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 March 31, 2023

☐ **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 April 27, 2023, there were 98,257,639 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
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)

	March 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 6	$ 35
Accounts receivable, net of allowances for credit losses of $1,246 and $1,164, respectively	80,208	83,822
Related-party receivables	246	52
Inventories	96,346	93,754
Prepaid expenses and other assets	9,134	8,784
Total current assets	185,940	186,447
Property and equipment, net	2,174,487	2,172,924
Lease right-of-use assets	17,640	18,195
Identifiable intangible assets, net	267,687	275,032
Other assets	12,120	13,126
Total assets	$ 2,657,874	$ 2,665,724
Liabilities, Preferred Units, and Partners' Deficit		
Current liabilities:		
Accounts payable	$ 39,444	$ 35,303
Accrued liabilities	54,896	76,016
Deferred revenue	61,628	62,345
Total current liabilities	155,968	173,664
Long-term debt, net	2,170,421	2,106,649
Operating lease liabilities	15,510	16,146
Other liabilities	7,127	8,255
Total liabilities	2,349,026	2,304,714
Commitments and contingencies		
Preferred Units	477,309	477,309
Partners' deficit:		
Common units, 98,258 and 98,228 units issued and outstanding, respectively	(177,273)	(125,111)
Warrants	8,812	8,812
Total partners' deficit	(168,461)	(116,299)
Total liabilities, Preferred Units, and partners' deficit	$ 2,657,874	$ 2,665,724

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 March 31,	
	2023	2022
Revenues:		
Contract operations	$ 188,539	$ 157,668
Parts and service	3,878	1,926
Related party	4,707	3,818
Total revenues	197,124	163,412
Costs and expenses:		
Cost of operations, exclusive of depreciation and amortization	66,665	53,732
Depreciation and amortization	59,486	59,064
Selling, general, and administrative	19,101	15,265
Gain on disposition of assets	(376)	(179)
Impairment of compression equipment	1,191	432
Total costs and expenses	146,067	128,314
Operating income	51,057	35,098
Other income (expense):		
Interest expense, net	(39,790)	(31,838)
Other	24	20
Total other expense	(39,766)	(31,818)
Net income before income tax expense	11,291	3,280
Income tax expense	350	26
Net income	10,941	3,254
Less: distributions on Preferred Units	(12,187)	(12,187)
Net loss attributable to common unitholders’ interests	$ (1,246)	$ (8,933)
Weighted-average common units outstanding – basic and diluted	98,247	97,365
Basic and diluted net loss per common unit	$ (0.01)	$ (0.09)
Distributions declared per common unit for respective periods	$ 0.525	$ 0.525

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)

	For the Three Months Ended March 31, 2023		
	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)

	For the Three Months Ended March 31, 2022		
	Common units	Warrants	Total
Partners' capital ending balance, December 31, 2021	$ 87,129	$ 13,979	$ 101,108
Distributions and DERs, $0.525 per unit	(51,137)	—	(51,137)
Issuance of common units under the DRIP	516	—	516
Unit-based compensation for equity classified awards	64	—	64
Net loss attributable to common unitholders' interests	(8,933)	—	(8,933)
Partners' capital ending balance, March 31, 2022	$ 27,639	$ 13,979	$ 41,618

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net income	$ 10,941	$ 3,254
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	59,486	59,064
Provision for expected credit losses	—	(500)
Amortization of debt issuance costs	1,822	1,822
Unit-based compensation expense	6,779	3,710
Deferred income tax benefit	(15)	(204)
Gain on disposition of assets	(376)	(179)
Impairment of compression equipment	1,191	432
Changes in assets and liabilities:		
Accounts receivable and related-party receivables, net	3,420	(1,138)
Inventories	(13,328)	(5,161)
Prepaid expenses and other current assets	(350)	(919)
Other assets	1,177	869
Accounts payable	454	(2,202)
Accrued liabilities and deferred revenue	(28,863)	(23,794)
Net cash provided by operating activities	42,338	35,054
Cash flows from investing activities:		
Capital expenditures, net	(41,397)	(20,230)
Proceeds from disposition of property and equipment	536	467
Proceeds from insurance recovery	—	49
Net cash used in investing activities	(40,861)	(19,714)
Cash flows from financing activities:		
Proceeds from revolving credit facility	266,470	214,978
Payments on revolving credit facility	(203,338)	(165,785)
Cash distributions on common units	(52,093)	(51,767)
Cash distributions on Preferred Units	(12,187)	(12,187)
Deferred financing costs	(251)	(423)
Other	(107)	(141)
Net cash used in financing activities	(1,506)	(15,325)
Increase (decrease) in cash and cash equivalents	(29)	15
Cash and cash equivalents, beginning of period	35	—
Cash and cash equivalents, end of period	$ 6	$ 15
Supplemental cash flow information:		
Cash paid for interest, net of capitalized amounts	$ 63,167	$ 54,712
Supplemental non-cash transactions:		
Non-cash distributions to certain common unitholders (DRIP)	$ 617	$ 516
Transfers from inventories to property and equipment, net	$ 10,636	$ 1,118
Changes in capital expenditures included in accounts payable and accrued liabilities	$ 2,922	$ 1,874
Changes in financing costs included in accounts payable and accrued liabilities	$ 134	$ (146)

