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RGC RESOURCES INC
Form U-3A-2
February 28, 2003

RGC RESOURCES, INC.
FILE NO.

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. 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 which 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 ("Roanoke Gas"), a public service corporation organized under the laws of the Commonwealth of Virginia;
- b. Diversified Energy Company, a Virginia corporation, d/b/a Highland Propane Company ("Highland Propane") and d/b/a Highland Energy;
- c. Bluefield Gas Company ("Bluefield Gas"), a public service corporation organized under the laws of the State of West Virginia;
- d. RGC Ventures, Inc., a West Virginia Corporation, d/b/a Highland Heating and Cooling; and
- e. RGC Ventures of Virginia, Inc., a Virginia corporation, d/b/a Application Resources, Inc. and d/b/a GIS Resources.

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, Inc.
RGC Ventures of Virginia, Inc.
519 Kimball Avenue, N.E.

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Roanoke, VA 24016

Bluefield Gas Company
4699 East Cumberland Road
Bluefield, WV 24701

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 54,708 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"). Diversified Energy Company, a Virginia corporation, operates as Highland Propane Company ("Highland Propane"), and Highland Energy. Highland Propane, which is not a public utility, is operated under two (2) divisions, Highland Propane-Virginia and Highland Propane-West Virginia. Highland Propane-Virginia is engaged in the business of selling liquefied petroleum gas (propane) in bulk to residential, commercial and industrial customers in and around Roanoke, Virginia and Southwest Virginia. Roanoke Gas provides managerial and other direct labor, goods and services to Highland Propane-Virginia under agreement approved by the Virginia Commission. Highland Propane is not otherwise subject to the regulatory jurisdiction of the Virginia Commission. Highland Propane-West Virginia is 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. Highland Energy is a purchasing and marketing entity that buys fuels on the spot and short-term market and resells to certain end-users.

Bluefield Gas Company ("Bluefield Gas"), a West Virginia public service corporation, is regulated as to rates and service by the Public Service Commission of the State of West Virginia ("West Virginia Commission"). Bluefield Gas provides natural gas service to some 4,337 residential, commercial and industrial customers located in and around Bluefield, West Virginia.

RGC Ventures, Inc., a West Virginia Corporation, operates as Highland Heating and Cooling. Highland Heating and Cooling is headquartered in Rainelle, West Virginia and provides limited repair and maintenance service for heating, ventilation, and air conditioning equipment. RGC Resources, Inc. intends to merge RGC Ventures, Inc. into Diversified Energy Company for the purposes of combining the service functions of both companies in order to improve efficiencies and reduce costs.

RGC Ventures of Virginia, Inc., a Virginia corporation, operates as Application Resources, Inc., and GIS Resources. Application Resources, Inc., provides information technology consulting services specific to the utility industry. GIS Resources (Geographic Information Systems) has ceased operating as a provider of mapping services to external customers and has been integrated into Roanoke Gas to focus on internal maintenance of system maps and other related functions.

2. Columbia Gas Transmission Corporation ("Columbia") is Roanoke Gas' primary transporter of natural gas. Columbia historically has transported approximately two-thirds of Roanoke Gas' gas supply and 100% of Bluefield Gas' gas supply. Prior to Federal Energy Regulatory Commission Order 636, Roanoke Gas

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and Bluefield Gas purchased their core market requirements through Demand Purchases, Firm Transportation Service and Firm Storage Service. Additional requirements were met through the use of spot and short-term purchases under contracts with producers and brokers. Under Order 636 the responsibility for obtaining dependable natural gas supplies shifts from the pipeline companies to the local distribution companies and to other "shippers" of natural gas. The Company purchases gas supplies from a variety of producers and marketers. Recent examples of suppliers or marketers include Cabot Oil and Gas Marketing Corporation, Duke Energy Trading and Marketing, and Equitable Energy.

Roanoke Gas' other major transporter is East Tennessee Natural Gas Company ("East Tennessee"), a Duke Energy Company. Historically, East Tennessee has delivered approximately one-third of Roanoke Gas' natural gas supply.

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 four city gate stations located on East Tennessee's transmission line. The city gate stations are located on the perimeter of a 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. In December 1998, Bluefield Gas Company completed approximately two miles of 4" steel distribution lines to connect to facilities owned by Phoenix Energy Sales Company. 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.

Highland Propane-West Virginia's principal bulk storage facility, located at its Bluefield, West Virginia facility, is comprised of two 30,000-gallon storage tanks and one 18,000-gallon storage tank. Three 18,000-gallon storage tanks are located at its Rainelle, West Virginia facility, one 30,000-gallon tank is located at Ansted, WV, one 30,000-gallon tank is located near Beckley, WV, and one 30,000-gallon tank is located at Dunmore, WV.

