

Edgar Filing: RGC RESOURCES INC - Form U-3A-2

RGC RESOURCES INC  
Form U-3A-2  
February 28, 2005

FORM U-3A-2

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C.

STATEMENT BY HOLDING COMPANY CLAIMING EXEMPTION  
UNDER RULE U-3A-2 FROM THE PROVISIONS OF THE  
PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

RGC RESOURCES, INC.  
(Name of company)

hereby files with the Securities and Exchange Commission (the "Commission"), pursuant to Rule 2, its statement claiming exemption as a holding company from the provisions of the Public Utility Holding Company Act of 1935 (the "Act"), and submits the following information:

1. The Claimant RGC Resources, Inc., a Virginia corporation, is a holding company that directly or indirectly holds interests in the following subsidiaries, each of which is organized under the laws of the Commonwealth of Virginia or the State of West Virginia:

- a. Roanoke Gas Company, a public service corporation organized under the laws of the Commonwealth of Virginia;
- b. Diversified Energy Company, a Virginia corporation, d/b/a Highland Energy;
- c. Bluefield Gas Company, a public service corporation organized under the laws of the State of West Virginia;
- d. RGC Ventures of Virginia, Inc., a Virginia corporation, d/b/a Application Resources, Inc.

The business address of the Claimant and each of its subsidiaries is:

RGC Resources, Inc.  
519 Kimball Avenue, N.E.  
Roanoke, VA 24016

Roanoke Gas Company  
Diversified Energy Company  
RGC Ventures of Virginia, Inc.  
519 Kimball Avenue, N.E.  
Roanoke, VA 24016

Bluefield Gas Company  
4699 East Cumberland Road  
Bluefield, WV 24701

Roanoke Gas Company ("Roanoke Gas") is a public service corporation organized and existing in good standing under the laws of the Commonwealth of Virginia. Roanoke Gas distributes natural gas to some 56,014 residential, commercial and industrial customers located in the City of Roanoke and environs and Bluefield, Virginia pursuant to certificates of convenience and necessity at rates and charges issued and prescribed by the State Corporation Commission of Virginia ("Virginia Commission").

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Diversified Energy Company, a Virginia corporation, operates as Highland Energy. Highland Energy is a purchasing and marketing entity that buys fuels on the spot and short-term market and resells to certain transportation customers of Roanoke Gas Company and Bluefield Gas Company. Diversified Energy Company also operated Highland Propane, which is not a public utility, under two (2) divisions, Highland Propane-Virginia and Highland Propane-West Virginia. Highland Propane-Virginia was engaged in the business of selling liquefied petroleum gas (propane) in bulk to residential, commercial and industrial customers in and around Roanoke, Virginia and Western Virginia. Roanoke Gas provided managerial and other direct labor, goods and services to Highland Propane-Virginia under agreement approved by the Virginia Commission. Highland Propane was not otherwise subject to the regulatory jurisdiction of the Virginia Commission. Highland Propane-West Virginia was engaged in the business of selling liquefied petroleum gas (propane) in bulk to residential, commercial and industrial customers in Southern West Virginia and has offices in Bluefield and Rainelle, West Virginia. On July 12, 2004, RGC Resources, Inc. sold the propane assets of Diversified Energy Company, d/b/a Highland Propane Company, for approximately \$28,500,000 in cash. The sale of assets encompassed all propane plant assets (with the exception of a limited number of specific assets being retained by Diversified), including the name "Highland Propane", customer accounts receivable, propane gas inventory and inventory of propane related materials.

Bluefield Gas Company ("Bluefield Gas"), a West Virginia public service corporation, is regulated as to rates and service by the Public Service Commission of West Virginia ("West Virginia Commission"). Bluefield Gas provides natural gas service to some 4,138 residential, commercial and industrial customers located in and around Bluefield, West Virginia.