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 months ended March 31, 2023, are not necessarily indicative of the results that may be expected for the year ending December 31, 2023. 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 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, 2022, filed on February 14, 2023 (our "2022 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 $0.3 million and $0.1 million for the three months ended March 31, 2023, and 2022, 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 months ended March 31, 2023, and 2022.

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. 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 March 31, 2023, and December 31, 2022, our financial instruments primarily consisted of cash and cash equivalents, trade accounts receivable, trade accounts payable, 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 and Senior Notes 2027 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 and Senior Notes 2027 (in thousands):

	March 31, 2023	December 31, 2022
Senior Notes 2026, aggregate principal	$ 725,000	$ 725,000
Fair value of Senior Notes 2026	706,875	706,875
Senior Notes 2027, aggregate principal	750,000	750,000
Fair value of Senior Notes 2027	714,375	725,625

Operating Segment

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

(3) Trade Accounts Receivable

The allowance for credit losses, which was $1.2 million at both March 31, 2023, and December 31, 2022, represents our best estimate of the amount of probable credit losses included within our existing accounts receivable balance.

For the three months ended March 31, 2022, we recognized a reversal of $0.5 million to our provision for expected credit losses. Favorable market conditions for customers, attributable to sustained increases in commodity prices, was the primary factor supporting the recorded decrease to the allowance for credit losses for the three months ended March 31, 2022.

(4) Inventories

Components of inventories are as follows (in thousands):

	March 31, 2023	December 31, 2022
Serialized parts	$ 47,461	$ 46,923
Non-serialized parts	48,885	46,831
Total inventories	$ 96,346	$ 93,754

(5) Property and Equipment and Identifiable Intangible Assets

Property and Equipment

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

	March 31, 2023	December 31, 2022
Compression and treating equipment	$ 3,703,658	$ 3,658,000
Computer equipment	30,980	34,941
Automobiles and vehicles	37,618	34,947
Leasehold improvements	8,997	8,997
Buildings	3,464	3,464
Furniture and fixtures	797	795
Land	77	77
Total property and equipment, gross	3,785,591	3,741,221
Less: accumulated depreciation and amortization	(1,611,104)	(1,568,297)
Total property and equipment, net	$ 2,174,487	$ 2,172,924

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 gain on disposition of assets were as follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Depreciation expense	$ 52,141	$ 51,720
Gain on disposition of assets	376	179

On a quarterly basis, we evaluate the future deployment of our idle fleet assets under current market conditions. For the three months ended March 31, 2023, and 2022, we retired six and ten compression units, respectively, representing approximately 8,700 and 1,400 of aggregate horsepower, respectively, that previously were used to provide compression services in our business. As a result, we recorded an impairment of compression equipment of $1.2 million and $0.4 million for the three months ended March 31, 2023, and 2022, 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, 2022	$ 250,744	$ 24,288	$ 275,032
Amortization expense	(6,526)	(819)	(7,345)
Net balance as of March 31, 2023	$ 244,218	$ 23,469	$ 267,687

Accumulated amortization of intangible assets was $283.0 million and $275.6 million as of March 31, 2023, and December 31, 2022, respectively.

(6) Other Current Liabilities

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

	March 31, 2023	December 31, 2022
Accrued interest expense	$ 7,601	$ 32,763
Accrued unit-based compensation liability	23,345	17,743
Accrued capital expenditures	12,950	10,028

(7) Long-term Debt

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

	March 31, 2023	December 31, 2022
Senior Notes 2026, aggregate principal	$ 725,000	$ 725,000
Senior Notes 2027, aggregate principal	750,000	750,000
Less: deferred financing costs, net of amortization	(13,667)	(14,307)
Total senior notes, net	1,461,333	1,460,693
Revolving credit facility	709,088	645,956
Total long-term debt, net	$ 2,170,421	$ 2,106,649

Revolving Credit Facility

The Credit Agreement matures on December 8, 2026, except that if any portion of the Senior Notes 2026 are outstanding on December 31, 2025, the Credit Agreement will mature on December 31, 2025.

