicly available materials regarding our customers' industry, including the solvency of various companies in the industry.

Inventories

Inventories consist of serialized and non-serialized parts primarily used on compression units. All inventories are stated at the lower of cost or net realizable value. Serialized parts inventories are determined using the specific-identification cost method, while non-serialized parts inventories are determined using the weighted-average cost method. Purchases of inventories are considered operating activities within the unaudited condensed consolidated statements of cash flows.

Property and Equipment

Property and equipment are carried at cost except for (i) certain acquired assets which are recorded at fair value on their respective acquisition dates and (ii) impaired assets which are recorded at fair value as of the last impairment evaluation date for which an adjustment was required. Overhauls and major improvements that increase the value or extend the life of compression equipment are capitalized and depreciated over three to five years. Ordinary maintenance and repairs are charged to cost of operations, exclusive of depreciation and amortization.

When property and equipment is retired or sold, the associated carrying value and the related accumulated depreciation are removed from our accounts and any related gains or losses are recorded within the unaudited condensed consolidated statements of operations within the period of sale or disposition.

Capitalized interest is calculated by multiplying our monthly effective interest rate on outstanding variable-rate indebtedness by the amount of qualifying costs, which include upfront payments to acquire certain compression units. Capitalized interest was $21 thousand and $56 thousand for the three and six months ended June 30, 2024, respectively, and $0.3 million and $0.6 million for the three and six months ended June 30, 2023, respectively.

Impairment of Long-Lived Assets

The carrying value of long-lived assets that are not expected to be recovered from future cash flows are written down to estimated fair value. We test long-lived assets for impairment when events or circumstances indicate that a long-lived asset's carrying value may not be recoverable or will no longer be utilized within the operating fleet. The most common circumstance requiring compression units to be evaluated for impairment involves idle units that do not meet the desired performance characteristics of our revenue-generating horsepower.

The carrying value of a long-lived asset is not recoverable if the asset's carrying value exceeds the sum of the undiscounted cash flows expected to be generated from the use and eventual disposition of the asset. If the carrying value of the long-lived asset exceeds the sum of the undiscounted cash flows associated with the asset, an impairment loss equal to the amount of the carrying value exceeding the fair value of the asset is recognized. The fair value of the asset is measured using quoted market prices or, in the absence of quoted market prices, based on an estimate of discounted cash flows, the expected net sale proceeds compared to the other similarly configured fleet units that we recently sold or a review of other units recently offered for sale by third parties, or the estimated component value of the equipment we plan to continue using.

Refer to Note 5 for more detailed information about impairment charges during the three and six months ended June 30, 2024 and 2023.

Identifiable Intangible Assets

Identifiable intangible assets are recorded at cost and amortized using the straight-line method over their estimated useful lives, which is the period over which the assets are expected to contribute directly or indirectly to our future cash flows. The estimated useful lives of our intangible assets range from 15 to 25 years.

Revenue Recognition

Revenue is recognized when obligations under the terms of a contract with our customer are satisfied; generally, this occurs with the provision of services or the transfer of goods. Revenue is measured at the amount of consideration we expect to receive in exchange for providing services or transferring goods. Incidental items, if any, that are immaterial in the context of the contract are recognized as expenses.

Income Taxes

USA Compression Partners, LP is organized as a partnership for U.S. federal and state income tax purposes. As a result, our partners are responsible for U.S. federal and state income taxes on their distributive share of our items of income, gain, loss, or deduction. Net earnings for financial statement purposes may differ significantly from taxable income reportable to unitholders as a result of differences between the tax basis and financial reporting basis of assets and liabilities.

Texas also imposes an entity-level income tax on partnerships that is based on Texas-sourced taxable margin (the "Texas Margin Tax"). Texas Margin Tax impacts are included within our unaudited condensed consolidated financial statements. Our wholly owned finance subsidiary, USA Compression Finance Corp. ("Finance Corp"), is a corporation for U.S. federal and state income tax purposes and any resulting tax impacts attributable to Finance Corp are included within our unaudited condensed consolidated financial statements.

Pass-Through Taxes

Sales taxes incurred on behalf of, and passed through to, customers are accounted for on a net basis.

Fair-Value Measurements

Accounting standards applicable to fair-value measurements establish a framework for measuring fair value and stipulate disclosures about fair-value measurements. The standards apply to recurring and non-recurring financial and non-financial assets and liabilities that require or permit fair-value measurements. Among the required disclosures is the fair-value hierarchy of inputs we use to value an asset or a liability. The three levels of the fair-value hierarchy are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access at the measurement date.

Level 2 inputs are those other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

As of June 30, 2024, and December 31, 2023, our financial instruments primarily consisted of cash and cash equivalents, trade accounts receivable, trade accounts payable, a derivative instrument, and long-term debt. The book values of cash and cash equivalents, trade accounts receivable, and trade accounts payable are representative of fair value due to their short-term maturities. Our revolving credit facility applies floating interest rates to amounts drawn under the facility; therefore, the carrying amount of our revolving credit facility approximates its fair value.

The fair value of our Senior Notes 2026, Senior Notes 2027, and Senior Notes 2029 were estimated using quoted prices in inactive markets and are considered Level 2 measurements. The following table summarizes the aggregate principal amount and fair value of our Senior Notes 2026, Senior Notes 2027, and Senior Notes 2029 (in thousands):

	June 30, 2024	December 31, 2023
Senior Notes 2026, aggregate principal	$ —	$ 725,000
Fair value of Senior Notes 2026	—	720,621
Senior Notes 2027, aggregate principal	750,000	750,000
Fair value of Senior Notes 2027	750,000	737,963
Senior Notes 2029, aggregate principal	1,000,000	—
Fair value of Senior Notes 2029	1,003,750	—

The fair value of our derivative instrument, which is an interest-rate swap, was estimated based on inputs from actively quoted public markets, including interest-rate forward curves, and is considered a Level 2 measurement. We consider counterparty credit risk and our own credit risk in the determination of the estimated fair value. The following table summarizes the gross fair value of our interest-rate swap (in thousands):

	June 30, 2024	December 31, 2023
Interest-rate swap	$ 8,218	$ 1,204

Refer to Note 7 below for additional information on the interest-rate swap.

Operating Segment

We operate in a single business segment, the compression services business.

(3) Trade Accounts Receivable

The allowance for credit losses, which was $2.3 million at both June 30, 2024 and December 31, 2023, represents our best estimate of the amount of probable credit losses included within our existing accounts receivable balance.

(4) Inventories

Components of inventories are as follows (in thousands):

	June 30, 2024	December 31, 2023
Serialized parts	$ 68,776	$ 59,901
Non-serialized parts	62,507	54,827
Total inventories	$ 131,283	$ 114,728

(5) Property and Equipment and Identifiable Intangible Assets

Property and Equipment

Property and equipment consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Compression and treating equipment	$ 4,061,436	$ 3,902,115
Automobiles and vehicles	52,934	46,395
Computer equipment	34,946	33,456
Leasehold improvements	9,450	9,414
Buildings	3,935	3,464
Furniture and fixtures	897	868
Land	77	77
Total property and equipment, gross	4,163,675	3,995,789
Less: accumulated depreciation and amortization	(1,855,088)	(1,758,164)
Total property and equipment, net	$ 2,308,587	$ 2,237,625

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Compression and treating equipment, acquired new	25 years
Compression and treating equipment, acquired used	5 - 25 years
Furniture and fixtures	3 - 10 years
Vehicles and computer equipment	1 - 10 years
Buildings	5 years
Leasehold improvements	5 years

Depreciation expense on property and equipment and loss (gain) on disposition of assets were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Depreciation expense	$ 57,968	$ 52,694	$ 113,874	$ 104,835
Loss (gain) on disposition of assets	(18)	309	1,236	(67)

On a quarterly basis, we evaluate the future deployment of our idle fleet assets under current market conditions.

For the three and six months ended June 30, 2024, we retired two compression units representing approximately 1,300 of aggregate horsepower that previously were used to provide compression services in our business. As a result, we recorded an impairment of compression equipment of $0.3 million for the three and six months ended June 30, 2024.

For the three and six months ended June 30, 2023, we retired 33 and 39 compression units, respectively, representing approximately 26,900 and 35,600 of aggregate horsepower, respectively, that previously were used to provide compression services in our business. As a result, we recorded impairments of compression equipment of $10.3 million and $11.5 million for the three and six months ended June 30, 2023, respectively.

The primary circumstances supporting these impairments were: (i) unmarketability of certain compression units into the foreseeable future, (ii) excessive maintenance costs associated with certain fleet assets, and (iii) prohibitive retrofitting costs that likely would prevent certain compression units from securing customer acceptance. These compression units were written down to their estimated salvage values, if any.

Identifiable Intangible Assets

Identifiable intangible assets, net consisted of the following (in thousands):

	Customer Relationships	Trade Names	Total
Net balance as of December 31, 2023	$ 224,639	$ 21,013	$ 245,652
Amortization expense	(13,052)	(1,638)	(14,690)
Net balance as of June 30, 2024	$ 211,587	$ 19,375	$ 230,962

Accumulated amortization of intangible assets was $319.7 million and $305.0 million as of June 30, 2024 and December 31, 2023, respectively.

(6) Other Current Liabilities

Components of other current liabilities included the following (in thousands):

	June 30, 2024	December 31, 2023
Accrued interest expense	$ 39,240	$ 31,960
Accrued unit-based compensation liability	28,098	21,896
Accrued capital expenditures	9,483	13,672

(7) Derivative Instrument

As of June 30, 2024 and December 31, 2023, we had an interest-rate swap outstanding to manage interest-rate risk associated with the floating-rate Credit Agreement. The interest-rate swap's notional principal amount is $700 million and has a termination date of December 31, 2025. Under the interest-rate swap, we pay a fixed interest rate of 3.9725% and receive floating interest-rate payments that are indexed to the one-month SOFR.

We do not apply hedge accounting to our currently outstanding derivative. Our derivative is carried on the unaudited condensed consolidated balance sheets at fair value and is classified as current or long-term depending on the expected timing of settlement, and gains and losses associated with the derivative instrument are recognized currently in gain on derivative instrument within the unaudited condensed consolidated statements of operations. Cash flows related to cash settlements for the periods presented are classified as operating activities within the unaudited condensed consolidated statements of cash flows.