RGC Ventures of Virginia, Inc., a Virginia corporation, operates as Application Resources, Inc. Application Resources, Inc. provides information technology consulting services specific to the utility industry.

2. Roanoke Gas and Bluefield Gas are each served by multiple interstate and intrastate pipelines. Roanoke Gas is served by Columbia Gas Transmission Corporation and Columbia Gulf Transmission Corporation (together "Columbia"), and East Tennessee Natural Gas Company, Tennessee Gas Pipeline and Midwestern Gas Transmission and Virginia Gas Pipeline. Bluefield Gas is served by Columbia and T&F Operating, Inc. Columbia historically has delivered approximately 60 percent of Roanoke Gas' gas supply and 75 percent of Bluefield Gas' gas supply, while the other pipelines deliver the balance of each company's requirements. The rates paid for natural gas transportation and storage services purchased from the interstate pipeline companies are established by tariffs approved by FERC. These tariffs contain flexible pricing provisions, which, in some instances, authorize these transporters to reduce rates and charges to meet price competition.

Both Roanoke Gas and Bluefield Gas currently use long-term (multi-year) contracts to meet its system requirements. The Company's current suppliers include Sequent Energy and Phoenix Energy Sales Company.

Roanoke Gas receives its gas supply from Columbia at two city gate stations. Each station is connected by a thirty-three mile transmission line to Columbia's system at Gala, Virginia. Roanoke Gas receives its gas supply from East Tennessee at five city gate stations located on East Tennessee's transmission line. The city gate stations are located on the perimeter of a

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network of distribution mains located in the Cities of Roanoke and Salem, the Towns of Vinton, Fincastle and Troutville, and the Counties of Bedford, Botetourt, Montgomery and Roanoke, Virginia. Also, located on the transmission line in Botetourt County, Virginia is a liquefied natural gas storage facility which has the capacity to hold 200 million cubic feet of natural gas.

Bluefield Gas owns a transmission line extending from Princeton, West Virginia to Bluefield, West Virginia, and a distribution system within the City of Bluefield, West Virginia and the immediate surrounding area of Mercer County, West Virginia. Bluefield Gas also owns a two mile distribution line that connects its distribution system to facilities owned by Bluefield Pipeline, LLC. A portion of the gas transported by Bluefield Gas is sold at the West Virginia-Virginia State line to Roanoke Gas for resale to its customers through a distribution network in Bluefield, Virginia and the immediate surrounding area of Tazewell County, Virginia.

3. The following information for the last calendar year with respect to Roanoke Gas and Bluefield Gas is submitted:

(a) Roanoke Gas distributed at retail 7,481,395 DTH of gas during the calendar year 2004 for total revenues of \$75,623,880. Bluefield Gas distributed at retail 775,559 DTH of gas in the State of West Virginia during the calendar year 2004 for total revenues of \$7,888,151.

(b) Neither Roanoke Gas nor Bluefield Gas distributed at retail natural gas outside the state of its incorporation.

(c) Roanoke Gas did not sell at wholesale natural gas outside the Commonwealth of Virginia. Bluefield Gas sold 266,541 DTH of natural gas at wholesale to Roanoke Gas at the Virginia- West Virginia line for \$1,932,647.

(d) Roanoke Gas purchased 7,634,136 DTH of natural gas outside the Commonwealth of Virginia during the calendar year 2004 for \$57,958,198. All such gas was transported to Roanoke Gas for resale as system supply by Columbia Gas Transmission Corporation, East Tennessee Natural Gas Company, and Bluefield Gas. Bluefield Gas purchased 1,085,495 DTH of natural gas for \$7,986,951 outside the State of West Virginia. All such gas was transported to Bluefield Gas for resale as system supply by Columbia Gas Transmission Corporation and Bluefield Pipeline, LLC. Roanoke Gas transported 3,432,723 DTH of natural gas to its end-users for \$2,170,773 in total transportation fees. Bluefield Gas transported 19,739 DTH of natural gas to its end-users for \$16,211 in transportation fees. Highland Energy purchased and delivered 2,937,611 DTH of natural gas to Roanoke Gas Company and Bluefield Gas Company for delivery to certain end-users for \$19,771,837.