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 March 31, 2023, we had outstanding borrowings under the Credit Agreement of $709.1 million, $890.9 million of availability and, subject to compliance with the applicable financial covenants, available borrowing capacity of $374.5 million. Our weighted-average interest rate in effect for all borrowings under the Credit Agreement for the three months ended March 31, 2023, was 7.15%, and our weighted-average interest rate under the Credit Agreement as of March 31, 2023, was 7.38%. There were no letters of credit issued under the Credit Agreement as of March 31, 2023. 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, (a) on or before September 30, 2023, we have availability under the Credit Agreement of at least $250 million and (b) after September 30, 2023, 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 (as defined in the Credit Agreement) interest coverage ratio of 2.5 to 1.0, 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 3.0 to 1.0 or less than 0.0 to 1.0, 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, determined as of the last day of each fiscal quarter with EBITDA annualized for the most-recent fiscal quarter, of (i) 5.50 to 1.00 through the third quarter of 2023 and (ii) 5.25 to 1.00 thereafter. 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 March 31, 2023, we were in compliance with all of our covenants under the Credit Agreement.

The Credit Agreement is a “revolving credit facility” that includes a lockbox arrangement, whereby remittances from customers are forwarded to a bank account controlled by the administrative agent and are applied to reduce borrowings under the facility.

Senior Notes 2026

On March 23, 2018, the Partnership and Finance Corp co-issued the Senior Notes 2026. The Senior Notes 2026 mature on April 1, 2026 and accrue interest at the rate of 6.875% per year. Interest on the Senior Notes 2026 is payable semi-annually in arrears on each of April 1 and October 1.

The indenture governing the Senior Notes 2026 (the “2026 Indenture”) contains certain financial covenants that we must comply with in order to make certain restricted payments as described in the 2026 Indenture. As of March 31, 2023, we were in compliance with such financial covenants under the 2026 Indenture.

The Senior Notes 2026 are fully and unconditionally guaranteed (the “2026 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 2026 and the 2026 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 2026 and the 2026 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 2026.

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 March 31, 2023, 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.

(8) Preferred Units

We had 500,000 Preferred Units outstanding as of March 31, 2023, and December 31, 2022, respectively, with a face value of $1,000 per Preferred Unit.

The Preferred Units 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.

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 4, 2022	$ 24.375
May 6, 2022	24.375
August 5, 2022	24.375
November 4, 2022	24.375
Total 2022 distributions	$ 97.50
February 3, 2023	$ 24.375

Announced Quarterly Distribution

On April 13, 2023, we declared a cash distribution of $24.375 per unit on our Preferred Units. The distribution will be paid on May 5, 2023, to the holders of the Preferred Units of record as of the close of business on April 24, 2023.

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

	Preferred Units
Balance as of December 31, 2022	$ 477,309
Net income allocated to Preferred Units	12,187
Cash distributions on Preferred Units	(12,187)
Balance as of March 31, 2023	$ 477,309

Redemption and Conversion Features

As of April 2, 2023, 100% of 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.

As of April 2, 2023, 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.

(9) Partners' Deficit

Common Units

The change in common units outstanding was as follows:

	Common Units Outstanding
Number of common units outstanding, December 31, 2022	98,227,656
Issuance of common units under the DRIP	29,983
Number of common units outstanding, March 31, 2023	98,257,639

As of March 31, 2023, 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 4, 2022	$ 0.525	$ 51.1	$ 1.2	$ 52.3
May 6, 2022	0.525	51.1	1.2	52.3
August 5, 2022	0.525	51.4	1.1	52.5
November 4, 2022	0.525	51.5	1.0	52.5
Total 2022 distributions	$ 2.10	$ 205.1	$ 4.5	$ 209.6
February 3, 2023	$ 0.525	$ 51.6	$ 1.1	$ 52.7

Announced Quarterly Distribution

On April 13, 2023, we announced a cash distribution of $0.525 per unit on our common units. The distribution will be paid on May 5, 2023, to common unitholders of record as of the close of business on April 24, 2023.

DRIP

During the three months ended March 31, 2023, distributions of $0.6 million were reinvested under the DRIP resulting in the issuance of 29,983 common units.

Warrants

As of March 31, 2023, and December 31, 2022, we had warrants outstanding to purchase 10,000,000 common units with a strike price of $19.59 per common unit that may be exercised by the holders at any time prior to April 2, 2028.

Loss Per Unit

The computation of loss 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 loss per unit is determined by dividing net income (loss) allocated to participating securities after deducting the amount distributed on Preferred Units, by the weighted-average number of participating securities outstanding during the period. Loss 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 (loss) attributable to unitholders for the period, the excess distributions are allocated to all participating securities outstanding based on their respective ownership percentages.

