

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").

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

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

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

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).

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

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 |

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

| | | | | |
|---|---------------|--------------|--------------|-----------|
| 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 | | | | |

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

| | | | | |
|---|------|----------|-----------------|----|
| 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) |

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

| | | | |
|---|---------------|---------------|---------------|
| 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) | |

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

| | | | |
|---|--------------|-------------|---------|
| 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 | | | |
| | ----- | | |

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

| | | | |
|--|---------------|---------------|---------------|
| Current Liabilities: | | | |
| Current maturities of long-term debt | | \$ 8,011,523 | \$ 2,000,000 |
| Borrowings under lines of credit | | 13,765,000 | 4,113,000 |
| Dividends payable | 609,869 | | |
| Accounts payable | 248,778 | 9,646,248 | 1,275,762 |
| Income taxes payable | (714,024) | (451,518) | (176,036) |
| Customer deposits | | 874,705 | 53,238 |
| Accrued expenses | 575,933 | 2,648,214 | 344,822 |
| Refunds from suppliers - due customers | | 11,811 | |
| Overrecovery of gas costs | | 2,837,871 | |
| Fair value of marked to market transactions | | | |
| | | ----- | ----- |
| Total current liabilities | 720,556 | 37,343,854 | 7,610,786 |
| Long-term Debt, Excluding Current Maturities | | 16,000,000 | |
| Deferred Credits: | | | |
| Asset retirement obligations | | 6,247,790 | 135,506 |
| Deferred income taxes | (217,385) | 2,921,227 | 708,390 |
| Deferred investment tax credits | | 215,918 | 7,990 |
| | | ----- | ----- |
| Total deferred credits | (217,385) | 9,384,935 | 851,886 |
| Stockholders' Equity: | | | |
| Common Stock | 10,335,710 | 8,603,965 | 49,704 |
| Preferred Stock | | | |
| Capital in excess of par value | 13,097,072 | 12,578,754 | 370,564 |
| Retained earnings | 10,500,063 | 11,349,133 | 1,719,345 |
| Accumulated comprehensive loss | | | |
| | | ----- | ----- |
| Total stockholders' equity | 33,932,845 | 32,531,852 | 2,139,613 |
| Total Liabilities and Stockholders' Equity | \$ 34,436,016 | \$ 95,260,641 | \$ 10,602,285 |
| | | ===== | ===== |

| LIABILITIES AND STOCKHOLDERS' EQUITY | Highland Heating & Cooling | Application Resources | Elimin |
|--|-------------------------------|--------------------------|--------|
| | | | |
| Current Liabilities: | | | |
| Current maturities of long-term debt | | | |
| Borrowings under lines of credit | | | |
| Dividends payable | | | |
| Accounts payable | | (94) | 2 |
| Income taxes payable | 63,675 | (1,938) | 1 |
| Customer deposits | | | |
| Accrued expenses | | | |
| Refunds from suppliers - due customers | | | |
| Overrecovery of gas costs | | | |

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

| | | | |
|--|--------------|-------------|--------|
| 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.