4. ((a)-(e)) Not applicable. The Company holds no interest, directly or indirectly in an exempt wholesale generator (EWG) or foreign utility company.

A consolidating statement of income and a consolidating balance sheet of RGC Resources, Inc. and its subsidiaries for the 2004 calendar year is attached as Exhibit A and Exhibit A(1).

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The above-named claimant has caused this statement to be duly executed on its behalf by its authorized officer on this 28th day of February 2005.

RGC RESOURCES, INC.

By: s/John B. Williamson, III  
Its President

(SEAL)  
ATTEST:

s/Howard T. Lyon  
Howard T. Lyon,  
Vice-President, Treasurer & Controller

Notices and correspondence regarding this statement should be addressed to:

Howard T. Lyon  
Vice-President, Treasurer & Controller  
RGC Resources, Inc.  
Post Office Box 13007  
Roanoke, VA 24030

RGC Resources, Inc. and Subsidiaries  
Consolidating Statement of Income  
Twelve Months Ended December 31, 2004

	RGC Resources	Roanoke Gas Company	Bluefield Gas Company	Highland Propane Company
Operating Revenues:				
Gas utilities		\$ 79,132,043	\$ 9,872,712	
Propane operations				9,428,06
Energy marketing				
Other		405,538	17,142	71,84
Total operating revenues	0	79,537,581	9,889,854	9,499,90
Cost of Sales:				
Gas utilities		58,101,083	7,986,950	
Propane operations				5,197,48
Energy marketing				
Other		156,534	9,521	34,25
Total cost of sales	0	58,257,617	7,996,471	5,231,73

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Gross Margin	0	21,279,964	1,893,383	4,268,17
-----				
Other Operating Expenses:				
Operations	(344)	8,811,817	1,086,087	2,155,47
Maintenance		1,573,901	161,720	67,58
General taxes	134	1,019,040	442,296	283,25
Depreciation and amortization		3,619,167	268,602	747,70
-----				
Total other operating expenses	(210)	15,023,925	1,958,705	3,254,01
-----				
Operating Income	210	6,256,039	(65,322)	1,014,15
Other (Income) expenses, net	(15,615,000)	80,322	(62)	14,62
Interest Expense	(9)	1,803,889	123,998	105,30
-----				
Income Before Income Taxes	15,615,219	4,371,828	(189,258)	894,22
Income Tax Expense of continuing operations	522	1,650,590	(72,424)	374,85
-----				
Net Income from continuing operations	15,614,697	2,721,238	(116,834)	519,37
Income from discontinued operations, net of tax				
-----				
Net income	\$ 15,614,697	\$ 2,721,238	\$ (116,834)	\$ 519,37
=====				

	Highland Heating & Cooling	Application Resources	Reclass & Eliminations	Disco Oper
-----				
Operating Revenues:				
Gas utilities			\$ (1,601,374)	
Propane operations				(
Energy marketing				
Other		15,423		
-----				
Total operating revenues	0	15,423	(1,601,374)	(
-----				
Cost of Sales:				
Gas utilities			(1,920,941)	
Propane operations				(
Energy marketing				

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Other		753		
Total cost of sales	0	753	(1,920,941)	(
Gross Margin	0	14,670	319,567	(
Other Operating Expenses:				
Operations		10,599	(30,046)	(
Maintenance				
General taxes				
Depreciation and amortization		2,654		
Total other operating expenses	0	13,253	(30,046)	(
Operating Income	0	1,417	349,613	(
Other (Income) expenses, net			15,615,000	
Interest Expense				
Income Before Income Taxes	0	1,417	(15,265,387)	(
Income Tax Expense of continuing operations		(75)	132,714	
Net Income from continuing operations	-	1,492	(15,398,101)	
Income from discontinued operations, net of tax				1
Net income	\$ -	\$ 1,492	\$ (15,398,101)	\$