Diluted loss 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 loss per unit, as they are not considered to be participating securities, but are included in the calculation of diluted loss 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 months ended March 31, 2023, approximately 1.1 million and 477,000 incremental unvested phantom units and "in the money" outstanding warrants, respectively, were excluded from the calculation of diluted loss per unit because the impact was anti-dilutive.

For the three months ended March 31, 2022, approximately 803,000 and 13,000 incremental unvested phantom units and "in the money" then-outstanding warrants, respectively, were excluded from the calculation of diluted loss per unit because the impact was anti-dilutive. Our outstanding warrants not "in the money" were excluded from the calculation for the three months ended March 31, 2022.

(10) Revenue Recognition

Disaggregation of Revenue

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

	Three Months Ended March 31,	
	2023	2022
Contract operations revenue	$ 193,142	$ 161,486
Retail parts and services revenue	3,982	1,926
Total revenues	$ 197,124	$ 163,412

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

	Three Months Ended March 31,	
	2023	2022
Services provided over time:		
Primary term	$ 148,726	$ 108,297
Month-to-month	44,416	53,189
Total services provided over time	193,142	161,486
Services provided or goods transferred at a point in time	3,982	1,926
Total revenues	$ 197,124	$ 163,412

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	March 31, 2023	December 31, 2022
Current (1)	Deferred revenue	$ 61,628	$ 62,345
Noncurrent	Other liabilities	1,815	2,789
Total		$ 63,443	$ 65,134

(1) We recognized $53.0 million of revenue during the three months ended March 31, 2023, related to our deferred revenue balance as of December 31, 2022.

Performance Obligations

As of March 31, 2023, the aggregate amount of transaction price allocated to unsatisfied performance obligations related to our contract operations revenue was $725.9 million. We expect to recognize these remaining performance obligations as follows (in thousands):

	2023 (remainder)	2024	2025	2026	Thereafter	Total
Remaining performance obligations	$ 339,873	$ 231,943	$ 74,426	$ 50,863	$ 28,792	$ 725,897

(11) Transactions with Related Parties

We provide compression services to entities affiliated with Energy Transfer, which as of March 31, 2023, owned approximately 47% 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 March 31,	
	2023	2022
Related-party revenues	$ 4,707	$ 3,818

We had approximately $246,000 and $52,000 of related-party receivables on our unaudited condensed consolidated balance sheets as of March 31, 2023, and December 31, 2022, respectively, from those entities affiliated with Energy Transfer.

(12) Commitments and Contingencies

(a) Major Customers

We did not have revenue from any single customer representing 10% or more of total revenues for the three months ended March 31, 2023, or 2022.

(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) Equipment Purchase Commitments

Our future capital commitments are comprised of binding commitments under purchase orders for new compression units ordered but not received. The commitments as of March 31, 2023, were $144.7 million, all of which is expected to be settled by year-end 2023.

(d) Sales Tax Contingency

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 depending on whether the administrative law judge assigned by the OTC accepts our position that the transactions are not taxable and 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 $23.8 million, including penalties and interest.

(e) 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.

(13) Subsequent Event

In April 2023, we entered into an interest-rate swap 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 mandatory termination date of April 2025. Under the interest-rate swap, we pay a fixed interest rate of 3.785% and receive floating interest rate payments that are indexed to the one-month SOFR.

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, 2022, filed on February 14, 2023 (our “2022 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 general economic conditions, including inflation or supply chain disruptions and changes in economic conditions of the crude oil and natural gas industries, including any impact from the ongoing military conflict involving Russia and Ukraine;
- changes in the long-term supply of and demand for crude oil and natural gas, including as a result of the severity and duration of world health events, related economic repercussions, actions taken by governmental authorities and other third parties in response to such 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;
- the effects of existing and future laws and governmental regulations;
- the effects of future litigation; and
- our ability to realize the anticipated benefits of acquisitions.

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 March 31, 2023	Three Months Ended March 31, 2022	Increase (Decrease)
Fleet horsepower (at period end) (1)	3,725,111	3,687,518	1.0 %
Total available horsepower (at period end) (2)	3,872,611	3,710,018	4.4 %
Revenue-generating horsepower (at period end) (3)	3,260,535	2,987,624	9.1 %
Average revenue-generating horsepower (4)	3,241,296	2,978,422	8.8 %
Average revenue per revenue-generating horsepower per month (5)	$ 18.19	$ 16.87	7.8 %
Revenue-generating compression units (at period end)	4,170	3,949	5.6 %
Average horsepower per revenue-generating compression unit (6)	780	756	3.2 %
Horsepower utilization (7):			
At period end	92.7 %	86.1 %	7.7 %
Average for the period (8)	92.6 %	84.9 %	9.1 %

(1) Fleet horsepower is horsepower for compression units that have been delivered to us (and excludes units on order). As of March 31, 2023, we had 147,500 large horsepower on order for delivery, all of which is expected to be delivered by year-end 2023.