The following table summarizes the location and fair value of our derivative instrument on our unaudited condensed consolidated balance sheets (in thousands):

	Assets		Liabilities	
Balance Sheet Classification	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Derivative instrument	$ 7,178	$ 5,670	$ —	$ —
Derivative instrument, long term	1,040	—	—	4,466

The following table summarizes the location and amounts recognized related to our derivative instrument within our unaudited condensed consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Income Statement Classification	2024	2023	2024	2023
Gain on derivative instrument	$ 3,131	$ 14,550	$ 11,902	$ 14,550

(8) Debt Obligations

Our debt obligations, of which there is no current portion, consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Senior Notes 2026, aggregate principal	$ —	$ 725,000
Senior Notes 2027, aggregate principal	750,000	750,000
Senior Notes 2029, aggregate principal	1,000,000	—
Less: deferred financing costs, net of amortization	(22,188)	(10,725)
Total senior notes, net	1,727,812	1,464,275
Revolving credit facility	756,241	871,813
Total long-term debt, net	$ 2,484,053	$ 2,336,088

Revolving Credit Facility

The Credit Agreement matures on December 8, 2026. The Credit Agreement has an aggregate commitment of $1.6 billion (subject to availability under our borrowing base). The Partnership's obligations under the Credit Agreement are guaranteed by the guarantors party to the Credit Agreement, which currently consists of all of the Partnership's subsidiaries. In addition, under the Credit Agreement the Partnership's Secured Obligations (as defined therein) are secured by: (i) substantially all of the Partnership's assets and substantially all of the assets of the guarantors party to the Credit Agreement, excluding real property and other customary exclusions; and (ii) all of the equity interests of the Partnership's U.S. restricted subsidiaries (subject to customary exceptions).

As of June 30, 2024, we had outstanding borrowings under the Credit Agreement of $756.2 million and, after accounting for outstanding letters of credit in the amount of $0.5 million, $843.3 million of remaining unused availability, of which, due to restrictions related to compliance with the applicable financial covenants, $424.4 million was available to be drawn. Our weighted-average interest rate in effect for all borrowings under the Credit Agreement for the six months ended June 30, 2024, was 7.98%, and our weighted-average interest rate under the Credit Agreement as of June 30, 2024, was 8.10%. We pay an annualized commitment fee of 0.375% on the unused portion of the aggregate commitment.

The Credit Agreement permits us to make distributions of available cash to unitholders so long as (i) no default under the facility has occurred, is continuing, or would result from the distribution; (ii) immediately prior to and after giving effect to such distribution, we are in compliance with the facility's financial covenants; and (iii) immediately prior to and after giving effect to such distribution, we have availability under the Credit Agreement of at least $100 million.

The Credit Agreement also contains various financial covenants, including covenants requiring us to maintain:

- a minimum EBITDA to interest coverage ratio of 2.50 to 1.00, determined as of the last day of each fiscal quarter, with EBITDA and interest expense annualized for the most-recent fiscal quarter;
- a ratio of total secured indebtedness to EBITDA not greater than 3.00 to 1.00 or less than 0.00 to 1.00, determined as of the last day of each fiscal quarter, with EBITDA annualized for the most-recent fiscal quarter; and

- a maximum funded debt-to-EBITDA ratio, defined in the Credit Agreement as the Total Leverage Ratio, determined as of the last day of each fiscal quarter with EBITDA annualized for the most-recent fiscal quarter, of 5.25 to 1.00. In addition, the Partnership may increase the applicable ratio by 0.25 for any fiscal quarter during which a Specified Acquisition (as defined in the Credit Agreement) occurs and for the following two fiscal quarters, but in no event shall the maximum ratio exceed 5.50 to 1.00 for any fiscal quarter as a result of such increase.

As of June 30, 2024, we were in compliance with all of our covenants under the Credit Agreement. For purposes of the above covenants, EBITDA is calculated as set forth in the Credit Agreement.

The Credit Agreement is a “revolving credit facility” that includes a lockbox arrangement, whereby remittances from customers are made to a bank account controlled by the administrative agent. While we are not required by the terms of the Credit Agreement to use these customer remittances to reduce borrowings under the facility unless certain events of default occur under the Credit Agreement or unused availability under the facility is reduced below $70 million, we have in the past routinely applied such remittances to reduce borrowings under the facility.

Issuance of Senior Notes 2029

On March 18, 2024, the Partnership and Finance Corp co-issued the Senior Notes 2029, a $1.0 billion aggregate principal amount of senior notes that will mature on March 15, 2029. The Senior Notes 2029 accrue interest from March 18, 2024 at the rate of 7.125% per year. Interest on the Senior Notes 2029 is payable semi-annually in arrears on each of March 15 and September 15, commencing on September 15, 2024.

At any time prior to March 15, 2026, we may redeem up to 40% of the aggregate principal amount of the Senior Notes 2029 at a redemption price equal to 107.125% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, in an amount not greater than the net cash proceeds from one or more equity offerings, provided that at least 60% of the aggregate principal amount of the Senior Notes 2029 remains outstanding immediately after the occurrence of such redemption (excluding Senior Notes 2029 held by us and our subsidiaries) and redemption occurs within 180 days of the date of the closing of such equity offering.

Prior to March 15, 2026, we may redeem all or a part of the Senior Notes 2029 at a redemption price equal to the sum of (i) the principal amount thereof, plus (ii) a make-whole premium at the redemption date and accrued and unpaid interest, if any, to the redemption date.

On or after March 15, 2026, we may redeem all or a part of the Senior Notes 2029 at redemption prices (expressed as percentages of the principal amount) set forth below, plus accrued and unpaid interest, if any, to the applicable redemption date, if redeemed during the twelve-month period beginning on March 15 of the years indicated below:

Year	Percentages
2026	103.563 %
2027	101.781 %
2028 and thereafter	100.000 %

If we experience a change of control followed by a ratings decline, which ratings decline is caused by the applicable change of control event, unless we have previously exercised, or concurrently exercise, our right to redeem the Senior Notes 2029 (as described above), we may be required to offer to repurchase the Senior Notes 2029 at a purchase price equal to 101% of the principal amount repurchased, plus accrued and unpaid interest, if any, to the repurchase date.

In connection with issuing the Senior Notes 2029, we incurred certain issuance costs in the amount of $18.2 million, which are amortized over the expected term of the Senior Notes 2029.

The indenture governing the Senior Notes 2029 (the “2029 Indenture”) contains certain financial covenants that we must comply with in order to make certain restricted payments as described in the 2029 Indenture. As of June 30, 2024, we were in compliance with such financial covenants under the 2029 Indenture.

The Senior Notes 2029 are fully and unconditionally guaranteed (the “2029 Guarantees”), jointly and severally, on a senior unsecured basis by all of our existing subsidiaries (other than Finance Corp), and will be fully and unconditionally guaranteed, jointly and severally, by each of our future restricted subsidiaries that either borrows under, or guarantees, the Credit Agreement or guarantees certain of our other indebtedness (collectively, the “Guarantors”). The Senior Notes 2029 and the 2029 Guarantees are general unsecured obligations and rank equally in right of payment with all of the Guarantors’, Finance Corp’s, and our existing and future senior indebtedness and senior to the Guarantors’, Finance Corp’s, and our future subordinated indebtedness, if any. The Senior Notes 2029 and the 2029 Guarantees effectively are subordinated in right of payment to all of the Guarantors', Finance Corp's, and our existing and future secured debt, including debt under the Credit Agreement and guarantees thereof, to the extent of the value of the assets securing such debt, and are structurally subordinate to all indebtedness of any of our subsidiaries that do not guarantee the Senior Notes 2029.

Redemption of Senior Notes 2026

On March 18, 2024, in connection with the issuance of the Senior Notes 2029, the Senior Notes 2026, which had a maturity date of April 1, 2026, and an aggregate outstanding principal balance of $725.0 million at such time, were satisfied and discharged under the Indenture governing the Senior Notes 2026, which constituted a legal defeasance under GAAP (the "Defeasance").

The Defeasance required a cash outlay in the net amount of $748.8 million, which was used to purchase U.S. government securities. These securities generated sufficient cash upon maturity to fund interest payments on the Senior Notes 2026 occurring between the effective date of the Defeasance through April 4, 2024, when the Senior Notes 2026 were redeemed at par, as well as fund the redemption of the Senior Notes 2026 in full. As a result of the Defeasance, we recognized a loss on early extinguishment of debt of $5.0 million for the six months ended June 30, 2024, which represents the write-off of deferred financing costs of $4.3 million and the difference between (i) the purchase price of U.S. government securities of $748.8 million and (ii) the aggregate outstanding principal balance and accrued interest of the Senior Notes 2026 of $748.1 million at the time of Defeasance.

Senior Notes 2027

On March 7, 2019, the Partnership and Finance Corp co-issued the Senior Notes 2027. The Senior Notes 2027 mature on September 1, 2027, and accrue interest at the rate of 6.875% per year. Interest on the Senior Notes 2027 is payable semi-annually in arrears on each of March 1 and September 1.

The indenture governing the Senior Notes 2027 (the "2027 Indenture") contains certain financial covenants that we must comply with in order to make certain restricted payments as described in the 2027 Indenture. As of June 30, 2024, we were in compliance with such financial covenants under the 2027 Indenture.

The Senior Notes 2027 are fully and unconditionally guaranteed (the "2027 Guarantees"), jointly and severally, on a senior unsecured basis by the Guarantors. The Senior Notes 2027 and the 2027 Guarantees are general unsecured obligations and rank equally in right of payment with all of the Guarantors', Finance Corp's, and our existing and future senior indebtedness and senior to the Guarantors', Finance Corp's, and our future subordinated indebtedness, if any. The Senior Notes 2027 and the 2027 Guarantees effectively are subordinated in right of payment to all of the Guarantors', Finance Corp's, and our existing and future secured debt, including debt under the Credit Agreement and guarantees thereof, to the extent of the value of the assets securing such debt, and are structurally subordinate to all indebtedness of any of our subsidiaries that do not guarantee the Senior Notes 2027.

We have no assets or operations independent of our subsidiaries, and there are no significant restrictions on our ability to obtain funds from our subsidiaries by dividend or loan. Each of the Guarantors is 100% owned by us. None of the assets of our subsidiaries represent restricted net assets pursuant to Rule 4-08(e)(3) of Regulation S-X under the Securities Act of 1933, as amended.