Highland Propane-Virginia owns and operates eleven storage facilities. A facility at Thirlane Road, N.W. in Roanoke, Virginia consists of two 30,000-gallon tanks. A second facility at Fort Chiswell, Virginia consists of two 35,000-gallon tanks. The third facility is located on the property of Consolidated Glass in Galax, Virginia and consists of one 30,000-gallon tank and one 12,000-gallon tank. The fourth facility is located in Craig County, near the town of New Castle, Virginia and consists of one 30,000-gallon tank. The fifth facility, located near the intersection of Routes 221 and 679 in Floyd County, consists of one 30,000-gallon tank. The sixth facility is located on the property of Virginia Forging in Botetourt County, near the Town of Buchanan, Virginia, and consists of one 30,000-gallon tank. The seventh facility is located on the property of Golden West Foods in Bedford, Virginia and consists

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of one 30,000-gallon tank. The eighth facility is located in the City of Buena Vista, Virginia and consists of two 30,000-gallon tanks. The ninth facility is located in Allegheny County near the Town of Low Moor and consists of one 30,000-gallon tank. The tenth facility is located at Weyers Cave in Augusta County, Virginia and consists of one 30,000-gallon tank. The eleventh facility is located in Nelson County near the town of Lovingston, Virginia and consists of one 30,000-gallon tank

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 7,414,811 DTH of gas during the calendar year 2002 for total revenues of \$54,427,830. Bluefield Gas distributed at retail 847,542 DTH of gas in the State of West Virginia during the calendar year 2002 for total revenues of \$5,895,760.
- (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 270,962 DTH of natural gas at wholesale to Roanoke Gas at the Virginia-West Virginia line for \$1,288,179.
- (d) Roanoke Gas purchased 7,570,639 DTH of natural gas outside the Commonwealth of Virginia during the calendar year 2002 for \$37,914,624. 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 1,182,753 DTH of natural gas for \$5,482,167 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 Phoenix Energy Sales Company. Roanoke Gas transported 2,885,657 DTH of natural gas to its end-users for \$1,671,628 in total transportation fees. Bluefield Gas transported 38,625 DTH of natural gas to its end-users for \$32,649 in transportation fees. Highland Energy purchased and delivered 2,386,347 DTH of natural gas to Roanoke Gas Company and Bluefield Gas Company for delivery to certain end-users for \$10,685,968.

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4. (a through 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 surplus and a consolidating balance sheet of RGC Resources, Inc. and its subsidiaries for the 2002 calendar year is attached as Exhibit A and Exhibit A(1).

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, 2003.

RGC RESOURCES, INC.

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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

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RGC RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
TWELVE MONTHS ENDED DECEMBER 31, 2002

| | RGC Resources | Roanoke Gas Company | Bluefield Gas Company | Highland Propane Company |
|-------------------------------|------------------|------------------------|-----------------------------|--------------------------------|
| Operating Revenues: | | | | |
| Gas utilities | | \$56,223,836 | \$7,248,178 | |
| Propane operations | | | | 12,247,4 |
| Energy marketing | | | | |
| Other | | 411,715 | 16,431 | 227,4 |
| Total operating revenues | 0 | 56,635,551 | 7,264,609 | 12,474,9 |
| Cost of Sales: | | | | |
| Gas utilities | | 38,165,357 | 5,482,167 | |
| Propane operations | | | | 6,186,0 |
| Energy marketing | | | | |
| Other | | 249,529 | 10,617 | 107,5 |
| Total cost of sales | 0 | 38,414,886 | 5,492,784 | 6,293,6 |
| Operating Margin | 0 | 18,220,665 | 1,771,825 | 6,181,3 |
| Other Operating Expenses: | | | | |
| Operations | (257) | 7,068,982 | 781,651 | 3,119,1 |
| Maintenance | | 1,045,009 | 86,889 | 109,3 |
| General taxes | 416 | 929,609 | 343,603 | 272,1 |
| Depreciation and amortization | | 3,349,262 | 268,286 | 1,502,7 |
| Impairment loss | | | | |

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|--------------------------------|-------------|-------------|-----------|---------|
| Total other operating expenses | 159 | 12,392,862 | 1,480,429 | 5,003,3 |
| Operating Income | (159) | 5,827,803 | 291,396 | 1,177,9 |
| Other Expenses, net | (2,130,000) | 99,706 | 2,420 | 9,7 |
| Interest Expense | | 1,634,584 | 144,382 | 238,5 |
| Income Before Income Taxes | 2,129,841 | 4,093,513 | 144,594 | 929,6 |
| Income Tax Expense | | 1,527,187 | 62,332 | 367,5 |
| Net Income | \$2,129,841 | \$2,566,326 | \$82,262 | \$562,1 |