(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 subject to a purchase order, and idle horsepower. Total available horsepower excludes new horsepower on order 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 subject to a purchase order, 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 March 31, 2023, and 2022, was 87.5% and 81.0%, 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 March 31, 2023, and 2022, was 87.2% and 80.7%, respectively.

The 4.4% increase in total available horsepower as of March 31, 2023, compared to March 31, 2022, primarily was due to new compression units added to our fleet to meet incremental demand from customers for our compression services.

The 9.1% increase in revenue-generating horsepower and 5.6% increase in revenue-generating compression units as of March 31, 2023, compared to March 31, 2022, primarily were driven by the redeployment of certain previously idle compression units due to increased demand for our services, commensurate with increased operating activity and production levels in the basins in which we operate.

The 7.8% increase in average revenue per revenue-generating horsepower per month for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, primarily was due to CPI-based and other price increases on customer contracts that occur as market conditions permit on our existing fleet.

The 3.2% increase in average horsepower per revenue-generating compression unit during the three months ended March 31, 2023, compared to the three months ended March 31, 2022, was due to both the redeployment of, and addition of new, larger-horsepower compression units.

Horsepower utilization increased to 92.7% as of March 31, 2023, compared to 86.1% as of March 31, 2022. The increase primarily was due to an increase in revenue-generating horsepower and an increase in horsepower that is under contract but not yet generating revenue, which was driven by a combination of the redeployment of certain previously idle compression units as well as new compression units added to the fleet. The increase in horsepower utilization resulted from increased demand for our services, consistent with increased operating activity and production levels in the basins in which we operate. The above-stated factors also drove the increase in average horsepower utilization for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022.

Horsepower utilization based on revenue-generating horsepower and fleet horsepower increased to 87.5% as of March 31, 2023, compared to 81.0% as of March 31, 2022. The increase in horsepower utilization based on revenue-generating horsepower and fleet horsepower primarily was driven by the redeployment of certain previously idle compression units due to increased demand for our services, consistent with increased operating activity and production levels in the basins in which we operate. The above-stated factor also drove the increase in average horsepower utilization based on revenue-generating horsepower and fleet horsepower for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022.

Financial Results of Operations

Three months ended March 31, 2023, compared to the three months ended March 31, 2022

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

	Three Months Ended March 31,		Increase
	2023	2022	(Decrease)
Revenues:			
Contract operations	$ 188,539	$ 157,668	19.6 %
Parts and service	3,878	1,926	101.3 %
Related party	4,707	3,818	23.3 %
Total revenues	197,124	163,412	20.6 %
Costs and expenses:			
Cost of operations, exclusive of depreciation and amortization	66,665	53,732	24.1 %
Depreciation and amortization	59,486	59,064	0.7 %
Selling, general, and administrative	19,101	15,265	25.1 %
Gain on disposition of assets	(376)	(179)	*
Impairment of compression equipment	1,191	432	*
Total costs and expenses	146,067	128,314	13.8 %
Operating income	51,057	35,098	45.5 %
Other income (expense):			
Interest expense, net	(39,790)	(31,838)	25.0 %
Other	24	20	20.0 %
Total other expense	(39,766)	(31,818)	25.0 %
Net income before income tax expense	11,291	3,280	244.2 %
Income tax expense	350	26	*
Net income	$ 10,941	$ 3,254	236.2 %

* *Not meaningful*

Contract operations revenue. The $30.9 million increase in contract operations revenue for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, primarily was due to (i) an 8.8% increase in average revenue-generating horsepower as a result of increased demand for our services, consistent with increased operating activity and production levels in the basins in which we operate, (ii) a 7.8% increase in average revenue per revenue-generating horsepower per month, as a result of CPI-based and other price increases on customer contracts that occur as market conditions permit, and (iii) an increase in revenues attributable to natural gas compression station services and natural gas treating services.

Additionally, 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 $2.0 million increase in parts and service revenue for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, 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 $0.9 million increase in related-party revenue for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, primarily was due to increased average revenue-generating horsepower under contract with these entities and increased average revenue per revenue-generating horsepower per month, consistent with the overall increase to our contract operations revenue.

Cost of operations, exclusive of depreciation and amortization. The $12.9 million increase in cost of operations, exclusive of depreciation and amortization, for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, primarily was due to (i) a $7.4 million increase in direct expenses, primarily driven by fluids and parts due to higher costs and increased usage associated with increased revenue-generating horsepower, (ii) a $2.2 million increase in direct labor costs primarily due to higher employee costs and increased headcount associated with increased revenue-generating horsepower, (iii) a $1.7 million increase in outside maintenance costs due to greater use and higher costs of third-party labor during the current period, and (iv) a $1.0 million increase in retail parts and service expenses, for which a corresponding increase in parts and service revenue also occurred.