(9) Preferred Units

The Preferred Units have a face value of $1,000 and rank senior to our common units with respect to distributions and liquidation rights. The holders of the Preferred Units are entitled to receive cumulative quarterly cash distributions equal to $24.375 per Preferred Unit.

The change in Preferred Units outstanding was as follows:

	Preferred Units Outstanding
Number of Preferred Units outstanding, December 31, 2023	500,000
Exercise and conversion of Preferred Units into common units	(320,000)
Number of Preferred Units outstanding, June 30, 2024	180,000

Redemption and Conversion Features

The Preferred Units are convertible, at the option of the holder, into common units in accordance with the terms of our Second Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement"). The conversion rate for the Preferred Units is the quotient of (i) the sum of (a) $1,000, plus (b) any unpaid cash distributions on the applicable Preferred Unit, divided by (ii) $20.0115 for each Preferred Unit.

We have the option to redeem all or any portion of the Preferred Units then outstanding, subject to certain minimum redemption threshold amounts, for a redemption price set forth in the Partnership Agreement. On or after April 2, 2028, each holder of the Preferred Units will have the right to require us to redeem all or a portion of their Preferred Units, subject to certain minimum redemption threshold amounts, for a redemption price set forth in the Partnership Agreement, which we may elect to pay up to 50% in common units, subject to certain additional limits.

January 2024 Conversion

On January 12, 2024, the holders of the Preferred Units elected to convert 40,000 Preferred Units into 1,998,850 common units. These Preferred Units were converted into common units and, for our fourth-quarter 2023 distribution, the holders received the common unit distribution of $0.525 on the 1,998,850 common units in lieu of the Preferred Unit distribution of $24.375 on the converted 40,000 Preferred Units.

April 2024 Conversion

On April 1, 2024, the holders of the Preferred Units elected to convert 280,000 Preferred Units into 13,991,954 common units. These Preferred Units were converted into common units and, for our first-quarter 2024 distribution, the holders received the common unit distribution of $0.525 on the 13,991,954 common units in lieu of the Preferred Unit distribution of $24.375 on the converted 280,000 Preferred Units.

Cash Distributions

We have declared and paid per-unit quarterly cash distributions to the holders of the Preferred Units of record as follows:

Payment Date	Distribution per Preferred Unit
February 3, 2023	$ 24.375
May 5, 2023	24.375
August 4, 2023	24.375
November 3, 2023	24.375
Total 2023 distributions	$ 97.50
February 2, 2024	$ 24.375
May 3, 2024	24.375
Total 2024 distributions	$ 48.75

Announced Quarterly Distribution

On July 11, 2024, we declared a cash distribution of $24.375 per unit on our Preferred Units. The distribution was paid on August 2, 2024, to the holders of the Preferred Units of record as of the close of business on July 22, 2024.

Changes in the Preferred Units' balance are as follows (in thousands):

	Preferred Units
Balance as of December 31, 2023	$ 476,334
Cash distributions on Preferred Units	(15,600)
Exercise and conversion of Preferred Units into common units	(300,700)
Net income allocated to Preferred Units	8,775
Balance as of June 30, 2024	$ 168,809

(10) Partners' Deficit

Common Units

The changes in common units outstanding were as follows:

	Common Units Outstanding
Number of common units outstanding, December 31, 2023	100,986,011
Issuance of common units under the DRIP	30,596
Exercise and conversion of Preferred Units into common units	15,990,804
Number of common units outstanding, June 30, 2024	117,007,411

As of June 30, 2024, Energy Transfer held 46,056,228 common units, including 8,000,000 common units held by the General Partner and controlled by Energy Transfer.

Cash Distributions

We have declared and paid per-unit quarterly distributions to our limited partner unitholders of record, including holders of our common and phantom units, as follows (dollars in millions, except distribution per unit):

Payment Date	Distribution per Limited Partner Unit	Amount Paid to Common Unitholders	Amount Paid to Phantom Unitholders	Total Distribution
February 3, 2023	$ 0.525	$ 51.6	$ 1.1	$ 52.7
May 5, 2023	0.525	51.6	1.1	52.7
August 4, 2023	0.525	51.6	1.2	52.8
November 3, 2023	0.525	51.6	1.1	52.7
Total 2023 distributions	$ 2.10	$ 206.4	$ 4.5	$ 210.9
February 2, 2024	$ 0.525	$ 54.1	$ 1.0	$ 55.1
May 3, 2024	0.525	61.4	1.0	62.4
Total 2024 distributions	$ 1.05	$ 115.5	$ 2.0	$ 117.5

Announced Quarterly Distribution

On July 11, 2024, we announced a cash distribution of $0.525 per unit on our common units. The distribution was paid on August 2, 2024, to common unitholders of record as of the close of business on July 22, 2024.

DRIP

During the six months ended June 30, 2024, distributions of $0.8 million were reinvested under the DRIP resulting in the issuance of 30,596 common units.

Income Per Unit

The computation of income per unit is based on the weighted-average number of participating securities, which includes our common units and certain equity-based awards outstanding during the applicable period. Basic income per unit is determined by dividing net income allocated to participating securities after deducting the amount distributed on Preferred Units, by the weighted-average number of participating securities outstanding during the period. Income attributable to unitholders is allocated to participating securities based on their respective shares of the distributed and undistributed earnings for the period. To the extent cash distributions exceed net income attributable to unitholders for the period, the excess distributions are allocated to all participating securities outstanding based on their respective ownership percentages.

Diluted income per unit is computed using the treasury stock method, which considers the potential issuance of limited partner units associated with our long-term incentive plan and warrants. Unvested phantom units and unexercised warrants are not included in basic income per unit, as they are not considered to be participating securities, but are included in the calculation of diluted income per unit to the extent they are dilutive, and in the case of warrants to the extent they are considered "in the money."

For the three and six months ended June 30, 2024, approximately 1,123,000 and 1,097,000 incremental unvested phantom units, respectively, represent the difference between our basic and diluted weighted-average common units outstanding.

For the three months ended June 30, 2023, approximately 1,177,000 and 246,000 incremental unvested phantom units and "in the money" then-outstanding warrants, respectively, represent the difference between our basic and diluted weighted-average common units outstanding. For the six months ended June 30, 2023, approximately 1,118,000 and 361,000 incremental unvested phantom units and "in the money" then-outstanding warrants, respectively, represent the difference between our basic and diluted weighted-average common units outstanding.

(11) Revenue Recognition

Disaggregation of Revenue

The following table disaggregates our revenue by type of service (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Contract operations revenue	$ 229,091	$ 202,403	$ 452,871	$ 395,545
Retail parts and services revenue	6,222	4,517	11,718	8,499
Total revenues	$ 235,313	$ 206,920	$ 464,589	$ 404,044

The following table disaggregates our revenue by timing of provision of services or transfer of goods (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Services provided over time:				
Primary term	$ 198,755	$ 156,744	$ 389,188	$ 305,470
Month-to-month	30,336	45,659	63,683	90,075
Total services provided over time	229,091	202,403	452,871	395,545
Services provided or goods transferred at a point in time	6,222	4,517	11,718	8,499
Total revenues	$ 235,313	$ 206,920	$ 464,589	$ 404,044

Deferred Revenue

We record deferred revenue when cash payments are received or due in advance of our performance. Components of deferred revenue were as follows (in thousands):

	Balance sheet location	June 30, 2024	December 31, 2023
Current (1)	Deferred revenue	$ 65,746	$ 62,589
Noncurrent	Other liabilities	5,352	6,000
Total		$ 71,098	$ 68,589

(1) We recognized $1.7 million and $59.0 million of revenue during the three and six months ended June 30, 2024, respectively, related to our deferred revenue balance as of December 31, 2023.

Performance Obligations

As of June 30, 2024, the aggregate amount of transaction price allocated to unsatisfied performance obligations related to our contract operations revenue was $1.2 billion. We expect to recognize these remaining performance obligations as follows (in thousands):

	2024 (remainder)	2025	2026	2027	Thereafter	Total
Remaining performance obligations	$ 366,754	$ 435,714	$ 244,632	$ 141,291	$ 59,936	$ 1,248,327

(12) Transactions with Related Parties

We provide natural gas compression and treating services to entities affiliated with Energy Transfer, which as of June 30, 2024, owned approximately 39% of our limited partner interests and 100% of the General Partner.

Revenue recognized from those entities affiliated with Energy Transfer on our unaudited condensed consolidated statements of operations were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Related-party revenues	$ 5,843	$ 5,836	$ 11,555	$ 10,543

We had approximately $0.1 million and $0 of related-party receivables on our unaudited condensed consolidated balance sheets as of June 30, 2024 and December 31, 2023, respectively, from those entities affiliated with Energy Transfer.

(13) Commitments and Contingencies

(a) Major Customers

One customer accounted for approximately 12% and 10% of total revenues for the three and six months ended June 30, 2024 and 2023, respectively.

(b) Litigation

From time to time, we and our subsidiaries may be involved in various claims and litigation arising in the ordinary course of business. In management's opinion, the resolution of such matters is not expected to have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

(c) Tax Contingencies

Our compliance with state and local sales tax regulations is subject to audit by various taxing authorities. Certain taxing authorities have either claimed or issued an assessment that specific operational processes, which we and others in our industry regularly conduct, result in transactions that are subject to state sales taxes. We and others in our industry have disputed these claims and assessments based on either existing tax statutes or published guidance by the taxing authorities.

We currently are protesting certain assessments made by the Oklahoma Tax Commission ("OTC"). We believe it is reasonably possible that we could incur losses related to this assessment. Whether, and to what extent, we incur losses depends on whether the administrative law judge assigned by the OTC accepts or rejects our position that the transactions are not taxable and, if rejected, whether we ultimately lose any and all subsequent legal challenges to such determination. We estimate that the range of losses we could incur is from $0 to approximately $29.7 million, including penalties and interest.

Our U.S. federal income tax returns for the years 2019 and 2020 currently are under examination by the Internal Revenue Service ("IRS"). The IRS has issued preliminary partnership examination changes, along with imputed underpayment computations, for the 2019 and 2020 tax years. Under the Bipartisan Budget Act of 2015, there are several procedural steps, including an appeals process, to complete before a final imputed underpayment, if any, is determined. Based on discussions with the IRS, we estimate a potential range of loss from a final imputed underpayment of $0 to approximately $27.4 million, including interest, for potential adjustments resulting from the IRS examinations. Once a final partnership imputed underpayment, if any, is determined, our General Partner may elect to either pay the imputed underpayment (including any applicable penalties and interest) directly to the IRS or, if eligible, issue a revised information statement to each unitholder, and former unitholder, with respect to an audited and adjusted return.