RGC RESOURCES, INC. AND SUBSIDIARIES  
CONSOLIDATING BALANCE SHEET  
December 31, 2004

ASSETS	RGC Resources	Roanoke Gas Company	Bluefield Gas Company
Current Assets:			
Cash and cash equivalents	\$ 1,818,982	\$ 483,379	\$ (41,630)
Accounts Receivable		12,693,373	1,664,413
Intercompany Accounts Receivable	(728,815)	(27,201)	(11,877)

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Materials and supplies		503,470	190,189
Gas in storage		15,356,950	1,779,248
Prepaid income taxes			
Deferred income taxes			
Under-recovery of gas costs			751,544
Other	67,379	757,157	85,374
	-----		
Total current assets	1,157,546	29,767,128	4,417,261
	-----		
Property, Plant And Equipment:			
Utility plant in service		95,767,684	8,449,505
Accumulated depreciation and amortization		(31,962,406)	(2,621,710)
	-----		
Utility plant in service, net	-	63,805,278	5,827,795
Construction work in progress		1,390,006	171,154
	-----		
Utility Plant, Net	-	65,195,284	5,998,949
	-----		
Nonutility property			
Accumulated depreciation and amortization			
	-----		
Nonutility property, net	-	-	-
	-----		
Total property, plant and equipment	-	65,195,284	5,998,949
	-----		
Investment in Subsidiaries		33,228,079	
	-----		
Other assets	50,391	298,229	186,075
	-----		
Total Assets	\$ 34,436,016	\$ 95,260,641	\$ 10,602,285
	=====		

	Highland Heating & Cooling	Application Resources	Elimin
	-----		
Current Assets:			
Cash and cash equivalents			
Accounts Receivable		1,626	2
Intercompany Accounts Receivable	(494,035)	(105,295)	

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Materials and supplies			
Gas in storage			
Prepaid income taxes			1
Deferred income taxes			1
Under-recovery of gas costs			
Other			
	-----		
Total current assets	(494,035)	(103,669)	5
	-----		
Property, Plant And Equipment:			
Utility plant in service			
Accumulated depreciation and amortization			
	-----		
Utility plant in service, net	-	-	
Construction work in progress			
	-----		
Utility Plant, Net	-	-	
	-----		
Nonutility property		10,840	
Accumulated depreciation and amortization		(2,653)	
	-----		
Nonutility property, net	-	8,187	
	-----		
Total property, plant and equipment	-	8,187	
	-----		
Investment in Subsidiaries			(33)
	-----		
Other assets	-	-	
	-----		
Total Assets	\$ (494,035)	\$ (95,482)	\$ (27)
	=====		

RGC RESOURCES, INC. AND SUBSIDIARIES  
CONSOLIDATING BALANCE SHEET  
December 31, 2004

	RGC	Roanoke	Bluefield
	Resources	Gas	Gas
		Company	Company
LIABILITIES AND STOCKHOLDERS' EQUITY			
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Fair value of marked to market transactions			
Total current liabilities	63,581	(1,938)	3
Long-term Debt, Excluding Current Maturities			
Deferred Credits:			
Asset retirement obligations			
Deferred income taxes		(343)	2
Deferred investment tax credits			
Total deferred credits	-	(343)	2
Stockholders' Equity:			
Common Stock			(8
Preferred Stock			
Capital in excess of par value	903,225		(15
Retained earnings	(1,460,841)	(93,201)	(9
Accumulated comprehensive loss			
Total stockholders' equity	(557,616)	(93,201)	(33
Total Liabilities and Stockholders' Equity	\$ (494,035)	\$ (95,482)	\$ (27

EXHIBIT B

Not applicable.