Depreciation and amortization expense. The $0.4 million increase in depreciation and amortization expense for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, primarily was due to compression unit overhauls and new compression units placed in service to meet increased demand by customers.

Selling, general, and administrative expense. The $3.8 million increase in selling, general, and administrative expense for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, primarily was due to a $3.1 million increase 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 March 31, 2023.

Impairment of compression equipment. The $1.2 million and $0.4 million impairments of compression equipment for the three months ended March 31, 2023, and 2022, respectively, primarily were the result of our evaluations of the future deployment of our idle fleet under then-existing 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 March 31, 2023, and 2022, we retired six and ten compression units, respectively, representing approximately 8,700 and 1,400 of aggregate horsepower, respectively, that previously were used to provide compression services in our business.

Interest expense, net. The $8.0 million increase in interest expense, net for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, primarily was due to higher weighted-average interest rates and increased borrowings under the Credit Agreement.

The weighted-average interest rate applicable to borrowings under the Credit Agreement was 7.15% and 2.84% for the three months ended March 31, 2023, and 2022, respectively, and average outstanding borrowings under the Credit Agreement were $670.0 million for the three months ended March 31, 2023, compared to $540.1 million for the three months ended March 31, 2022.

Income tax expense. The $0.3 million increase in income tax expense for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, primarily was related to taxes associated with the Texas Margin Tax.

Other Financial Data

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

Other Financial Data: (1)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Increase (Decrease)
Gross margin	$ 70,973	$ 50,616	40.2 %
Adjusted gross margin	$ 130,459	$ 109,680	18.9 %
Adjusted gross margin percentage (2)	66.2 %	67.1 %	(0.9)%
Adjusted EBITDA	$ 118,161	$ 98,423	20.1 %
Adjusted EBITDA percentage (2)	59.9 %	60.2 %	(0.3)%
DCF	$ 62,613	$ 50,146	24.9 %
DCF Coverage Ratio	1.21 x	0.98 x	23.5 %

(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 $20.4 million increase in gross margin for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, was due to (i) a $33.7 million increase in revenues, partially offset by (ii) a $12.9 million increase in cost of operations, exclusive of depreciation and amortization, and (iii) a $0.4 million increase in depreciation and amortization.

Adjusted gross margin and Adjusted gross margin percentage. The $20.8 million increase in Adjusted gross margin for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, was due to a $33.7 million increase in revenues, partially offset by a $12.9 million increase in cost of operations, exclusive of depreciation and amortization.

The 0.9% decrease in Adjusted gross margin percentage primarily was due to the inflation-driven increase in cost of operations, exclusive of depreciation and amortization, that preceded related CPI-based and other price increases on customer contracts that occur as market conditions permit.

Adjusted EBITDA and Adjusted EBITDA percentage. The $19.7 million increase in Adjusted EBITDA for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, primarily was due to a $20.8 million increase in Adjusted gross margin, partially offset by a $1.0 million increase in selling, general, and administrative expenses, excluding unit-based compensation expense, transaction expenses, and severance charges.

The 0.3% decrease in Adjusted EBITDA percentage primarily was due to the inflation-driven increase in cost of operations, exclusive of depreciation and amortization, that preceded related CPI-based and other price increases on customer contracts that occur as market conditions permit.

DCF. The $12.5 million increase in DCF for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, primarily was due to (i) a $20.8 million increase in Adjusted gross margin and (ii) a $0.8 million decrease in maintenance capital expenditures, partially offset by (iii) an $8.0 million increase in cash interest expense, net and (iv) a $1.0 million increase in selling, general, and administrative expenses, excluding unit-based compensation expense, transaction expenses, and severance charges.

DCF Coverage Ratio. The increase in DCF Coverage Ratio for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, was due to the increase in DCF, partially offset by increased distributions due to an increase in the number of outstanding common units.

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 three months ended March 31, 2023, and 2022, were $5.0 million and $5.8 million, respectively. We currently plan to spend approximately $26.0 million in maintenance capital expenditures for the year 2023, 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 $260.0 million and $270.0 million in expansion capital expenditures for the year 2023. Our expansion capital expenditures for the three months ended March 31, 2023, and 2022, were $51.2 million and $20.1 million, respectively.

As of March 31, 2023, we had binding commitments to purchase $144.7 million worth of additional compression units and serialized parts, all of which is expected to be settled by year-end 2023.