(d) Environmental

Our operations are subject to federal, state, and local laws, rules, and regulations regarding water quality, hazardous and solid waste management, air quality control, and other environmental matters. These laws, rules, and regulations require that we conduct our operations in a specified manner and to obtain and comply with a wide variety of environmental registrations, licenses, permits, inspections, and other approvals. Failure to comply with applicable environmental laws, rules, and regulations may expose us to significant fines, penalties, and/or interruptions in operations. Our environmental policies and procedures are designed to achieve compliance with such applicable laws, rules, and regulations. These evolving laws, rules, and regulations, and claims for damages to property, employees, other persons, and the environment resulting from current or past operations may result in significant expenditures and liabilities in the future.

(14) Recent Accounting Pronouncements

In December 2023, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures.* ASU 2023-09 improves and enhances income tax disclosure requirements, including new disclosures related to tax rate reconciliation and income taxes paid. The amendments in this update are effective for annual periods beginning after December 15, 2024, and interim periods within annual periods beginning after December 15, 2025, with early adoption permitted. ASU 2023-09 is to be applied on a prospective basis, with retrospective application permitted. We are currently evaluating the impact, if any, of the amendments to ASU 2023-09 on our consolidated financial statements and related disclosures.

In November 2023, FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.* ASU 2023-07 improves and enhances reportable segment disclosure requirements, including new disclosures related to significant segment expenses. The amendments in this update are effective for annual periods beginning after December 15, 2023, and interim periods within annual periods beginning after December 15, 2024, with early adoption permitted. ASU 2023-07 is to be applied on a retrospective basis. We are currently evaluating the impact of the amendments to ASU 2023-07 on our consolidated financial statements and related disclosures.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

USA Compression Partners, LP (the "Partnership") is a Delaware limited partnership that operates as one of the nation's largest independent providers of natural gas compression services in terms of total compression fleet horsepower. We are managed by our general partner, USA Compression GP, LLC (the "General Partner"), which is wholly owned by Energy Transfer. All references in this section to the Partnership, as well as the terms "our," "we," "us," and "its" refer to USA Compression Partners, LP, together with its consolidated subsidiaries, unless the context otherwise requires or where otherwise indicated.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements." All statements other than statements of historical fact contained in this report are forward-looking statements, including, without limitation, statements regarding our plans, strategies, prospects, and expectations concerning our business, results of operations, and financial condition. Many of these statements can be identified by words such as "believe," "expect," "intend," "project," "anticipate," "estimate," "continue," "if," "outlook," "will," "could," "should," or similar words or the negatives thereof.

Known material factors that could cause our actual results to differ from those represented within these forward-looking statements are described in Part I, Item 1A "Risk Factors" of our annual report on Form 10-K for the year ended December 31, 2023, filed on February 13, 2024 (our "2023 Annual Report"), as well as our subsequent filings with the SEC. Important factors that could cause our actual results to differ materially from the expectations reflected in these forward-looking statements include, among other things:

- changes in economic conditions of the crude oil and natural gas industries, including any impact from the ongoing military conflict involving Russia and Ukraine or the conflict in the Middle East;
- changes in general economic conditions, including inflation or supply chain disruptions;
- changes in the long-term supply of and demand for crude oil and natural gas, including as a result of actions taken by governmental authorities and other third parties in response to world health events, and the resulting disruption in the oil and gas industry and impact on demand for oil and gas;
- competitive conditions in our industry, including competition for employees in a tight labor market;
- changes in the availability and cost of capital, including changes to interest rates;
- renegotiation of material terms of customer contracts;
- actions taken by our customers, competitors, and third-party operators;
- operating hazards, natural disasters, epidemics, pandemics, weather-related impacts, casualty losses, and other matters beyond our control;
- the deterioration of the financial condition of our customers, which may result in the initiation of bankruptcy proceedings with respect to certain customers;
- the restrictions on our business that are imposed under our long-term debt agreements;
- information technology risks including the risk from cyberattacks, cybersecurity breaches, and other disruptions to our information systems;
- the effects of existing and future laws and governmental regulations; and
- the effects of future litigation.

New factors emerge from time to time, and it is not possible for us to predict or anticipate all factors that could affect results reflected in the forward-looking statements contained herein. Should one or more of the risks or uncertainties described in this Quarterly Report on Form 10-Q occur, or should underlying assumptions prove incorrect, actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements included in this report are based on information available to us as of the date of this report and speak only as of the date of this report. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements.

Operating Highlights

The following table summarizes certain horsepower and horsepower-utilization percentages for the periods presented and excludes certain gas-treating assets for which horsepower is not a relevant metric.

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Increase (Decrease)	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Increase (Decrease)
Fleet horsepower (at period end) (1)	3,851,970	3,716,177	3.7 %	3,851,970	3,716,177	3.7 %
Total available horsepower (at period end) (2)	3,866,312	3,836,177	0.8 %	3,866,312	3,836,177	0.8 %
Revenue-generating horsepower (at period end) (3)	3,538,683	3,346,657	5.7 %	3,538,683	3,346,657	5.7 %
Average revenue-generating horsepower (4)	3,515,483	3,309,758	6.2 %	3,494,245	3,275,527	6.7 %
Average revenue per revenue-generating horsepower per month (5)	$ 20.29	$ 18.65	8.8 %	$ 20.13	$ 18.42	9.3 %
Revenue-generating compression units (at period end)	4,251	4,220	0.7 %	4,251	4,220	0.7 %
Average horsepower per revenue-generating compression unit (6)	828	787	5.2 %	823	784	5.0 %
Horsepower utilization (7):						
At period end	95.0 %	93.7 %	1.3 %	95.0 %	93.7 %	1.3 %
Average for the period (8)	94.7 %	93.4 %	1.3 %	94.7 %	93.0 %	1.7 %

(1) Fleet horsepower is horsepower for compression units that have been delivered to us.

(2) Total available horsepower is revenue-generating horsepower under contract for which we are billing a customer, horsepower in our fleet that is under contract but is not yet generating revenue, horsepower not yet in our fleet that is under contract but not yet generating revenue and that is expected to be delivered, and idle horsepower. Total available horsepower excludes new horsepower expected to be delivered for which we do not have an executed compression services contract.

(3) Revenue-generating horsepower is horsepower under contract for which we are billing a customer.

(4) Calculated as the average of the month-end revenue-generating horsepower for each of the months in the period.

(5) Calculated as the average of the result of dividing the contractual monthly rate, excluding standby or other temporary rates, for all units at the end of each month in the period by the sum of the revenue-generating horsepower at the end of each month in the period.

(6) Calculated as the average of the month-end revenue-generating horsepower per revenue-generating compression unit for each of the months in the period.

(7) Horsepower utilization is calculated as (i) the sum of (a) revenue-generating horsepower, (b) horsepower in our fleet that is under contract but is not yet generating revenue, and (c) horsepower not yet in our fleet that is under contract but not yet generating revenue and that is expected to be delivered, divided by (ii) total available horsepower less idle horsepower that is under repair. Horsepower utilization based on revenue-generating horsepower and fleet horsepower as of June 30, 2024 and 2023, was 91.9% and 90.1%, respectively.

(8) Calculated as the average utilization for the months in the period based on utilization at the end of each month in the period. Average horsepower utilization based on revenue-generating horsepower and fleet horsepower for the three months ended June 30, 2024 and 2023, was 91.2% and 89.0%, respectively. Average horsepower utilization based on revenue-generating horsepower and fleet horsepower for the six months ended June 30, 2024 and 2023, was 91.1% and 88.1%, respectively.

The 3.7% increase in fleet horsepower as of June 30, 2024, compared to June 30, 2023, primarily was driven by new compression units added to our fleet to meet incremental demand from customers for our compression services.

The increases in revenue-generating horsepower, average horsepower per revenue-generating compression unit, horsepower utilization, and horsepower utilization based on revenue-generating horsepower and fleet horsepower as of and for the three and six months ended June 30, 2024, compared to June 30, 2023, primarily were driven by the addition and deployment of new, and redeployment of existing, large-horsepower compression units due to increased demand for our services commensurate with an overall increase in crude oil and natural gas produced within the U.S.

The 8.8% and 9.3% increases in average revenue per revenue-generating horsepower per month for the three and six months ended June 30, 2024, compared to the three and six months ended June 30, 2023, primarily were due to higher market-based rates on newly deployed and redeployed compression units, and CPI-based and other market-based price increases on existing customer contracts that occur as market conditions permit.

Financial Results of Operations

Three months ended June 30, 2024, compared to the three months ended June 30, 2023

The following table summarizes our results of operations for the periods presented (dollars in thousands):

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Increase (Decrease)
Revenues:			
Contract operations	$ 223,643	$ 196,982	13.5 %
Parts and service	5,827	4,102	42.1 %
Related party	5,843	5,836	0.1 %
Total revenues	235,313	206,920	13.7 %
Costs and expenses:			
Cost of operations, exclusive of depreciation and amortization	78,162	69,922	11.8 %
Depreciation and amortization	65,313	60,039	8.8 %
Selling, general, and administrative	14,173	14,950	(5.2)%
Loss (gain) on disposition of assets	(18)	309	*
Impairment of compression equipment	311	10,273	*
Total costs and expenses	157,941	155,493	1.6 %
Operating income	77,372	51,427	50.5 %
Other income (expense):			
Interest expense, net	(48,828)	(42,045)	16.1 %
Gain on derivative instrument	3,131	14,550	*
Other	26	57	(54.4)%
Total other expense	(45,671)	(27,438)	66.5 %
Net income before income tax expense	31,701	23,989	32.1 %
Income tax expense	463	405	14.3 %
Net income	$ 31,238	$ 23,584	32.5 %

* *Not meaningful*

Contract operations revenue. The $26.7 million increase in contract operations revenue for the three months ended June 30, 2024, compared to the three months ended June 30, 2023, primarily was due to (i) an 8.8% increase in average revenue per revenue-generating horsepower per month, as a result of higher market-based rates on newly deployed and redeployed compression units, and CPI-based and other market-based price increases on existing customer contracts that occur as market conditions permit and (ii) a 6.2% increase in average revenue-generating horsepower as a result of increased demand for our services, commensurate with an overall increase in crude oil and natural gas produced within the U.S., partially offset by (iii) a $2.1 million decrease in revenue attributable to natural gas treating services.