| | Highland Heating & Cooling | Application Resources | Eliminations |
|--------------------------------|-------------------------------|--------------------------|----------------|
| Operating Revenues: | | | |
| Gas utilities | | | \$ (1,313,214) |
| Propane operations | | | |
| Energy marketing | | | |
| Other | 24,777 | 0 | |
| Total operating revenues | 24,777 | 0 | (1,313,214) |
| Cost of Sales: | | | |
| Gas utilities | | | (1,273,800) |
| Propane operations | | | |
| Energy marketing | | | |
| Other | 32,123 | (557) | |
| Total cost of sales | 32,123 | (557) | (1,273,800) |
| Operating Margin | (7,346) | 557 | (39,414) |
| Other Operating Expenses: | | | |
| Operations | 77,602 | 6,444 | (39,414) |
| Maintenance | 150 | | |
| General taxes | 9,487 | 46 | |
| Depreciation and amortization | 25,928 | | (5,853) |
| Impairment loss | 72,008 | | |
| Total other operating expenses | 185,175 | 6,490 | (45,267) |
| Operating Income | (192,521) | (5,933) | 5,853 |

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|----------------------------|--------------|------------|----------------|
| Other Expenses, net | 19 | 1 | 2,130,000 |
| Interest Expense | 20,044 | (21) | |
| ----- | | | |
| Income Before Income Taxes | (212,584) | (5,913) | (2,124,147) |
| Income Tax Expense | (84,852) | (1,916) | |
| ----- | | | |
| Net Income | \$ (127,732) | \$ (3,997) | \$ (2,124,147) |
| ===== | | | |

RGC RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2002

| ASSETS | RGC Resources | Roanoke Gas Company | Bluefield Gas Company | Highland Propa Compa |
|---|------------------|---------------------------|-----------------------------|----------------------------|
| ----- | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 187 | \$ (320,185) | \$ (130,260) | \$ 159 |
| Accounts Receivable | (12) | 9,280,269 | 1,057,417 | 1,933 |
| Intercompany Accounts Receivable | 1,248,110 | (34,676) | 15,932 | (518) |
| Inventories | | 1,664,687 | 168,354 | 281 |
| Prepaid gas service | | 6,394,186 | 852,095 | |
| Prepaid income taxes | | | | |
| Deferred income taxes | | | | |
| Under-recovery of gas costs | | 319,439 | 386,509 | |
| Unrealized gains on marked-to-market transactions | | | | |
| Other | 31,465 | 572,836 | 63,156 | 353 |
| ----- | | | | |
| Total current assets | 1,279,750 | 17,876,556 | 2,413,203 | 2,209 |
| ----- | | | | |
| Property, Plant And Equipment: | | | | |
| Utility plant in service | | 84,476,740 | 7,326,586 | |
| Accumulated depreciation and amortization | | (34,233,438) | (2,532,976) | |
| ----- | | | | |
| Utility plant in service, net | - | 50,243,302 | 4,793,610 | |
| Construction work in progress | | 1,831,240 | 170,706 | |
| ----- | | | | |
| Utility Plant, Net | - | 52,074,542 | 4,964,316 | |
| ----- | | | | |
| Nonutility property | | | | 20,687 |
| Accumulated depreciation and | | | | |

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|--|--------------|--------------|-------------|----------|
| amortization | | | | (8,231) |
| Nonutility property, net | - | - | - | 12,455 |
| Total property, plant and equipment | - | 52,074,542 | 4,964,316 | 12,455 |
| Investment in Subsidiaries | | 27,678,079 | | |
| Other Assets: | | | | |
| Intangible assets, net of accumulated amortization | | | | 298 |
| Other assets | 61,182 | 637,997 | 5,956 | 14 |
| Total other assets | 61,182 | 637,997 | 5,956 | 312 |
| Total Assets | \$29,019,011 | \$70,589,095 | \$7,383,475 | \$14,978 |

| ASSETS | Highland Heating & Cooling | Application Resources | Eliminations | Co |
|---|----------------------------|-----------------------|--------------|----|
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 1,428 | | \$ 574,904 | \$ |
| Accounts Receivable | 50,119 | | 1,760,868 | |
| Intercompany Accounts Receivable | (931,017) | 46,439 | | |
| Inventories | 1,134 | | | |
| Prepaid gas service | | | | |
| Prepaid income taxes | | | | |
| Deferred income taxes | | | 1,323,677 | |
| Under-recovery of gas costs | | | (589,739) | |
| Unrealized gains on marked-to-market transactions | | | 1,531,050 | |
| Other | 427 | | (1,300) | |
| Total current assets | (877,909) | 46,439 | 4,599,460 | |
| Property, Plant And Equipment | | | | |
| Utility plant in service | | | (1,636,290) | |
| Accumulated depreciation and amortization | - | - | 1,632,305 | (|
| Utility plant in service, net | - | - | (3,985) | |
| Construction work in progress | | | | |
| Utility Plant, Net | - | - | (3,985) | |
| Nonutility property | 142,500 | | (209,764) | |
| Accumulated depreciation and amortization | (8,078) | | 214,192 | |