Cash Flows

The following table summarizes our sources and uses of cash for the three months ended March 31, 2023, and 2022, (in thousands):

	Three Months Ended March 31,	
	2023	**2022**
Net cash provided by operating activities	$ 42,338	$ 35,054
Net cash used in investing activities	(40,861)	(19,714)
Net cash used in financing activities	(1,506)	(15,325)

Net cash provided by operating activities. The $7.3 million increase in net cash provided by operating activities for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, was due to a $12.4 million increase in net income, as adjusted for non-cash items, partially offset by changes in other working capital.

Net cash used in investing activities. The $21.1 million increase in net cash used in investing activities for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, was primarily due to a $21.2 million increase in capital expenditures, for purchases of new compression units, reconfiguration costs, and other equipment.

Net cash used in financing activities. The $13.8 million decrease in net cash used in financing activities for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, primarily was due to a $13.9 million increase in net borrowings under the Credit Agreement.

Revolving Credit Facility

As of March 31, 2023, we had outstanding borrowings under the Credit Agreement of $709.1 million, $890.9 million of availability and, subject to compliance with the applicable financial covenants, available borrowing capacity of $374.5 million. As of March 31, 2023, we were in compliance with all of our covenants under the Credit Agreement.

As of April 27, 2023, we had outstanding borrowings under the Credit Agreement of $715.0 million.

For a more detailed description of the Credit Agreement, see Note 7 to our unaudited condensed consolidated financial statements in Part I, Item 1 “Financial Statements” of this report and Note 9 to the consolidated financial statements in Part II, Item 8 “Financial Statements and Supplementary Data” included in our 2022 Annual Report.

Senior Notes

As of March 31, 2023, we had $725.0 million and $750.0 million aggregate principal amount outstanding on our Senior Notes 2026 and Senior Notes 2027, respectively.

The Senior Notes 2026 are due on April 1, 2026, and accrue interest at the rate of 6.875% per year. Interest on the Senior Notes 2026 is payable semi-annually in arrears on each of April 1 and October 1.

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.

For more detailed descriptions of the Senior Notes 2026 and Senior Notes 2027, see Note 7 to our unaudited condensed consolidated financial statements in Part I, Item 1 “Financial Statements” of this report and Note 9 to the consolidated financial statements in Part II, Item 8 “Financial Statements and Supplementary Data” included in our 2022 Annual Report.

Interest-Rate Swap

In April 2023, we entered into an interest-rate swap to manage interest-rate risk associated with the floating-rate Credit Agreement. See Note 13 to our unaudited condensed consolidated financial statements in Part I, Item 1 “Financial Statements” of this report for additional information on the swap.

DRIP

During the three months ended March 31, 2023, distributions of $0.6 million were reinvested under the DRIP resulting in the issuance of 29,983 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 March 31,	
	2023	2022
Total revenues	$ 197,124	$ 163,412
Cost of operations, exclusive of depreciation and amortization	(66,665)	(53,732)
Depreciation and amortization	(59,486)	(59,064)
Gross margin	**$ 70,973**	**$ 50,616**
Depreciation and amortization	59,486	59,064
Adjusted gross margin	**$ 130,459**	**$ 109,680**

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, 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 March 31, 2023	Three Months Ended March 31, 2022
Net income	$ 10,941	$ 3,254
Interest expense, net	39,790	31,838
Depreciation and amortization	59,486	59,064
Income tax expense	350	26
EBITDA	**$ 110,567**	**$ 94,182**
Unit-based compensation expense (1)	6,779	3,710
Transaction expenses (2)	—	27
Severance charges	—	251
Gain on disposition of assets	(376)	(179)
Impairment of compression equipment (3)	1,191	432
Adjusted EBITDA	**$ 118,161**	**$ 98,423**
Interest expense, net	(39,790)	(31,838)
Non-cash interest expense	1,822	1,822
Income tax expense	(350)	(26)
Transaction expenses	—	(27)
Severance charges	—	(251)
Other	(15)	(704)
Changes in operating assets and liabilities	(37,490)	(32,345)
Net cash provided by operating activities	**$ 42,338**	**$ 35,054**

(1) For the three months ended March 31, 2023, and 2022, unit-based compensation expense included $1.1 million each period 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) 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, 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 March 31,	
	2023	**2022**
Net income	$ 10,941	$ 3,254
Non-cash interest expense	1,822	1,822
Depreciation and amortization	59,486	59,064
Non-cash income tax benefit	(15)	(204)
Unit-based compensation expense (1)	6,779	3,710
Transaction expenses (2)	—	27
Severance charges	—	251
Gain on disposition of assets	(376)	(179)
Impairment of compression equipment (3)	1,191	432
Distributions on Preferred Units	(12,187)	(12,187)
Maintenance capital expenditures (4)	(5,028)	(5,844)
DCF	**$ 62,613**	**$ 50,146**
Maintenance capital expenditures	5,028	5,844
Transaction expenses	—	(27)
Severance charges	—	(251)
Distributions on Preferred Units	12,187	12,187
Other	—	(500)
Changes in operating assets and liabilities	(37,490)	(32,345)
Net cash provided by operating activities	**$ 42,338**	**$ 35,054**

(1) For the three months ended March 31, 2023, and 2022, unit-based compensation expense included $1.1 million each period 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) 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.