Average revenue per revenue-generating horsepower per month associated with our compression services provided on a month-to-month basis did not differ significantly from the average revenue per revenue-generating horsepower per month associated with our compression services provided under contracts in their primary term during the period.

Parts and service revenue. The $1.7 million increase in parts and service revenue for the three months ended June 30, 2024, compared to the three months ended June 30, 2023, primarily was due to an increase in maintenance work performed on units at customer locations that are outside the scope of our core maintenance activities and that are offered as a convenience, and in directly reimbursable freight and crane charges that are the financial responsibility of the customers. Demand for retail parts and services fluctuates from period to period based on varying customer needs.

Cost of operations, exclusive of depreciation and amortization. The $8.2 million increase in cost of operations, exclusive of depreciation and amortization, for the three months ended June 30, 2024, compared to the three months ended June 30, 2023, primarily was due to (i) a $4.9 million increase in direct labor costs due to increased headcount associated with increased revenue-generating horsepower and higher employee costs, (ii) a $2.1 million increase in direct expenses, primarily driven by increased spending on parts resulting from higher costs and increased usage associated with increased revenue-generating horsepower, and (iii) a $1.1 million increase in retail parts and service expenses, for which a corresponding increase in parts and service revenue also occurred, partially offset by (iv) a $1.0 million decrease in outside maintenance costs due to lower use of third-party labor during the current period.

Depreciation and amortization expense. The $5.3 million increase in depreciation and amortization expense for the three months ended June 30, 2024, compared to the three months ended June 30, 2023, primarily was due to (i) overhauls and major improvements to compression units, (ii) new trucks in our vehicle fleet, and (iii) new compression units placed in service to meet incremental demand from customers.

Selling, general, and administrative expense. The $0.8 million decrease in selling, general, and administrative expense for the three months ended June 30, 2024, compared to the three months ended June 30, 2023, primarily was due to (i) a $2.3 million decrease in unit-based compensation expense, attributable to mark-to-market changes to our unit-based compensation liability that occurred as a result of changes to our per-unit trading price as of June 30, 2024, partially offset by (ii) a $0.8 million increase in professional fees primarily related to an initiative to improve business performance.

Impairment of compression equipment. The $0.3 million and $10.3 million impairments of compression equipment for the three months ended June 30, 2024 and 2023, respectively, primarily resulted from our evaluation of the future deployment of our idle fleet under then-current market conditions. The primary circumstances supporting these impairments were: (i) unmarketability of certain compression units into the foreseeable future, (ii) excessive maintenance costs associated with certain fleet assets, and (iii) prohibitive retrofitting costs that likely would prevent certain compression units from securing customer acceptance. These compression units were written down to their estimated salvage values, if any.

As a result of our evaluation during the three months ended June 30, 2024 and 2023, respectively, we retired two and 33 compression units, representing approximately 1,300 and 26,900 of aggregate horsepower, respectively, that previously were used to provide compression services in our business.

Interest expense, net. The $6.8 million increase in interest expense, net for the three months ended June 30, 2024, compared to the three months ended June 30, 2023, primarily was due to increased aggregate borrowings and higher aggregate weighted-average interest rates under the Credit Agreement and refinanced senior notes.

The weighted-average interest rate applicable to borrowings under the Credit Agreement was 7.97% and 7.63% for the three months ended June 30, 2024 and 2023, respectively, and average outstanding borrowings under the Credit Agreement were $748.9 million and $745.1 million for the three months ended June 30, 2024 and 2023, respectively.

Gain on derivative instrument. The $3.1 million and $14.6 million gains on derivative instrument for the three months ended June 30, 2024 and 2023, respectively, resulted from the increase in fair value of the interest-rate swap due to an increase in the interest-rate forward curve and cash received.

Six months ended June 30, 2024, compared to the six months ended June 30, 2023

The following table summarizes our results of operations for the periods presented (dollars in thousands):

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Increase (Decrease)
Revenues:			
Contract operations	$ 441,747	$ 385,521	14.6 %
Parts and service	11,287	7,980	41.4 %
Related party	11,555	10,543	9.6 %
Total revenues	464,589	404,044	15.0 %
Costs and expenses:			
Cost of operations, exclusive of depreciation and amortization	153,234	136,587	12.2 %
Depreciation and amortization	128,564	119,525	7.6 %
Selling, general, and administrative	37,000	34,051	8.7 %
Loss (gain) on disposition of assets	1,236	(67)	*
Impairment of compression equipment	311	11,464	*
Total costs and expenses	320,345	301,560	6.2 %
Operating income	144,244	102,484	40.7 %
Other income (expense):			
Interest expense, net	(95,494)	(81,835)	16.7 %
Loss on debt extinguishment	(4,966)	—	*
Gain on derivative instrument	11,902	14,550	(18.2)%
Other	60	81	(25.9)%
Total other expense	(88,498)	(67,204)	31.7 %
Net income before income tax expense	55,746	35,280	58.0 %
Income tax expense	935	755	23.8 %
Net income	$ 54,811	$ 34,525	58.8 %

* *Not meaningful*

Contract operations revenue. The $56.2 million increase in contract operations revenue for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, primarily was due to (i) a 9.3% increase in average revenue per revenue-generating horsepower per month, as a result of higher market-based rates on newly deployed and redeployed compression units, and CPI-based and other market-based price increases on existing customer contracts that occur as market conditions permit and (ii) a 6.7% increase in average revenue-generating horsepower as a result of increased demand for our services, commensurate with an overall increase in crude oil and natural gas produced within the U.S.

Average revenue per revenue-generating horsepower per month associated with our compression services provided on a month-to-month basis did not differ significantly from the average revenue per revenue-generating horsepower per month associated with our compression services provided under contracts in their primary term during the period.

Parts and service revenue. The $3.3 million increase in parts and service revenue for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, primarily was due to an increase in maintenance work performed on units at customer locations that are outside the scope of our core maintenance activities and that are offered as a convenience, and in directly reimbursable freight and crane charges that are the financial responsibility of the customers. Demand for retail parts and services fluctuates from period to period based on varying customer needs.

Related-party revenue. Related-party revenue was earned through related-party transactions that occur in the ordinary course of business with various affiliated entities of Energy Transfer. The $1.0 million increase in related-party revenue for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, primarily was due to an increase in revenues attributable to natural gas treating services driven by increased demand for these services from these entities.

Cost of operations, exclusive of depreciation and amortization. The $16.6 million increase in cost of operations, exclusive of depreciation and amortization, for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, primarily was due to (i) a $9.9 million increase in direct labor costs due to increased headcount associated with increased revenue-generating horsepower and higher employee costs, (ii) a $6.3 million increase in direct expenses, primarily driven by fluids and parts due to increased usage associated with increased revenue-generating horsepower, and higher costs on parts, and (iii) a $1.9 million increase in retail parts and service expenses, for which a corresponding increase in parts and service revenue also occurred, partially offset by (iv) a $3.5 million decrease in outside maintenance costs due to lower use of third-party labor during the current period.

Depreciation and amortization expense. The $9.0 million increase in depreciation and amortization expense for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, primarily was due to (i) overhauls and major improvements to compression units, (ii) new trucks in our vehicle fleet, and (iii) new compression units placed in service to meet incremental demand from customers.

Selling, general, and administrative expense. The $2.9 million increase in selling, general, and administrative expense for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, primarily was due to (i) a $2.9 million increase in professional fees primarily related to an initiative to improve business performance and (ii) a $0.7 million increase in employee-related expenses driven by increased headcount, partially offset by (iii) a $1.3 million decrease in unit-based compensation expense, attributable to mark-to-market changes to our unit-based compensation liability that occurred as a result of changes to our per-unit trading price as of June 30, 2024.

Impairment of compression equipment. The $0.3 million and $11.5 million impairments of compression equipment for the six months ended June 30, 2024 and 2023, respectively, primarily resulted from our evaluation of the future deployment of idle fleet assets under then-current market conditions. The primary circumstances supporting these impairments were: (i) unmarketability of certain compression units into the foreseeable future, (ii) excessive maintenance costs associated with certain fleet assets, and (iii) prohibitive retrofitting costs that likely would prevent certain compression units from securing customer acceptance. These compression units were written down to their estimated salvage values, if any.

As a result of our evaluations during the six months ended June 30, 2024 and 2023, we retired two and 39 compression units, respectively, with approximately 1,300 and 35,600 aggregate horsepower, respectively, that previously were used to provide compression services in our business.

Interest expense, net. The $13.7 million increase in interest expense, net for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, primarily was due to increased aggregate borrowings and higher aggregate weighted-average interest rates under the Credit Agreement and refinanced senior notes.

The weighted-average interest rate applicable to borrowings under the Credit Agreement was 7.98% and 7.40% for the six months ended June 30, 2024 and 2023, respectively, and average outstanding borrowings under the Credit Agreement were $817.9 million and $707.7 million for the six months ended June 30, 2024 and 2023, respectively.

Loss on extinguishment of debt. The $5.0 million loss on extinguishment of debt for the six months ended June 30, 2024 resulted from the satisfaction and discharge of the Senior Notes 2026, which constituted a legal defeasance under GAAP (the “Defeasance”). This loss consists of the write-off of deferred financing costs of $4.3 million and the difference between (i) the purchase price of U.S. government securities of $748.8 million, which were used for the Defeasance, and (ii) the aggregate outstanding principal balance and accrued interest of the Senior Notes 2026 of $748.1 million at the time of Defeasance. For additional information regarding the Defeasance of the Senior Notes 2026, see Note 8 to our unaudited condensed consolidated financial statements under Part I, Item 1 “Financial Statements” of this report.

Gain on derivative instrument. The $11.9 million and $14.6 million gains on derivative instrument for the six months ended June 30, 2024 and 2023, respectively, resulted from the increase in fair value of the interest-rate swap due to an increase in the interest-rate forward curve and cash received.