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|--|--------------|----------|-----------------|
| Nonutility property, net | 134,422 | - | 4,428 |
| Total property, plant and equipment | 134,422 | - | 443 |
| Investment in Subsidiaries | | | (27,678,079) |
| Other Assets: | | | |
| Intangible assets, net of accumulated amortization | | | |
| Other assets | - | - | - |
| Total other assets | - | - | - |
| Total Assets | \$ (743,487) | \$46,439 | \$ (23,078,176) |

RGC RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2002

| LIABILITIES AND STOCKHOLDERS' EQUITY | RGC Resources | Roanoke Gas Company | Bluefield Gas Company | High Pro Com |
|--|---------------|---------------------|-----------------------|--------------|
| Current Liabilities: | | | | |
| Current maturities of long-term debt | | \$1,030,673 | \$1,175,000 | |
| Borrowings under lines of credit | 204,000 | 9,712,000 | 3,134,000 | 2,5 |
| Dividends payable | 562,437 | - | | |
| Accounts payable | 121,843 | 4,606,073 | 463,722 | 6 |
| Income taxes payable | (427,253) | 909,987 | (171,530) | (|
| Customer deposits | | 523,240 | 49,810 | |
| Accrued expenses | 368,086 | 2,588,801 | 290,922 | 5 |
| Refunds from suppliers - due customers | | 42,015 | 760 | |
| Overrecovery of gas costs | | - | | |
| Unrealized losses on marked to market transactions | | | | |
| Total current liabilities | 829,113 | 19,412,789 | 4,942,684 | 3,7 |
| Long-term Debt, Excluding Current Maturities | | 24,044,482 | | 4,2 |
| Deferred Credits: | | | | |
| Deferred income taxes | (84,761) | 2,236,788 | 323,869 | 1,1 |
| Deferred investment tax credits | | 282,646 | 9,588 | |

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| | | | | |
|--|---------------|---------------|--------------|---------|
| Total deferred credits | (84,761) | 2,519,434 | 333,457 | 1,1 |
| Stockholders' Equity: | | | | |
| Common Stock | 9,861,600 | 8,603,965 | 49,704 | 1 |
| Preferred Stock | | | | |
| Capital in excess of par value | 11,529,733 | 7,178,754 | 220,564 | 1,2 |
| Retained earnings | 6,883,326 | 8,829,671 | 1,837,066 | 4,4 |
| Accumulated comprehensive income | | | | |
| <hr/> | | | | |
| Total stockholders' equity | 28,274,659 | 24,612,390 | 2,107,334 | 5,8 |
| Total Liabilities and Stockholders' Equity | \$ 29,019,011 | \$ 70,589,095 | \$ 7,383,475 | \$ 14,9 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

| LIABILITIES AND STOCKHOLDERS' EQUITY | Highland Heating & Cooling | Application Resources | Elimin |
|--|----------------------------|-----------------------|-------------|
| | <hr/> | <hr/> | <hr/> |
| Current Liabilities: | | | |
| Current maturities of long-term debt | | | |
| Borrowings under lines of credit | | | |
| Dividends payable | | | |
| Accounts payable | (2,551) | - | 2,335 |
| Income taxes payable | (64,053) | (2,776) | |
| Customer deposits | 750 | | |
| Accrued expenses | 10,822 | | |
| Refunds from suppliers - due customers | | | |
| Overrecovery of gas costs | | | 761 |
| Unrealized losses on marked to market transactions | | | 213 |
| <hr/> | | | |
| Total current liabilities | (55,032) | (2,776) | 3,310 |
| Long-term Debt, Excluding Current Maturities | | | |
| Deferred Credits: | | | |
| Deferred income taxes | (117,823) | | 1,312 |
| Deferred investment tax credits | | | |
| <hr/> | | | |
| Total deferred credits | (117,823) | - | 1,312 |
| Stockholders' Equity: | | | |
| Common Stock | | | (8,850) |
| Preferred Stock | | | |
| Capital in excess of par value | 903,225 | | (9,516) |
| Retained earnings | (1,473,857) | 49,215 | (9,312) |
| Accumulated comprehensive income | | | (22) |
| <hr/> | | | |
| Total stockholders' equity | (570,632) | 49,215 | (27,701) |
| Total Liabilities and Stockholders' Equity | \$ (743,487) | \$ 46,439 | \$ (23,078) |
| | <hr/> | <hr/> | <hr/> |

EXHIBIT B

Not Applicable.