(4) 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 cash 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 March 31,	
	2023	2022
DCF	$ 62,613	$ 50,146
Distributions for DCF Coverage Ratio (1)	$ 51,585	$ 51,123
DCF Coverage Ratio	1.21 x	0.98 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 2022 Annual Report. There have been no material changes to our critical accounting estimates since the date of our 2022 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 three months ended March 31, 2023, would result in an annual decrease of approximately $7.1 million and $4.7 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 March 31, 2023, we had $709.1 million of variable-rate indebtedness outstanding at a weighted-average interest rate of 7.38%. Based on our March 31, 2023 variable-rate indebtedness outstanding, a one percent increase or decrease in the effective interest rate would result in an annual increase or decrease, respectively, in our interest expense of approximately $7.1 million.

In April 2023, we entered into an interest-rate swap 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 mandatory termination date of April 2025. Under the interest-rate swap, we pay a fixed interest rate of 3.785% and receive floating interest rate payments that are indexed to the one-month SOFR.

For further information regarding our exposure to interest rate fluctuations on our debt obligations, 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 March 31, 2023, 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 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.

ITEM 1A. Risk Factors

Security holders and potential investors in our securities should carefully consider the updated risk factor described below and those set forth in Part I, Item 1A. "Risk Factors" of our 2022 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.

Cybersecurity breaches and other disruptions of our information systems could compromise our information and operations and expose us to liability, which would cause our business and reputation to suffer.

We rely on our information technology infrastructure to process, transmit, and store electronic information critical to our business activities. In recent years, there has been a rise in the number of cyberattacks on other companies' network and information systems by state-sponsored and other criminal organizations, as well as data security incidents caused by human error, vulnerabilities in software and other technologies, or vendor and supply chain incidents. As a result, the risks associated with such an event continue to increase and we frequently detect, respond to and mitigate security incidents. A significant failure, compromise, breach, or interruption of our information systems or inadequacies in our incident response processes could result in loss of confidential information, a disruption of our operations, customer dissatisfaction, damage to our reputation, a loss of customers or revenues, privacy or cybersecurity related litigation, and potential regulatory fines. If any such failure, interruption, or similar event results in improper disclosure of information maintained in our information systems and networks or those of our customers, suppliers, or vendors, including personnel, customer, pricing, and other sensitive information, we also could be subject to liability under relevant contractual obligations and laws and regulations protecting personal data and privacy. Our financial results also could be adversely affected if our or our vendors' information systems are breached or an employee causes our information systems to fail, either as a result of inadvertent error or by deliberately tampering with or manipulating such systems.

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 Annual Report on Form 10-K for the year ended December 31, 2022 (File No. 001-35779) filed on February 14, 2023)
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2*	Certification of Chief 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 Chief 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 months ended March 31, 2023, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) our unaudited condensed consolidated balance sheets as of March 31, 2023, and December 31, 2022, (ii) our unaudited condensed consolidated statements of operations for the three months ended March 31, 2023, and 2022, (iii) our unaudited condensed consolidated statements of changes in partners' capital (deficit) for the three months ended March 31, 2023, and 2022, (iv) our unaudited condensed consolidated statements of cash flows for the three months ended March 31, 2023, and 2022, 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 March 31, 2023, 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.

May 2, 2023

USA COMPRESSION PARTNERS, LP

By: USA Compression GP, LLC
its General Partner

By: /s/ Michael C. Pearl
Michael C. Pearl
Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

By: /s/ G. Tracy Owens
G. Tracy Owens
Vice President of Finance and Chief Accounting Officer
(Principal 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: May 2, 2023

/s/ Eric D. Long

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

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

I, Michael C. Pearl, 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: May 2, 2023

/s/ Michael C. Pearl

Name: Michael C. Pearl
Title: Vice President, Chief Financial Officer and Treasurer

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 March 31, 2023 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: May 2, 2023

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.

Exhibit 32.2

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 March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Michael C. Pearl, as Vice President, Chief Financial Officer and Treasurer 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/ Michael C. Pearl
Michael C. Pearl
Vice President, Chief Financial Officer and Treasurer

Date: May 2, 2023

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.