Other Financial Data

The following table summarizes other financial data for the periods presented (dollars in thousands):

Other Financial Data: (1)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Increase (Decrease)	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Increase (Decrease)
Gross margin	$ 91,838	$ 76,959	19.3 %	$ 182,791	$ 147,932	23.6 %
Adjusted gross margin	$ 157,151	$ 136,998	14.7 %	$ 311,355	$ 267,457	16.4 %
Adjusted gross margin percentage (2)	66.8 %	66.2 %	0.6 %	67.0 %	66.2 %	0.8 %
Adjusted EBITDA	$ 143,673	$ 124,998	14.9 %	$ 283,068	$ 243,159	16.4 %
Adjusted EBITDA percentage (2)	61.1 %	60.4 %	0.7 %	60.9 %	60.2 %	0.7 %
DCF	$ 85,863	$ 67,038	28.1 %	$ 172,452	$ 129,651	33.0 %
DCF Coverage Ratio	1.40 x	1.30 x	7.7 %	1.40 x	1.26 x	11.1 %

(1) Adjusted gross margin, Adjusted EBITDA, Distributable Cash Flow (“DCF”), and DCF Coverage Ratio are all non-GAAP financial measures. Definitions of each measure, as well as reconciliations of each measure to its most directly comparable financial measure(s) calculated and presented in accordance with GAAP, can be found below under the caption “Non-GAAP Financial Measures”.

(2) Adjusted gross margin percentage and Adjusted EBITDA percentage are calculated as a percentage of revenue.

Gross margin. The $14.9 million increase in gross margin for the three months ended June 30, 2024, compared to the three months ended June 30, 2023, was due to (i) a $28.4 million increase in revenues, offset by (ii) an $8.2 million increase in cost of operations, exclusive of depreciation and amortization, and (iii) a $5.3 million increase in depreciation and amortization.

The $34.9 million increase in gross margin for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, was due to (i) a $60.5 million increase in revenues, offset by (ii) a $16.6 million increase in cost of operations, exclusive of depreciation and amortization, and (iii) a $9.0 million increase in depreciation and amortization.

Adjusted gross margin. The $20.2 million increase in Adjusted gross margin for the three months ended June 30, 2024, compared to the three months ended June 30, 2023, was due to a $28.4 million increase in revenues, offset by an $8.2 million increase in cost of operations, exclusive of depreciation and amortization.

The $43.9 million increase in Adjusted gross margin for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, was due to a $60.5 million increase in revenues, offset by a $16.6 million increase in cost of operations, exclusive of depreciation and amortization.

The 0.6% and 0.8% increases in Adjusted gross margin percentage for the three and six months ended June 30, 2024, compared to the three and six months ended June 30, 2023, respectively, primarily were due to inflation-driven pressures easing within cost of operations, exclusive of depreciation and amortization, and CPI-based and other market-based price increases on customer contracts that occur as market conditions permit.

Adjusted EBITDA and Adjusted EBITDA percentage. The $18.7 million increase in Adjusted EBITDA for the three months ended June 30, 2024, compared to the three months ended June 30, 2023, primarily was due to a $20.2 million increase in Adjusted gross margin, partially offset by a $1.4 million increase in selling, general, and administrative expenses, excluding unit-based compensation expense, transaction expenses, and severance charges.

The $39.9 million increase in Adjusted EBITDA for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, primarily was due to a $43.9 million increase in Adjusted gross margin, partially offset by a $4.1 million increase in selling, general and administrative expenses, excluding unit-based compensation expense, transaction expenses, and severance charges.

The 0.7% increases in Adjusted EBITDA percentage for the three and six months ended June 30, 2024, compared to the three and six months ended June 30, 2023, respectively, primarily were due to inflation-driven pressures easing within cost of operations, exclusive of depreciation and amortization, and CPI-based and other market-based price increases on customer contracts that occur as market conditions permit.

DCF. The $18.8 million increase in DCF for the three months ended June 30, 2024, compared to the three months ended June 30, 2023, primarily was due to (i) a $20.2 million increase in Adjusted gross margin, (ii) a $7.8 million decrease in distributions on Preferred Units following the conversion of 320,000 Preferred Units into 15,990,804 common units during

2024, and (iii) a $1.3 million increase in cash received on derivative instrument, partially offset by (iv) a $6.3 million increase in cash interest expense, net, (v) a $2.5 million increase in maintenance capital expenditures, and (vi) a $1.4 million increase in selling, general, and administrative expenses, excluding unit-based compensation expense, transaction expenses, and severance charges.

The $42.8 million increase in DCF for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, primarily was due to (i) a $43.9 million increase in Adjusted gross margin, (ii) a $15.6 million decrease in distributions on Preferred Units following the conversion of 320,000 Preferred Units into 15,990,804 common units during 2024, and (iii) a $3.7 million increase in cash received on derivative instrument, partially offset by (iv) a $13.0 million increase in cash interest expense, net, (v) a $3.2 million increase in maintenance capital expenditures, and (vi) a $4.1 million increase in selling, general and administrative expenses, excluding unit-based compensation expense, severance charges, and transaction expenses.

For additional information regarding the conversion of the Preferred Units, see Note 9 to our unaudited condensed consolidated financial statements under Part I, Item 1 “Financial Statements” of this report.

DCF Coverage Ratio. The increases in DCF Coverage Ratio for the three and six months ended June 30, 2024, compared to the three and six months ended June 30, 2023, was due to the increase in DCF for each period, partially offset by increased distributions due to an increase in the number of common units, largely attributable to the conversion of 320,000 Preferred Units into 15,990,804 common units during 2024 and the conversion of warrants into 2,360,488 common units in November 2023.

Liquidity and Capital Resources

Overview

We operate in a capital-intensive industry, and our primary liquidity needs include financing the purchase of additional compression units, making other capital expenditures, servicing our debt, funding working capital, and paying cash distributions on our outstanding preferred and common equity. Our principal sources of liquidity include cash generated by operating activities, borrowings under the Credit Agreement, and issuances of debt and equity securities, including common units under the DRIP.

We believe cash generated by operating activities and, where necessary, borrowings under the Credit Agreement will be sufficient to service our debt, fund working capital, fund our estimated expansion capital expenditures, fund our maintenance capital expenditures, and pay distributions to our unitholders for the next 12 months.

Because we distribute all of our available cash, which excludes prudent operating reserves, we expect to fund any future expansion capital expenditures or acquisitions primarily with capital from external financing sources, such as borrowings under the Credit Agreement and issuances of debt and equity securities, including under the DRIP.

Capital Expenditures

The compression services business is capital intensive, requiring significant investment to maintain, expand, and upgrade existing operations. Our capital requirements primarily have consisted of, and we anticipate that our capital requirements will continue primarily to consist of, the following:

- maintenance capital expenditures, which are capital expenditures made to maintain the operating capacity of our assets and extend their useful lives, to replace partially or fully depreciated assets, or other capital expenditures that are incurred in maintaining our existing business and related operating income; and
- expansion capital expenditures, which are capital expenditures made to expand the operating capacity or operating-income capacity of assets, including by acquisition of compression units or through modification of existing compression units to increase their capacity, or to replace certain partially or fully depreciated assets that at the time of replacement were not generating operating income.

We classify capital expenditures as maintenance or expansion on an individual-asset basis. Over the long term, we expect that our maintenance capital expenditure requirements will continue to increase as the overall size and age of our fleet increases. Our aggregate maintenance capital expenditures for the six months ended June 30, 2024 and 2023, were $14.6 million and $11.4 million, respectively. We currently plan to spend approximately $32.0 million in maintenance capital expenditures for the year 2024, including parts consumed from inventory.

Without giving effect to any equipment that we may acquire pursuant to any future acquisitions, we currently plan to spend between $195.0 million and $205.0 million in expansion capital expenditures for the year 2024. Our expansion capital expenditures for the six months ended June 30, 2024 and 2023, were $171.8 million and $122.8 million, respectively.

Cash Flows

The following table summarizes our sources and uses of cash for the six months ended June 30, 2024 and 2023, (in thousands):

	Six Months Ended June 30,	
	2024	2023
Net cash provided by operating activities	$ 162,658	$ 130,209
Net cash used in investing activities	(146,715)	(105,309)
Net cash used in financing activities	(15,945)	(24,904)

Net cash provided by operating activities. The $32.4 million increase in net cash provided by operating activities for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, primarily was due to (i) an increase in cash flows from a $43.9 million increase in Adjusted gross margin and (ii) a $17.3 million decrease in cash paid for interest, net of capitalized amounts, driven by the Defeasance of the Senior Notes 2026, partially offset by (iii) a $28.1 million increase in inventory purchases.

Net cash used in investing activities. The $41.4 million increase in net cash used in investing activities for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, was due to (i) a $40.7 million increase in capital expenditures, for purchases of new compression units, overhauls and major improvements, and purchases of other equipment, and (ii) a $0.7 million decrease in proceeds from disposition of property and equipment.

Net cash used in financing activities. The $9.0 million decrease in net cash used in financing activities for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, primarily was due to (i) a $1.0 billion increase in proceeds from issuance of the Senior Notes 2029 and (ii) an $8.8 million decrease in Preferred Unit distributions, partially offset by (iii) a $748.8 million increase in investments in government securities purchased in connection with the Defeasance of the Senior Notes 2026, (iv) a $220.1 million decrease in net borrowings under the Credit Agreement, (v) a $18.2 million increase in deferred financing costs driven by the issuance of the Senior Notes 2029, and (vi) a $12.3 million increase in common unit distributions.

Revolving Credit Facility

As of June 30, 2024, we had outstanding borrowings under the Credit Agreement of $756.2 million and, after accounting for outstanding letters of credit in the amount of $0.5 million, $843.3 million of remaining unused availability, of which, due to restrictions related to compliance with the applicable financial covenants, $424.4 million was available to be drawn. As of June 30, 2024, we were in compliance with all of our covenants under the Credit Agreement.

As of August 1, 2024, we had outstanding borrowings under the Credit Agreement of $781.8 million and outstanding letters of credit of $0.5 million.

For a more detailed description of the Credit Agreement, see Note 8 to our unaudited condensed consolidated financial statements in Part I, Item 1 “Financial Statements” of this report and Note 10 to the consolidated financial statements in Part II, Item 8 “Financial Statements and Supplementary Data” included in our 2023 Annual Report.

Senior Notes

As of June 30, 2024, we had $750.0 million and $1.0 billion aggregate principal amount outstanding on our Senior Notes 2027 and Senior Notes 2029, respectively.

On March 5, 2024, we provided notice to the holders of our Senior Notes 2026 that, contingent on receipt of the proceeds from the Senior Notes 2029, the Senior Notes 2026 would be redeemed at par on April 4, 2024. On March 18, 2024, utilizing a portion of the proceeds from the Senior Notes 2029, we deposited government securities with the trustee to satisfy and discharge the Senior Notes 2026 under the Indenture governing the notes. This satisfaction and discharge constituted a legal defeasance, or the Defeasance, under GAAP as of March 18, 2024 of the full outstanding principal balance of $725.0 million. The Senior Notes 2026 were redeemed in full at par on April 4, 2024.

The Senior Notes 2027 are due on September 1, 2027, and accrue interest at the rate of 6.875% per year. Interest on the Senior Notes 2027 is payable semi-annually in arrears on each of March 1 and September 1.

The Senior Notes 2029 are due on March 15, 2029, and accrue interest at the rate of 7.125% per year. Interest on the Senior Notes 2029 is payable semi-annually in arrears on each of March 15 and September 15, commencing on September 15, 2024. Net proceeds from the Senior Notes 2029 were used for the Defeasance, with the remainder used to reduce outstanding borrowings under our Credit Agreement.

For more detailed descriptions of the Defeasance, Senior Notes 2027, and Senior Notes 2029, see Note 8 to our unaudited condensed consolidated financial statements in Part I, Item 1 "Financial Statements" of this report and, for the Senior Notes 2027, Note 10 to the consolidated financial statements in Part II, Item 8 "Financial Statements and Supplementary Data" included in our 2023 Annual Report.

Derivative Instrument

We have an interest-rate swap outstanding to manage interest-rate risk associated with the floating-rate Credit Agreement, see Note 7 to our unaudited condensed consolidated financial statements in Part I, Item 1 "Financial Statements" of this report for additional information on this interest-rate swap.

DRIP

During the six months ended June 30, 2024, distributions of $0.8 million were reinvested under the DRIP resulting in the issuance of 30,596 common units. Such distributions are treated as non-cash transactions in the accompanying unaudited condensed consolidated statements of cash flows included under Part I, Item 1 "Financial Statements" of this report.

Non-GAAP Financial Measures

Adjusted Gross Margin

Adjusted gross margin is a non-GAAP financial measure. We define Adjusted gross margin as revenue less cost of operations, exclusive of depreciation and amortization expense. We believe Adjusted gross margin is useful to investors as a supplemental measure of our operating profitability. Adjusted gross margin primarily is impacted by the pricing trends for service operations and cost of operations, including labor rates for service technicians, volume, and per-unit costs for lubricant oils, quantity and pricing of routine preventative maintenance on compression units, and property tax rates on compression units. Adjusted gross margin should not be considered an alternative to, or more meaningful than, gross margin or any other measure presented in accordance with GAAP. Moreover, our Adjusted gross margin, as presented, may not be comparable to similarly titled measures of other companies. Because we capitalize assets, depreciation and amortization of equipment is a necessary element of our cost structure. To compensate for the limitations of Adjusted gross margin as a measure of our performance, we believe it is important to consider gross margin determined under GAAP, as well as Adjusted gross margin, to evaluate our operating profitability.

The following table reconciles Adjusted gross margin to gross margin, its most directly comparable GAAP financial measure, for each of the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Total revenues	$ 235,313	$ 206,920	$ 464,589	$ 404,044
Cost of operations, exclusive of depreciation and amortization	(78,162)	(69,922)	(153,234)	(136,587)
Depreciation and amortization	(65,313)	(60,039)	(128,564)	(119,525)
Gross margin	**$ 91,838**	**$ 76,959**	**$ 182,791**	**$ 147,932**
Depreciation and amortization	65,313	60,039	128,564	119,525
Adjusted gross margin	**$ 157,151**	**$ 136,998**	**$ 311,355**	**$ 267,457**

Adjusted EBITDA

We define EBITDA as net income (loss) before net interest expense, depreciation and amortization expense, and income tax expense (benefit). We define Adjusted EBITDA as EBITDA plus impairment of compression equipment, impairment of goodwill, interest income on capital leases, unit-based compensation expense (benefit), severance charges, certain transaction expenses, loss (gain) on disposition of assets, loss on extinguishment of debt, loss (gain) on derivative instrument, and other. We view Adjusted EBITDA as one of management's primary tools for evaluating our results of operations, and we track this item on a monthly basis as an absolute amount and as a percentage of revenue compared to the prior month, year-to-date, prior year, and budget. Adjusted EBITDA is used as a supplemental financial measure by our management and external users of our financial statements, such as investors and commercial banks, to assess:

- the financial performance of our assets without regard to the impact of financing methods, capital structure, or the historical cost basis of our assets;
- the viability of capital expenditure projects and the overall rates of return on alternative investment opportunities;
- the ability of our assets to generate cash sufficient to make debt payments and pay distributions; and
- our operating performance as compared to those of other companies in our industry without regard to the impact of financing methods and capital structure.

We believe Adjusted EBITDA provides useful information to investors because, when viewed in conjunction with our GAAP results and the accompanying reconciliations, it may provide a more complete assessment of our performance as compared to considering solely GAAP results. We also believe that external users of our financial statements benefit from having access to the same financial measures that management uses to evaluate the results of our business.

Adjusted EBITDA should not be considered an alternative to, or more meaningful than, net income (loss), operating income (loss), cash flows from operating activities, or any other measure presented in accordance with GAAP. Moreover, our Adjusted EBITDA, as presented, may not be comparable to similarly titled measures of other companies.

Because we use capital assets, depreciation, impairment of compression equipment, loss (gain) on disposition of assets, and the interest cost of acquiring compression equipment also are necessary elements of our aggregate costs. Unit-based compensation expense related to equity awards granted to employees also is a meaningful business expense. Therefore, measures that exclude these cost elements have material limitations. To compensate for these limitations, we believe that it is important to consider net income (loss) and net cash provided by operating activities as determined under GAAP, as well as Adjusted EBITDA, to evaluate our financial performance and liquidity. Our Adjusted EBITDA excludes some, but not all, items that affect net income (loss) and net cash provided by operating activities, and these excluded items may vary among companies. Management compensates for the limitations of Adjusted EBITDA as an analytical tool by reviewing comparable GAAP measures, understanding the differences between the measures, and incorporating this knowledge into their decision making.

The following table reconciles Adjusted EBITDA to net income and net cash provided by operating activities, its most directly comparable GAAP financial measures, for each of the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	$ 31,238	$ 23,584	$ 54,811	$ 34,525
Interest expense, net	48,828	42,045	95,494	81,835
Depreciation and amortization	65,313	60,039	128,564	119,525
Income tax expense	463	405	935	755
EBITDA	**$ 145,842**	**$ 126,073**	**$ 279,804**	**$ 236,640**
Unit-based compensation expense (1)	562	2,849	8,331	9,628
Transaction expenses (2)	63	—	171	—
Severance charges	44	44	151	44
Loss (gain) on disposition of assets	(18)	309	1,236	(67)
Loss on extinguishment of debt (3)	—	—	4,966	—
Gain on derivative instrument	(3,131)	(14,550)	(11,902)	(14,550)
Impairment of compression equipment (4)	311	10,273	311	11,464
Adjusted EBITDA	**$ 143,673**	**$ 124,998**	**$ 283,068**	**$ 243,159**
Interest expense, net	(48,828)	(42,045)	(95,494)	(81,835)
Non-cash interest expense	2,257	1,819	4,252	3,641
Income tax expense	(463)	(405)	(935)	(755)
Transaction expenses	(63)	—	(171)	—
Severance charges	(44)	(44)	(151)	(44)
Cash received on derivative instrument	2,466	1,216	4,888	1,216
Other	37	34	97	19
Changes in operating assets and liabilities	(2,294)	2,298	(32,896)	(35,192)
Net cash provided by operating activities	**$ 96,741**	**$ 87,871**	**$ 162,658**	**$ 130,209**

(1) For the three and six months ended June 30, 2024, unit-based compensation expense included $1.0 million and $2.0 million, respectively, of cash payments related to quarterly payments of DERs on outstanding phantom unit awards. For the three and six months ended June 30, 2023, unit-based compensation expense included $1.1 million and $2.2 million, respectively, of cash payments related to quarterly payments of DERs on outstanding phantom unit awards. The remainder of unit-based compensation expense for all periods was related to non-cash adjustments to the unit-based compensation liability.

(2) Represents certain expenses related to potential and completed transactions and other items. We believe it is useful to investors to exclude these expenses.

(3) This loss on extinguishment of debt is a result of the Defeasance of the Senior Notes 2026. This amount represents the write-off of deferred financing costs of $4.3 million and the difference between (i) the purchase price of U.S. government securities of $748.8 million and (ii) the aggregate outstanding principal balance and accrued interest of the Senior Notes 2026 of $748.1 million at the time of Defeasance.

(4) Represents non-cash charges incurred to decrease the carrying value of long-lived assets with recorded values that are not expected to be recovered through future cash flows.

Distributable Cash Flow

We define DCF as net income (loss) plus non-cash interest expense, non-cash income tax expense (benefit), depreciation and amortization expense, unit-based compensation expense (benefit), impairment of compression equipment, impairment of goodwill, certain transaction expenses, severance charges, loss (gain) on disposition of assets, loss on extinguishment of debt, change in fair value of derivative instrument, proceeds from insurance recovery, and other, less distributions on Preferred Units and maintenance capital expenditures.

We believe DCF is an important measure of operating performance because it allows management, investors, and others to compare the cash flows that we generate (after distributions on the Preferred Units but prior to any retained cash reserves established by the General Partner and the effect of the DRIP) to the cash distributions that we expect to pay our common unitholders.

DCF should not be considered an alternative to, or more meaningful than, net income (loss), operating income (loss), cash flows from operating activities, or any other measure presented in accordance with GAAP. Moreover, our DCF, as presented, may not be comparable to similarly titled measures of other companies.

Because we use capital assets, depreciation, impairment of compression equipment, loss (gain) on disposition of assets, the interest cost of acquiring compression equipment, and maintenance capital expenditures are necessary components of our aggregate costs. Unit-based compensation expense related to equity awards granted to employees also is a meaningful business expense. Therefore, measures that exclude these cost elements have material limitations. To compensate for these limitations, we believe that it is important to consider net income (loss) and net cash provided by operating activities as determined under GAAP, as well as DCF, to evaluate our financial performance and liquidity. Our DCF excludes some, but not all, items that affect net income (loss) and net cash provided by operating activities, and these excluded items may vary among companies. Management compensates for the limitations of DCF as an analytical tool by reviewing comparable GAAP measures, understanding the differences between the measures, and incorporating this knowledge into their decision making.

The following table reconciles DCF to net income and net cash provided by operating activities, its most directly comparable GAAP financial measures, for each of the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	$ 31,238	$ 23,584	$ 54,811	$ 34,525
Non-cash interest expense	2,257	1,819	4,252	3,641
Depreciation and amortization	65,313	60,039	128,564	119,525
Non-cash income tax expense	37	34	97	19
Unit-based compensation expense (1)	562	2,849	8,331	9,628
Transaction expenses (2)	63	—	171	—
Severance charges	44	44	151	44
Loss (gain) on disposition of assets	(18)	309	1,236	(67)
Loss on extinguishment of debt (3)	—	—	4,966	—
Change in fair value of derivative instrument	(665)	(13,334)	(7,014)	(13,334)
Impairment of compression equipment (4)	311	10,273	311	11,464
Distributions on Preferred Units (5)	(4,387)	(12,188)	(8,775)	(24,375)
Maintenance capital expenditures (6)	(8,892)	(6,391)	(14,649)	(11,419)
DCF	**$ 85,863**	**$ 67,038**	**$ 172,452**	**$ 129,651**
Maintenance capital expenditures	8,892	6,391	14,649	11,419
Transaction expenses	(63)	—	(171)	—
Severance charges	(44)	(44)	(151)	(44)
Distributions on Preferred Units	4,387	12,188	8,775	24,375
Changes in operating assets and liabilities	(2,294)	2,298	(32,896)	(35,192)
Net cash provided by operating activities	**$ 96,741**	**$ 87,871**	**$ 162,658**	**$ 130,209**

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(1) For the three and six months ended June 30, 2024, unit-based compensation expense included $1.0 million and $2.0 million, respectively, of cash payments related to quarterly payments of DERs on outstanding phantom unit awards. For the three and six months ended June 30, 2023, unit-based compensation expense included $1.1 million and $2.2 million, respectively, of cash payments related to quarterly payments of DERs on outstanding phantom unit awards. The remainder of unit-based compensation expense for all periods was related to non-cash adjustments to the unit-based compensation liability.

(2) Represents certain expenses related to potential and completed transactions and other items. We believe it is useful to investors to exclude these expenses.

(3) This loss on extinguishment of debt is a result of the Defeasance of the Senior Notes 2026. This amount represents the write-off of deferred financing costs of $4.3 million and the difference between (i) the purchase price of U.S. government securities of $748.8 million and (ii) the aggregate outstanding principal balance and accrued interest of the Senior Notes 2026 of $748.1 million at the time of Defeasance.

(4) Represents non-cash charges incurred to decrease the carrying value of long-lived assets with recorded values that are not expected to be recovered through future cash flows.

(5) During 2024, 320,000 Preferred Units were converted into 15,990,804 common units, all of which occurred on or prior to the distribution record date for the first-quarter 2024.

(6) Reflects actual maintenance capital expenditures for the period presented. Maintenance capital expenditures are capital expenditures made to maintain the operating capacity of our assets and extend their useful lives, replace partially or fully depreciated assets, or other capital expenditures that are incurred in maintaining our existing business and related cash flow.

DCF Coverage Ratio

DCF Coverage Ratio is defined as the period's DCF divided by distributions declared to common unitholders in respect of such period. We believe DCF Coverage Ratio is an important measure of operating performance because it permits management, investors, and others to assess our ability to pay distributions to common unitholders out of the cash flows that we generate. Our DCF Coverage Ratio, as presented, may not be comparable to similarly titled measures of other companies.

The following table summarizes our DCF Coverage Ratio for the periods presented (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
DCF	$ 85,863	$ 67,038	$ 172,452	$ 129,651
Distributions for DCF Coverage Ratio (1)	$ 61,429	$ 51,596	$ 122,851	$ 103,181
DCF Coverage Ratio	1.40 x	1.30 x	1.40 x	1.26 x

(1) Represents distributions to the holders of our common units as of the record date.

Critical Accounting Estimates

The Partnership's critical accounting estimates are described in Part II, Item 7 "Critical Accounting Estimates" of our 2023 Annual Report. There have been no material changes to our critical accounting estimates since the date of our 2023 Annual Report.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Commodity Price Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices. We do not take title to any natural gas or crude oil in connection with our rendered services, and accordingly, we do not bear direct exposure to fluctuating commodity prices. However, the demand for our compression services depends on the continued demand for, and production of, natural gas and crude oil. Sustained low natural gas or crude oil prices over the long term could result in a decline in the production of natural gas or crude oil, which could result in reduced demand for our compression services. We do not intend to hedge our indirect exposure to fluctuating commodity prices. A one percent decrease in average revenue-generating horsepower during the six months ended June 30, 2024 would result in an annual decrease of approximately $8.4 million and $5.7 million in our revenue and Adjusted gross margin, respectively. Adjusted gross margin is a non-GAAP financial measure. For a reconciliation of Adjusted gross margin to gross margin, its most directly comparable financial measure, calculated and presented in accordance with GAAP, please read Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures” of this report.

Interest Rate Risk

We are exposed to market risk due to variable interest rates under the Credit Agreement.

As of June 30, 2024, we had $756.2 million of variable-rate indebtedness outstanding at a weighted-average interest rate of 8.10%. Based on our June 30, 2024 variable-rate indebtedness outstanding, a one percent increase or decrease, respectively, in the effective interest rate would result in an annual increase or decrease, respectively, in our interest expense of approximately $7.6 million.

For further information regarding our exposure to interest rate fluctuations on our debt obligations, see Note 8 to our unaudited condensed consolidated financial statements under Part I, Item 1 “Financial Statements” of this report.

As of June 30, 2024, we have an interest-rate swap outstanding to manage interest-rate risk associated with the floating-rate Credit Agreement with a notional principal amount of $700 million and a termination date of December 31, 2025. Under the interest-rate swap, we pay a fixed interest rate of 3.9725% and receive floating interest rate payments that are indexed to the one-month SOFR. Based on the fixed interest rate as of June 30, 2024, a one percent increase or decrease in the SOFR interest-rate forward curve would result in an increase or decrease, respectively, in the fair value of this interest-rate swap of $11.2 million, prior to any discount factors or credit valuation adjustments.

For further information regarding our interest-rate swap, see Note 7 to our unaudited condensed consolidated financial statements under Part I, Item 1 “Financial Statements” of this report.

Credit Risk

Our credit exposure generally relates to receivables for services provided. If any significant customer of ours should have credit or financial problems resulting in a delay or failure to pay the amount it owes us, it could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

ITEM 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures, and is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC. Based on the evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2024, at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

From time to time, we and our subsidiaries may be involved in various claims, proceedings, and litigation arising in the ordinary course of business. In management's opinion, the resolution of such matters is not expected to have a material adverse effect on our consolidated financial position, results of operations, or cash flows. See "Tax Contingencies" in Note 13 to our unaudited condensed consolidated financial statements in Part I, Item 1 "Financial Statements" of this report for more information on certain of these proceedings.

ITEM 1A. Risk Factors

Security holders and potential investors in our securities should carefully consider the risk factors set forth in Part I, Item 1A "Risk Factors" of our 2023 Annual Report, and in subsequent filings we make with the SEC. We have identified these risk factors as important factors that could cause our actual results to differ materially from those contained in any written or oral forward-looking statements made by us or on our behalf.

ITEM 6. Exhibits

The following documents are filed, furnished, or incorporated by reference as part of this report:

Exhibit Number	Description
3.1	Certificate of Limited Partnership of USA Compression Partners, LP (incorporated by reference to Exhibit 3.1 to Amendment No. 3 of the Partnership's registration statement on Form S-1 (Registration No. 333-174803) filed on December 21, 2011)
3.2	Second Amended and Restated Agreement of Limited Partnership of USA Compression Partners, LP (incorporated by reference to Exhibit 3.1 to the Partnership's Current Report on Form 8-K (File No. 001-35779) filed on April 6, 2018)
22.1	List of Subsidiary Guarantors and Co-Issuer (incorporated by reference to Exhibit 22.1 to the Partnership's Quarterly Report on Form 10-Q (File No. 001-35779) filed on May 7, 2024)
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
32.1#	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2#	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1*	The following materials from USA Compression Partners, LP's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2024, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) our unaudited condensed consolidated balance sheets as of June 30, 2024 and December 31, 2023, (ii) our unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2024 and 2023, (iii) our unaudited condensed consolidated statements of changes in partners' capital (deficit) for the six months ended June 30, 2024 and 2023, (iv) our unaudited condensed consolidated statements of cash flows for the six months ended June 30, 2024 and 2023, and (v) the related notes to our unaudited condensed consolidated financial statements.
104*	The cover page from this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024, formatted in Inline XBRL (included with Exhibit 101.1)

* Filed herewith.

\# Furnished herewith. Not considered to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section.

SIGNATURES

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

USA COMPRESSION PARTNERS, LP

By: USA Compression GP, LLC
its General Partner

Date: August 6, 2024

By: /s/ G. Tracy Owens

G. Tracy Owens
Vice President of Finance and Chief Accounting Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Eric D. Long, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of USA Compression Partners, LP (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2024

/s/ Eric D. Long

Name: Eric D. Long
Title: President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, G. Tracy Owens, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of USA Compression Partners, LP (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 6, 2024

/s/ G. Tracy Owens

Name:	G. Tracy Owens
Title:	Vice President of Finance and Chief Accounting Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of USA Compression Partners, LP (the "Partnership") for the quarter-ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Eric D. Long, as President and Chief Executive Officer of the Partnership's general partner, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Eric D. Long
Eric D. Long
President and Chief Executive Officer

Date: August 6, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report on Form 10-Q of USA Compression Partners, LP (the “Partnership”) for the quarter-ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), G. Tracy Owens, as Vice President of Finance and Chief Accounting Officer of the Partnership’s general partner, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ G. Tracy Owens
G. Tracy Owens
Vice President of Finance and Chief Accounting Officer

Date: August 6, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.